



Ottawa, August 22, 2013

MEMORANDUM D13-4-1

In Brief

Transaction Value Method of Valuation

The editing revisions made in this memorandum do not affect or change any of the existing policies or procedures.





Ottawa, August 22, 2013

MEMORANDUM D13-4-1

Transaction Value Method of Valuation

This memorandum outlines the method of valuation contained in section 48 of the *Customs Act*.

Legislation

Sections 45 and 48 of the *Customs Act*: <http://laws-lois.justice.gc.ca/eng/acts/C-52.6/index.html>.

GUIDELINES AND GENERAL INFORMATION

Transaction Value Defined

1. The transaction value is determined by ascertaining the price paid or payable for the goods when the goods are sold for export to Canada to a purchaser in Canada, and adjusting the price paid or payable in accordance with subsection 48(5) of the *Customs Act*. Subsection 48(1) identifies three requirements that must be met to apply the transaction value (assuming that the importer has complied with the remaining provisions of section 48). These requirements are:

- (a) the imported goods were sold for export to Canada;
- (b) the purchaser in the sale for export is the purchaser in Canada ; and
- (c) the price paid or payable for the goods can be determined.

Sold for Export to Canada

2. In order to apply section 48, the goods being appraised must be the subject of a sale for export to Canada. The term “sale” will be taken to mean the transfer of ownership of the goods for a monetary consideration. Goods which are not the subject of a sale cannot be valued under section 48.

3. Importers may be required to provide documentation such as invoices and bills of lading, which substantiate that the sale of the goods was a sale for export to Canada.

4. Refer to Memorandum D13-4-2, *Customs Valuation: Sold for Export to Canada*, to determine if a qualified sale has occurred.

Purchaser in Canada

5. In order to apply section 48, the goods being appraised must also be sold to a “purchaser in Canada.” For the purposes of subsection 45(1) of the Act, “purchaser in Canada” means:

- (a) a resident; or
- (b) a person who is not a resident in Canada but who has a permanent establishment in Canada; or
- (c) a person who neither is a resident nor has a permanent establishment in Canada, and who imports the goods, for which the value for duty is being determined:
 - (i) for consumption, use, or enjoyment by the person in Canada, but not for sale; or
 - (ii) for sale by the person in Canada, if, before the purchase of the goods, the person has not entered into an agreement to sell the goods to a resident.

6. It may be necessary to use Memorandum D13-1-3, *Customs Valuation – Purchaser in Canada Regulations*, guidelines and test criteria to determine if the purchaser meets the requirements of the *Customs Act*.

Price Paid or Payable

7. Subsection 45(1) defines “price paid or payable” as the aggregate of all payments made or to be made, directly or indirectly, in respect of the goods by the purchaser to or for the benefit of the vendor.

8. Payment may be made by way of letters of credit or negotiable instruments, and may be made directly or indirectly. The term “price paid or payable” refers to the price for the imported goods. Thus the flow of other payments from the purchaser to the vendor may not relate to the imported goods and may not form part of the value for duty. Refer to Memorandum D13-4-3, *Customs Valuation: Price Paid or Payable* for a consideration of other payments, which form a part of the price paid or payable.

9. Activities undertaken by the purchaser on his own account, other than those for which an adjustment is provided for in paragraph 48(5)(a), are not considered to be an indirect payment to the vendor, even though they might be regarded as a benefit to the vendor. The cost of such activities shall not, therefore, be added to the price paid or payable for the imported goods.

Adjustments: Additions and Deductions

10. Having ascertained the price paid or payable, the next step in determining the transaction value involves making any of the adjustments, described in subsection 48(5), which may be appropriate.

11. To the extent that they are not already included in the price paid or payable, amounts equal to the following are to be added:

- (a) certain commissions and brokerage;
- (b) all packing costs and charges;
- (c) the value of certain goods and services provided free or at a reduced charge by the purchaser for use in the production of the imported goods (assists);
- (d) certain royalties and licence fees;
- (e) the value of any proceeds from the subsequent resale, disposal, or use of the goods which accrue to the vendor; and
- (f) the costs of transportation and associated costs relating to the movement of the goods to and at the place from which the goods were shipped directly to Canada.

12. To the extent that they are already included in the price paid or payable, amounts equal to the following are to be deducted:

- (a) the costs of transportation and associated costs relating to the movement of the goods from the place from which the goods were shipped directly to Canada;
- (b) certain costs, charges, or expenses incurred or arising after importation in respect of the goods being appraised; and
- (c) Canadian duties and taxes.

13. See Memorandum D13-4-7, *Adjustments to the Price Paid or Payable* for detailed addition and deduction allowances.

Limitations on the Use of Transaction Value

14. In order for a transaction value to be accepted as a value for duty, certain requirements must be met. The requirements are set out in subsection 48(1) and pertain to:

- (a) restrictions on the disposition or use of the goods;
- (b) conditions or considerations in respect to the goods, to which the sale or the price is subject;
- (c) proceeds from the subsequent resale, disposal, or use of the goods by the purchaser which accrue to the vendor; and
- (d) the existence of a relationship between the purchaser and the vendor.

15. For more details, see Memorandum D13-4-4, *Limitations on the Use of Transaction Value Method*.

Additional Information

16. For more information, within Canada call the Border Information Service at **1-800-461-9999**. From outside Canada call 204-983-3500 or 506-636-5064. Long distance charges will apply. Agents are available Monday to Friday (08:00 – 16:00 local time/except holidays). TTY is also available within Canada: **1-866-335-3237**.

REFERENCES

ISSUING OFFICE – Trade Programs Directorate	HEADQUARTERS FILE – 79070-4-4
LEGISLATIVE REFERENCES – <i>Customs Act</i>	OTHER REFERENCES – D13-1-3, D13-4-2, D13-4-3, D13-4-4, D13-4-7
SUPERSEDED MEMORANDA “D” – D13-4-1, April 17, 2001	

Services provided by the Canada Border Services Agency
are available in both official languages.

