



Ottawa, August 16, 2013

# MEMORANDUM D13-3-12

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## **In Brief**

### **TREATMENT OF ASSISTS IN THE DETERMINATION OF THE VALUE FOR DUTY**

Memorandum D13-4-8, *Assists (Customs Act, Section 48)*, will be cancelled. Information from the former D13-4-8 is now included in this memorandum.





Ottawa, August 16, 2013

# MEMORANDUM D13-3-12

## TREATMENT OF ASSISTS IN THE DETERMINATION OF THE VALUE FOR DUTY

This memorandum outlines and explains the treatment of the value of goods and services referred to in subparagraph 48(5)(a)(iii) of the *Customs Act* in determining the value for duty of imported goods under different valuation methods.

### Legislation

Sections 48 to 53 of the *Customs Act*: <http://laws-lois.justice.gc.ca/eng/acts/C-52.6/index.html>.

Section 4 of the *Valuation for Duty Regulations*: <http://laws-lois.justice.gc.ca/eng/regulations/SOR-86-792/>.

## GUIDELINES AND GENERAL INFORMATION

### Explanation of Terms

1. The term “assist” does not appear in the *Customs Act* (Act). It is used here to describe any of the goods and services provided directly or indirectly by the purchaser free of charge or at a reduced cost, for use in the production of imported goods outlined in subparagraph 48(5)(a)(iii) of the Act.

### Application

2. Assists may be a consideration in determining the value for duty under sections 48, 51, 52 or 53 of the Act:

(a) Under subparagraph 48(5)(a)(iii), the value of any assist must be included in the transaction value of the goods being appraised when determining the value for duty;

(b) Under paragraph 51(3)(b), sales to a person who has provided an assist in respect of the goods sold cannot be used to determine the price per unit of those goods when applying the deductive value method. Refer to Memorandum D13-7-1, *Deductive Value Method – Determination of the Price per Unit*;

(c) Under subparagraph 52(3)(b) and (c) the value of any of the goods or services identified in subparagraph 48(5)(a)(iii) is to be included in the value for duty determined using the computed value method whether or not they were supplied free, or at a reduced charge. Refer to Memorandum D13-8-1, *Computed Value Method*; and

(d) Under section 53, a value for duty is derived from a flexible application of one of the previous methods of valuation set out in sections 48 to 52. The legislative provisions for assists may be a consideration in a flexible application of sections 48, 51 or 52.

### Determination of the Value of an Assist

3. Section 4 of the *Valuation for Duty Regulations* describes in detail the manner in which the value of each of the various types of assists is to be determined.

### Apportionment of the Value of an Assist

4. Subparagraph 48(5)(a)(iii) requires that the value of an assist be apportioned to the imported goods in a reasonable manner and in accordance with generally accepted accounting principles. For more information, refer to Memorandum D13-3-8, *Generally Accepted Accounting Principles*. Further guidelines regarding the apportionment of each type of assist are given below.

### Materials, Components, Parts and Other Goods Incorporated in or Consumed in the Production of the Imported Goods

5. In the case of assists referred to in clauses 48(5)(a)(iii)(A) and (C) of the Act, the apportionment of the value would usually be based upon the number of components or the quantity of material incorporated in or consumed in the production of the imported goods.

6. For example, a Canadian manufacturer of semi-conductors contracts with a foreign manufacturer to buy electronic equipment for \$100/unit for which the manufacturer supplies, free of charge, the semi-conductors from their Canadian production. The semi-conductors constitute an assist and are valued at \$10 each. Each unit manufactured incorporates three semi-conductors. In this case, \$30 would be added to the price paid or payable of each unit of the finished goods imported into Canada.

**Note:** Any cost to transport the semi-conductors to the place where they are used in the manufacture of the electronic equipment would be included in the value of the assist.

### Tools, Dies, Moulds and Other Goods Utilized in the Production of the Imported Goods

7. Once a value has been determined for the type of assist referred to in clause 48(5)(a)(iii)(B) of the Act, it will be necessary to apportion that value to the imported goods. The value may be apportioned to the first shipment if the importer wishes to account for the entire value of the assist

to the Canada Border Services Agency (CBSA) at one time. The importer may apportion the value over the number of units produced up to the time of the first shipment. The value may also be apportioned over the entire anticipated production if a firm contract exists for the total production.

8. To illustrate the above, a Canadian importer purchases a mould for the production of a plastic toy and arranges for a foreign company to produce 10,000 such toys. The purchaser furnishes the mould free of charge. The value of that mould is \$1,000. By the time the first shipment of 1,000 toys has arrived, the producer has already manufactured 4,000 toys. The importer may apportion the value of the assist over 1,000 units, 4,000 units, or 10,000 units. Under the first example, \$1 would be added to the price paid or payable of each of the 1,000 units and no addition would be made to the remaining 9,000 units. Under the second example, 25 cents would be added to the price paid or payable of each of the 4,000 units and nothing added to the balance of 6,000 units. Taking the third example, 10 cents would be added to the price paid or payable of each of the 10,000 units.

9. The importer should be prepared to furnish documentation to the CBSA, which establishes the appropriateness of the method of their apportionment of an assist and a record of the imported units to which the value of that assist has been apportioned.

**Engineering, Development Work, Art Work, Design Work, Plans and Sketches Undertaken Elsewhere Than in Canada and Necessary for the Production of the Imported Goods**

10. Engineering, development work, art work, design work, plans and sketches, which are undertaken in Canada under clause 48(5)(a)(iii)(D) are not regarded as assists. However, they are regarded as assists in a calculation of value for duty made under section 52 of the Act. Refer to Memorandum D13-3-7, *Engineering, Development Work, etc., Undertaken Elsewhere Than in Canada*.

11. An individual firm's structure and management practice, as well as its accounting methods, may determine the ease with which the values of the elements in this clause may be calculated. For example, in a calculation of value for duty made under section 48, it is possible that a firm, which imports a variety of products from several countries, maintains the records of its design centre outside Canada in such a way as to show accurately the costs attributable to a given product. In such cases, a direct adjustment may be appropriately made under the provisions of subparagraph 48(5)(a)(iii). In another case, a firm may carry the cost of the design centre outside of Canada as a general overhead expense without allocation to specific products. In this instance, an appropriate adjustment could be made under the provisions of subparagraph 48(5)(a)(iii) with respect to the imported goods by apportioning total design centre costs over total production benefiting from the design centre and adding such apportioned cost on a unit basis.

**Additional Information**

12. For more information, call contact the [CBSA Border Information Service](#) (BIS):

Calls within Canada & the United States (toll free):  
**1-800-461-9999**

Calls outside Canada & the United States (long distance charges apply):

1-204-983-3550 or 1-506-636-5064

TTY: **1-866-335-3237**

[Contact Us online](#) (webform)

[Contact Us](#) at the CBSA website

**REFERENCES**

<p><b>ISSUING OFFICE –</b> Trade Programs Directorate</p>	<p><b>HEADQUARTERS FILE –</b> 79070-4-4</p>
<p><b>LEGISLATIVE REFERENCES –</b> <i>Customs Act</i> <i>Valuation for Duty Regulations</i></p>	<p><b>OTHER REFERENCES –</b> D13-3-7, D13-3-8, D13-7-1, D13-8-1</p>
<p><b>SUPERSEDED MEMORANDA “D” –</b> D13-3-12, March 28, 2001 and D13-4-8, March 7, 2001</p>	

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



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