



TaxNewsFlash Canada

Customs Update — Government Launches Tariff Consultations

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This publication highlights three recent trade and customs developments in Canada that may present savings opportunities and help your business manage compliance risks.

Government Starts Consultations on Eliminating Tariffs for Food Manufacturers

Canadian manufacturers of food products may realize savings following government consultations to consider eliminating Most Favoured Nation (MFN) duty rates on certain tariff items for goods used in agri-food processing. These consultations follow the government's 2016 federal budget announcement that it would review tariffs on certain manufacturing inputs that attract import duty. Interested parties can submit their views on the proposed MFN tariff elimination in writing by June 21, 2016.

According to the government, eliminating tariffs on these proposed goods will reduce production costs for Canadian industry and enhance competitiveness. The government says it may also consider other tariff items not already identified for further tariff elimination initiatives to assist Canadian Industry.

Export Reporting Voluntary Disclosure Moratorium Ends June 1, 2016

The CBSA has granted a grace period until June 1, 2016 to allow exporters to make a voluntary disclosure if they have not reported exports of goods that are transshipped through the United States. Following this grace period, the CBSA will conduct audits of companies to determine if export reporting requirements have been met. The grace period was announced in Customs Notice 15-035, *Voluntary Disclosure of Unreported Goods Transiting Through the United States to a Subsequent Country*.

Although exporters are generally not required to report exports to the United States, they are required to report goods that are shipped through the United States to other countries, such as Mexico.

Companies that failed to report such exports and have not filed a valid voluntary disclosure may be subject to Administrative Monetary Penalties (AMPS). Unlike certain other AMPS penalties, there is no limit to penalties that a company may face that result from an audit of export reporting. In addition, the audit period can cover four years.

For a summary on who is required to report exports and what exports are required to be reported, please refer to the *Canadian Tax Adviser* article "[Canadian Exporters – Is Your Documentation in Ship Shape](#)".

Canada Phasing out Duty on Technology Tariffs

Canada will phase out import duty on certain technology products starting July 1, 2016, following recent changes to the World Trade Organization's (WTO) Information technology Agreement (ITA). In late 2015, the ITA was expanded for Canada and 53 other member countries to include new technologies that did not exist when the original ITA was completed in 1996, so that these technologies can also benefit from the reduced tariffs set out in the ITA.

While many of the items covered by the agreement are currently duty-free in Canada, the range of products for which duty will be phased out includes:

- Headphones
- Speakers
- Printing and photographic plates
- Storage devices, such as USB keys and discs
- Satellites.

Canada's duty phase-out period will extend through to July 1, 2019.

KPMG observations

Canadian manufacturers of technology products that currently attract duty in various countries will have greater access to global markets as a result of this change. Canadian importers will also benefit by realizing duty savings on imported goods, which were previously subject to import duty in Canada.

Companies selling technology products internationally should be aware that certain technology based products may be subject to export controls and ensure that proper controls are in place to meet any applicable export requirements.

We can help

KPMG can help you assess how these changes may affect your business and point out ways to take advantage of their benefits or ease their impact. We can also help you keep abreast of the progress of the consultations. For more information, please contact your KPMG adviser or [Angelos Xilinas](#) or [Bob Sacco](#) with the KPMG Trade and Customs Practice.

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