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Tax Alert – Canada

Canada amends the *Schedule to the Customs Tariff* to correct technical errors affecting tariff items under the CPTPP preferential tariff

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On 7 August 2019, the Government of Canada made an *Order Amending the Schedule to the Customs Tariff (CPTPP)* to correct errors in the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Due to an error with the transposition of Canada's tariff commitments under the CPTPP, 15 tariff items in the Schedule were assigned the incorrect staging category for the CPTPP preferential tariffs in domestic legislation. As a result, upon entry into force of the CPTPP, 14 of those tariff items were incorrectly granted duty-free status and one tariff item was made subject to a gradual phase-out of customs duties when it should have been duty-free upon entry into force of the CPTPP.¹

Background

The CPTPP entered into force on 30 December 2018 between Canada, Australia, Japan, Mexico, New Zealand and Singapore; on 14 January 2019, the CPTPP entered into force for Vietnam. Canada's tariff commitments under the agreement were negotiated according to Canada's tariff classification nomenclature as at 1 January 2010. The implementation of free trade agreements in Canadian law requires that tariff commitments be transposed onto the tariff nomenclature in effect at the time of domestic implementation of the free trade agreement (i.e. 30 December 2018 in this case).²

¹ Explanatory Note to SOR/2019-292

² Explanatory Note to SOR/2019-292

Impact

The goods affected by the error are hybrid-powertrain and solely-battery-electric powertrain passenger automobiles, buses, certain textile floor coverings, and miscellaneous rubber tires. To correct the error in transposing the CPTPP tariff commitments, the Government of Canada amended the Schedule by making the *Order Amending the Schedule to the Customs Tariff (CPTPP)* (the Order). The Order, which came into force on 8 August 2019, amends the staging categories for CPTPP preferential tariffs for the affected tariff items to properly reflect Canada’s tariff commitments under the CPTPP. The revised tariff will only apply after the date of entry into force of the Order. Any affected goods that were in transit to Canada as of the date the Order came into effect will still benefit from duty-free treatment upon importation into Canada.³ As a result of the Order, the affected tariff items will generally see an increase in their respective duty rates. Affected importers are advised to review their import data to analyze the impact these changes will have on the cost of importing these goods into Canada.

In addition, the *CPTPP Remission Order* entered into force on 8 August 2019. The remission order remits customs duties paid on importations, made under CPTPP preferential tariff treatment, of miscellaneous rubber tires between 30 December 2018 and the date of entry into force of the remission order, as these goods were incorrectly subject to a 3% duty rate. Importers may file a claim for remission within two years after the date of importation of the goods.

ANNEX - Tariff items of the *Schedule to the Customs Tariff* amended per the *Order Amending the Schedule to the Customs Tariff (CPTPP)*.

Tariff item	Description	Duty rate
4011.90.90	Miscellaneous rubber tires	Free
5704.20.00	Tiles of felt, not tufted or flocked, whether or not made up, having a maximum surface exceeding 0.3 m squared but not exceeding 1 m squared	8.00%
8702.20.10	Motor vehicles with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion for the transport of 16 or more persons, including the driver	4.90%
8702.20.20	Motor vehicles with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, for the transport of 10 to 15 persons, including the driver	4.90%
8702.30.10	Motor vehicles, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, for the transport of 16 or more persons, including the driver	4.90%
8702.30.20	Motor vehicles, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, for the transport of 10 to 15 persons, including the driver	4.90%

³ SOR/2019-292.

Tariff item	Description	Duty rate
8702.40.10	Motor vehicles, with only electric motor for propulsion, for the transport of 16 or more persons, including the driver	4.90%
8702.40.20	Motor vehicles, with only electric motor for propulsion, for the transport of 10 to 15 persons, including the driver	4.90%
8703.40.10	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars; other vehicles, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power; of a cylinder capacity not exceeding 1,000 cc	5.00%
8703.40.90	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars; other vehicles, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power; other	5.00%
8703.50.00	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars; other vehicles, with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power	5.00%
8703.60.10	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars; other vehicles, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power; of a cylinder capacity not exceeding 1,000 cc	5.00%
8703.60.90	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars; other vehicles, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power; other	5.00%
8703.70.00	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars; other vehicles, with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power	5.00%
8703.80.00	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars; other vehicles, with only electric motor for propulsion	5.00%

Learn more

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