

Canadian Manufacturers in the Agri-Food Section Have an Opportunity to Eliminate Customs Duties

April 25, 2016

On April 22, 2016, the Federal Government of Canada (in particular, the Department of Finance) [launched public consultations](#) on the elimination of unrecoverable customs duties (MFN rate) payable on imported manufacturing ingredients by manufacturers in the agri-food sector. The consultation were first announced in the 2016 Federal Budget. The submissions are due on or before **June 21, 2016**.

What this means is that Canadian manufacturers (including foreign companies with a manufacturing operation in Canada) may make written submissions to the Department of Finance to request the elimination of customs duties (MFN rate) on imported food manufacturing inputs. Customs duties are an unrecoverable cost of the manufacturer. The elimination of the duties will reduce the cost of production and cause the manufacturer to be more competitive in Canada and in international markets. In addition, food costs for Canadian consumers of processed food products will be reduced as the manufacturer can charge less for the processed foods (if made with some imported food ingredients).

The Government of Canada proposed to reduce to “Free” the MFN rates of customs duty of tariff items listed in [Table 1](#) (which also appears after the page break in this blog post). Some of the food inputs listed in Table 1 include certain edible vegetables, roots and tubulars; certain edible fruits and nuts; certain spices; certain cereals and grains; certain products used in the milling industry; certain flours, malts, starches and wheat gluten; certain flours milled from seeds; certain animal or vegetable fats and oils; etc. However, the Department of Finance would like input from the food processors who import these goods before they will make the decision to eliminate the duties.

In addition, the Department of Finance will also accept views on other tariff items that could be considered in the context of possible further tariff elimination initiatives designed to assist Canadian industry. For example, corn is not listed in Table 1 and is imported into Canada for further manufacturing in the agri-food sector (e.g., into corn syrup).

The submissions must include, at a minimum, the following information:

1. Canadian company/industry association name, address, telephone number, and contact person.
2. Relevant eight-digit tariff item(s) and description of the goods of particular interest.
3. Reasons for the expressed support for, or concern with, the proposed tariff elimination, including detailed information substantiating any expected beneficial or adverse impact.
4. If concern is expressed with respect to the proposed tariff elimination for one or more eight-digit tariff item(s), please provide views on ways to alleviate such concerns (e.g. limiting tariff elimination to certain end uses, gradual tariff elimination over a longer time period).
5. Please identify if information provided in the submissions is commercially sensitive.

If submissions are prepared for an item not listed in Table 1, the submissions should demonstrate the benefit to Canada for the elimination. Any company that will increase Canadian jobs by hiring more workers or building another plant should consider make those benefits known in the submissions.

If the submissions are accepted and the tariffs are eliminated on the food processing inputs, the Canada Border Services Agency will no longer collect unrecoverable customs duties in respect of the goods. Any applicable goods and services tax (“GST”) would still be payable, but would be recoverable if the manufactured goods are taxable or zero-rated.

We would be pleased to assist Canadian manufacturers or foreign manufacturers with Canadian food processing operations (existing or proposed) to prepare their submissions. This is an opportunity that has a small window and long term benefits.

1. TABLE 1

2. PROPOSED ELIMINATION OF MOST-FAVOURED-NATION RATES OF CUSTOMS DUTY

Tariff item	Current MFN rate	Proposed MFN rate
0702.00.11	1.41¢/kg but not less than 9.5%	Free
0702.00.19	1.41¢/kg but not less than 9.5%	Free
0703.10.21	2.12¢/kg but not less than 9.5%	Free
0704.90.10	2.12¢/kg but not less than 6%	Free
0706.90.10	1.41¢/kg but not less than 12.5%	Free
0707.00.10	1.41¢/kg but not less than 6%	Free
0708.10.10	1.41¢/kg but not less than 6%	Free
0708.20.10	1.41¢/kg but not less than 6%	Free
0709.20.10	5.51¢/kg but not less than 7.5%	Free
0709.51.10	8.43¢/kg but not less than 8.5%	Free
0709.59.10	8.43¢/kg but not less than 8.5%	Free
0710.10.00	6%	Free
0710.21.00	9.5%	Free
0710.22.00	9.5%	Free
0710.29.90	9.5%	Free
0710.40.00	9.5%	Free
0710.80.10	19%	Free
0710.80.20	12.5%	Free
0710.80.30	12.5%	Free
0710.80.40	11%	Free
0710.80.90	9.5%	Free
0710.90.00	12.5%	Free
0711.40.90	10.5%	Free
0711.51.00	8%	Free
0711.59.00	8%	Free
0711.90.90	8%	Free

0712.20.00	6%	Free
0712.31.00	6%	Free
0712.90.20	6%	Free
0712.90.90	6%	Free
0713.33.99	2%	Free
0713.34.00	2%	Free
0713.35.00	2%	Free
0713.39.90	2%	Free
0713.50.90	2%	Free
0714.30.10	9.5%	Free
0714.40.10	9.5%	Free
0714.50.10	9.5%	Free
0714.90.10	9.5%	Free
0808.30.10	2.12¢/kg but not less than 8%	Free
0809.10.10	2.12¢/kg but not less than 8%	Free
0809.29.10	5.64¢/kg but not less than 8%	Free
0809.30.10	2.82¢/kg but not less than 8%	Free
0809.40.10	1.06¢/kg but not less than 8%	Free
0810.10.10	5.62¢/kg but not less than 8.5%	Free
0811.10.10	5.62¢/kg but not less than 8.5%	Free
0812.10.90	9.37¢/kg but not less than 10.5%	Free
0812.90.20	9.37¢/kg but not less than 14.5%	Free
0812.90.90	6%	Free
0813.30.00	6%	Free
0904.12.00	3%	Free
0904.22.90	3%	Free
0906.20.00	3%	Free
0907.20.00	3%	Free
0908.12.00	3%	Free
0908.22.00	3%	Free
0908.32.00	3%	Free
0909.22.00	3%	Free
0909.32.00	3%	Free
0909.62.00	3%	Free
0910.12.00	3%	Free
0910.91.92	3%	Free
0910.99.90	3%	Free
1001.19.10	\$1.90/tonne	Free
1001.99.10	\$1.90/tonne	Free
1003.10.11	\$0.99/tonne	Free
1003.90.11	\$0.99/tonne	Free
1003.90.91	\$0.99/tonne	Free
1101.00.10	\$2.42/tonne	Free
1102.20.00	6%	Free
1102.90.11	4%	Free
1102.90.90	6%	Free

1103.11.10	\$2.42/tonne	Free
1103.19.11	3%	Free
1103.20.11	3.5%	Free
1103.20.21	3.5%	Free
1103.20.90	5%	Free
1104.19.11	3.5%	Free
1104.19.21	4%	Free
1104.19.90	5%	Free
1104.22.00	5%	Free
1104.23.00	5%	Free
1104.29.11	3.5%	Free
1104.29.21	4%	Free
1104.29.90	5%	Free
1104.30.11	3.5%	Free
1104.30.90	5%	Free
1105.10.00	10.5%	Free
1105.20.00	8.5%	Free
1106.10.90	6%	Free
1107.10.11	0.31¢/kg	Free
1107.10.91	0.47¢/kg	Free
1107.20.11	0.31¢/kg	Free
1108.11.10	0.95¢/kg	Free
1108.13.00	10.5%	Free
1108.19.11	0.83¢/kg	Free
1108.19.90	1.24¢/kg	Free
1108.20.00	6.5%	Free
1109.00.10	7.5%	Free
1208.10.10	6%	Free
1208.90.10	6%	Free
1212.99.20	6.5%	Free
1502.10.00	2.5%	Free
1502.90.00	2.5%	Free
1503.00.00	7.5%	Free
1504.20.90	4.5%	Free
1504.30.00	6.5%	Free
1506.00.00	7%	Free
1507.10.00	4.5%	Free
1507.90.90	9.5%	Free
1508.10.00	4.5%	Free
1508.90.00	9.5%	Free
1511.10.00	6%	Free
1511.90.90	11%	Free
1512.11.00	4.5%	Free
1512.19.10	9.5%	Free
1512.19.20	11%	Free
1512.21.00	4.5%	Free
1512.29.00	9.5%	Free

1513.11.00 6%	Free
1513.19.90 11%	Free
1513.21.00 6%	Free
1513.29.90 11%	Free
1514.11.00 6%	Free
1514.19.00 11%	Free
1514.91.00 6%	Free
1514.99.00 11%	Free
1515.11.00 4.5%	Free
1515.19.00 8%	Free
1515.21.00 4.5%	Free
1515.29.00 9.5%	Free
1515.50.10 6%	Free
1515.50.90 11%	Free
1515.90.91 6%	Free
1515.90.99 11%	Free
1516.10.10 11%	Free
1516.10.90 11%	Free
1516.20.90 11%	Free
1518.00.10 4.5%	Free
1518.00.90 8%	Free
1603.00.11 6%	Free
1603.00.19 6%	Free
1701.12.90 \$24.69/tonne	Free
1701.13.90 \$22.05/tonne	Free
1805.00.006%	Free
1806.10.10 6%	Free
1806.10.90 6%	Free
1806.20.906%	Free
1901.20.13 4%	Free
1901.20.23 3%	Free
1901.20.29 4.5%	Free
1901.90.11 8.5%	Free
1901.90.20 4.5%	Free
1901.90.39 9.5%	Free
1901.90.40 9.5%	Free
1901.90.59 9.5%	Free
1902.40.20 4.5 %	Free
1905.90.34 3%	Free
1905.90.72 4.5%	Free
2102.10.20 6%	Free
2102.30.003%	Free
2106.10.00 11%	Free
2106.90.29 6%	Free
2106.90.91 10.5%	Free
2106.90.92 10.5%	Free

2106.90.96	\$0.70/litre plus 19%	Free
2106.90.98	10.5%	Free
2106.90.99	10.5%	Free
2207.10.10	12.28¢/litre of absolute ethyl alcohol	Free
2207.10.90	4.92¢/litre of absolute ethyl alcohol	Free
2207.20.19	12.28¢/litre of absolute ethyl alcohol	Free
2207.20.90	6.5%	Free
2208.90.21	12.28¢/litre of absolute ethyl alcohol	Free
2209.00.00	9.5%	Free
3301.19.90	3%	Free
3301.24.00	3%	Free
3502.90.00	6.5%	Free
3503.00.90	8%	Free
3504.00.90	6.5%	Free

- Note 1

Given the multiple-use nature of most goods classified in Chapter 20 (e.g. retail or production input), the proposed tariff elimination would be limited to goods used in the manufacture of food products or beverages. Current MFN rates would continue to apply to imports of goods classified in Chapter 20 used for purposes other than the manufacture of food products or beverages.



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