

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Canada

Proposed Parliamentary Action Negatively Impacts United States Cheese Containing Food Preparation Exports

Report Categories:

Trade Policy Monitoring

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Report Highlights:

On November 22, 2013, proposed taxation legislation was introduced into the Canadian Parliament that has negatively impacted U.S. exports of cheese-containing food preparations to Canada. The proposed legislations will dramatically alter the manner in which tariffs on affected cheese-containing food preparations in Chapter 16 of the Canadian Customs Tariffs are administered, effectively ending some of the substantive trade that was occurring in that chapter. As of December 10, 2013, the proposed legislation had several steps left to complete. However, a retroactive enforcement date of November 29, 2013 has been issued, effectively stopping affected trade, even before the legislative changes are complete.

**Proposed Canadian Parliamentary Action Negatively Impacts
U.S. Exports of Cheese-Containing Food Preparations**

On November 22, 2013, Canada introduced taxation legislation into the Canadian Parliament that fundamentally alters the manner in which tariffs on certain products in the Canadian Customs Tariff chapter 16 will be administered. This proposed change has significantly disrupted the trade under 1601.00.90 (meat based food preparations). This development was in the form of a Ways and Means Motion that added a second supplementary note to Chapter 16, with an effective date of November 29, 2013.

The additional supplementary note reads:

"Where the components of food preparations of a type used commercially in the preparation of fresh food products for direct sale to a consumer include cheese, those components are to be classified separately, in their respective headings, regardless of their packaging." **[Pending formal legislative changes to reflect the Notice of Ways and Means Motion tabled in the House of Commons on November 22, 2013.]**

This means that for products coming in under chapter 16 of the Canadian customs tariff which meet these criteria, the cheese component will be subject to a tariff rate of **246%**, whereas previously a tariff rate of 0% was applied for goods coming from the United States.

As of December 10, 2013, the taxation legislation had yet to pass several steps before completing the formal legislative changes. **However**, importers must be cautious, as the effective date of this taxation will be **retroactive** to the date of November 29th, 2013. This is to say, that once the legislation has become law, any imports in chapter 16 subject to the supplementary note that have come into Canada since November 29, 2013, will have the cheese component of the food preparation be subject to the tariff of 246%.

The Customs notice of the amendment to the customs tariff schedule can be found at the following URL address: <http://www.cbsa.gc.ca/publications/cn-ad/cn13-021-eng.html>

Chapter 16 Supplementary Notes can be found at the following URL address:
<http://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/2013/html/04/ch16-eng.html>

Importers wishing to verify how their products may be treated due to this change can ask for an advanced tariff ruling. Information on this process can be found at the following URL address:
<http://www.cbsa-asfc.gc.ca/publications/dm-md/d11/d11-11-3-eng.html>

