



## RESPONSE TO PETITION

Prepare in English and French marking 'Original Text' or 'Translation'

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PETITION No.: **421-00799**

BY: **Ms. SIDHU (BRAMPTON SOUTH)**

DATE: **OCTOBER 24, 2016**

PRINT NAME OF SIGNATORY: **MR. CHAMPAGNE**

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Response by the Minister of Finance

SIGNATURE

Minister or Parliamentary Secretary

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SUBJECT

**E-Commerce**

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**ORIGINAL TEXT**

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**REPLY**

Canada is a trading nation, and we believe in keeping goods moving. While the Government is strongly supportive of streamlining customs processing and importation requirements, when it comes to waiving duties and taxes, it is important to carefully consider the impacts on Canadians and on Canadian businesses, as well as economic, fiscal, and administrative considerations for both the federal and provincial governments.

Under Canada's "*de minimis*" threshold, importations of goods valued at \$20 or less and sent to a person by mail or courier are not subject to the Goods and Services Tax/Harmonized Sales Tax (GST/HST) or customs duties. The threshold of \$20 is set at a level intended to reduce the administrative burden for customs officials without creating competitive inequity for Canadian retailers, who must pay all applicable customs duties and taxes on goods they import for sale, and collect federal and provincial sales taxes on the products they sell in Canada, regardless of value.

The contexts of various countries' thresholds also differ. For example, the United States has no federal sales tax and does not collect state-level taxes at its borders. The U.S. *de minimis* threshold of US\$800 therefore waives only customs duties, not sales taxes. In contrast, Canada's *de minimis* threshold waives customs duties and the GST/HST, as well as provincial sales taxes applicable to imported goods. The European Union threshold for its value-added tax (VAT) varies by member states between €10 and €22 – although certain individual member states (e.g., France) exclude mail orders from the VAT exemption – while it is €150 for

customs duties for all member states. Australia's current threshold is A\$1000 but the Australian government has recently announced that it will materially limit its VAT/GST relief for low-value imports by requiring non-resident vendors to collect the Australian GST on low-value goods sold and delivered to Australian consumers as of mid-2017.

The *de minimis* threshold is distinct from exemptions afforded to travellers. Travellers' exemptions apply to Canadian residents returning from aboard after an absence of 24-hours or more, with limits varying according to time spent out of the country, and allow travellers to be processed more quickly at the border. Travellers' exemptions are set at levels intended to reduce the administrative burden at the border and facilitate the processing of Canadian residents who made incidental purchases during their time abroad, while minimizing competitive inequities for Canadian businesses.

The Government is working to facilitate trade and streamline administrative burdens, and has undertaken concrete actions to facilitate low value shipments. In 2013, as part of the Beyond the Border Initiative, Canada and the U.S. harmonized processes to expedite the customs administration of low value shipments and waived the requirement for a certificate of origin for such shipments to benefit from preferential tariffs under the North American Free Trade Agreement. Furthermore, in 2011, three generic tariff classifications were introduced in the *Customs Tariff* to facilitate the processing of low value non-commercial imports arriving by post or by courier.

The *de minimis* threshold is an issue that the Government is aware of and continues to assess, listening to all points of view from interested stakeholders.