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Details on Government Announcement regarding Textile Tariffs

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The following is provided courtesy of the Canadian Apparel Federation, of which Russell A. Farrow Limited is a member.

On December 14, 2004 the Minister of Finance Ralph Goodale announced major changes to Canada's textile tariff policy. This newsletter will explain how some of the changes announced on the 14th will be implemented, and provide guidance for firms importing textiles for the use in apparel production.

The announcement made on December 14th indicated that the Government of Canada will:

Eliminate tariffs on fibre and yarn imports (worth up to \$15 million per year) and on imports of textile inputs used by the apparel industry (worth up to \$75 million per year), effective January 1, 2005.

It also indicated that:

To help ensure tariff relief does not adversely affect current domestic production, tariffs will remain on imports of fibres, yarns and textiles also produced in Canada. The Minister of Finance will ask the [Canadian International Trade Tribunal](#) (CITT), an independent body responsible for providing advice on economic- and tariff-related matters, to consult with the textile industry to identify textile products currently produced in Canada.

Once this consultation is complete and final decisions are implemented, importers will be able to request a refund of duties paid since January 1, 2005, on imports of fibre, yarn and textile products that are not currently manufactured in Canada.

Report to be issued by June, 2005

The Government has now provided terms of reference to the [CITT](#), and it will soon commence the Inquiry. Even though customs duties will be eliminated effective January 1, 2005 on fabrics not made in Canada, importers of fabrics for apparel manufacturing will still have to pay customs duties on all currently dutiable imported fabrics until final determinations are made concerning domestic production. This is because the customs duty elimination will not actually be implemented until the CITT provides its report to the Minister of Finance on what fabrics are made in Canada and will therefore remain subject to customs duties. That report will be tabled in June.

While the December 14, 2004 announcement is a landmark, there remains considerable work to ensure that the CITT inquiry and its subsequent report accurately reflect the needs of apparel manufacturers.

For companies that import fibres or yarns there is no end-use requirement – all fibres and yarns not made in Canada will be duty free, once the report has been implemented.

Regarding fabrics used in apparel production, some CAF members have questioned the scope of the new CITT Inquiry, and specifically whether individual firms would make submissions in order to have fabrics considered for duty elimination. Please note that there are no limitations on the fabrics under consideration, and more importantly the burden of proof rests with textile producers. Unless they can demonstrate production of textiles for apparel end-uses, duties will be eliminated.



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CAF will be monitoring the entire process, and companies are urged to work closely with the association to ensure that we present a clear case for the broadest tariff relief on all textiles under review. We will review producer questionnaires and consult with members that import those textiles.

Once the CITT report is issued and the Minister of Finance implements the tariff cuts, importers will be able to obtain a refund of all duties paid since January 1, 2005 on the fabrics that become duty free—essentially, all fabrics not currently made by Canadian textile manufacturers.

The refunds will be paid by the Canada Border Services Agency ("CBSA"), and will abide by the regular customs duties refund rules (refunds will only be paid to importers of record who actually paid the duties and, in this case, who can establish that they imported the fabrics for use in the manufacture of apparel in Canada.)

Apparel manufacturers who import directly should keep detailed records of their imports and duties paid, and also make appropriate arrangements with their customs brokers in order to expedite their refund claims when they become available sometime later in 2005.

If you purchase fabric from a distributor you should ensure that any duty savings realized at a later date are passed along to you. Apparel manufacturers who do not import directly should make arrangements, including possible contractual arrangements, as soon as possible with their fabric suppliers to ensure that they will be able to obtain the refunds when they become available later in 2005. For more information or to be involved in CAF's submissions to the Inquiry, please contact: Bob Kirke at bkirke@apparel.ca, 1-800-661-1187, ext. 224