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## US Pressures on Canadian Customs Exemptions

A US Senate resolution of September 18, 2003 (s. Res. 119) calls on the US administration to discuss with its NAFTA partners, Canada and Mexico, ways to harmonize their personal exemption allowances for customs purposes at or above the current US level.

The personal exemption allowance is the value of goods that Canadians are permitted to import duty- (and GST-) free when returning from trips abroad. The current Canadian exemptions are (1) for a visit abroad of a minimum duration of 24 hours, \$50; (2) for 48 hours, \$200; and (3) for 7 days, \$750. (Under the 24-hour rule, if more than \$50 worth of goods is imported, the entire amount is subject to duties and taxes.) Tobacco is not included, but alcohol is. The US Senate resolution aims to pressure Canada and Mexico to raise their personal exemption allowances to US levels and ultimately to harmonize their systems. US personal exemptions are currently US\$800 for a trip lasting over 48 hours and US\$200 otherwise.

The issue is of particular importance for Canadian and American border-state businesses, but all Canadians have a vested interest in the outcome. An increase may be timely in Canada, where the last major change to exemptions occurred in 1995. But Mexico may set up roadblocks because it offers even smaller exemptions than Canada and imposes different rules for residents returning by car or airplane. The different exemptions and approaches undoubtedly do ultimately act as trade barriers and are therefore a legitimate target for NAFTA action.

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