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# Tax Alert – Canada

**Canada's updates to developing-country tariff preference programs and direct shipment requirements come into force in 2025**

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 1 January 2025, updates to the General Preferential Tariff (GPT), the Least Developed Country Tariff (LDCT) and the Commonwealth Caribbean Countries Tariff (CCCT) programs will come into effect. In addition, legislative authority for the new General Preferential Tariff Plus (GPTP) program will come into force. Details with respect to the new GPTP program are expected to be released at a later time. These updates, which are summarized below, are intended to enhance access and use of Canada's non-reciprocal tariff preference programs for Canadian importers and developing country partners.

## Background

Under the *Budget Implementation Act, 2023, No. 1*, which received Royal Assent on 22 June 2023, legislative authority for Canada's GPT and LDCT programs was renewed to 31 December 2034 and the new GPTP program was created.<sup>1</sup>

The GPTP is a new program that aims to provide expanded tariff preferences beyond GPT benefits to those GPT beneficiaries that adhere to certain international standards and work to improve conditions related to human rights, labour rights and sustainable development, including environmental protection. Details of the program will be developed over time.<sup>2</sup>

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<sup>1</sup> For more information on *Budget Implementation Act, 2023, No. 1*, see [EY Tax Alert 2023 Issue No. 27](#). The CCCT program does not expire in the legislation.

<sup>2</sup> [Canada's unilateral tariff preference programs for imports from developing countries - Canada.ca](#).

## Eligibility changes to the GPT program

The following countries will no longer be eligible for GPT treatment: Armenia, Belize, British Virgin Islands, Fiji, Georgia, Guatemala, Guyana, Iraq, Marshall Islands, Moldova, Nauru, Paraguay, Tonga, Turkmenistan, Tuvalu and Vietnam.

- ▶ Goods in transit to Canada that originate from these countries and claim GPT treatment before 1 January 2025 will remain eligible for GPT treatment.

Lebanon and Tunisia will be reinstated and eligible for the GPT program.<sup>3</sup>

## Eligibility changes to the LDCT program

The following countries will no longer be eligible for LDCT treatment: Cape Verde, Samoa, Tuvalu and Vanuatu.

- ▶ Goods in transit to Canada before 1 January 2025 that originate from these countries will remain eligible for the LDCT.<sup>4</sup>

## Expansion of duty-free treatment under the CCCT program

Duty-free treatment under the CCCT program will be expanded to cover all textiles, apparel and made-up textile articles in Chapters 50-63 of the Harmonized System.<sup>5</sup>

## Rules of origin changes

Changes to the GPT, LDCT and CCCT programs will liberalize and harmonize rules of origin for apparel products by allowing the cutting and sewing of fabrics in developing and least developed countries to confer origin on the final apparel product, regardless of the origin of the fabric.<sup>6</sup>

## Updated shipping requirements

Direct shipment and transshipment requirements set out in sections 17 and 18 of the *Customs Tariff* are replaced to permit these requirements to be set out in the regulations.<sup>7</sup>

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<sup>3</sup> [Canada Gazette, Part II, Volume 157, Number 22: General Preferential Tariff Withdrawal and Extension \(2023 GPT Review\) Order: SOR/2023-207.](#)

<sup>4</sup> [Canada Gazette, Part II, Volume 157, Number 22: Least Developed Country Tariff Withdrawal \(2023 LDCT Review\) Order: SOR/2023-208.](#)

<sup>5</sup> [Canada's unilateral tariff preference programs for imports from developing countries - Canada.ca.](#)

<sup>6</sup> [Canada Gazette, Part II, Volume 157, Number 22: Regulations Amending the Commonwealth Caribbean Countries Tariff Rules of Origin Regulations: SOR/2023-211.](#)

<sup>7</sup> [Budget Implementation Act, 2023, No. 1.](#)

The new direct shipment regulations expand acceptable proof of direct shipment documents beyond a through bill of lading and remove the six-month storage limit in intermediary countries.<sup>8</sup> These changes should allow for easier access to Canada's trade programs.

## Next steps

Importers and other stakeholders should review these changes and assess their impact on operations.

Of note, the changes to the CCCT and the rules of origin with respect to apparel products will open up opportunities for importers to benefit from duty savings on goods previously subject to higher duty rates under Most-Favoured Nation tariff treatment.

## Learn more

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<sup>8</sup> [Canada Gazette, Part II, Volume 157, Number 22: Direct Shipment \(Most-Favoured-Nation Tariff, General Preferential Tariff, General Preferential Tariff Plus, Least Developed Country Tariff, Commonwealth Caribbean Countries Tariff, Australia Tariff and New Zealand Tariff\) Regulations: SOR/2023-212; Canada Gazette, Part II, Volume 157, Number 22: Order Fixing January 1, 2025 as the Day on Which Section 229 of the Budget Implementation Act, 2023, No. 1 Comes into Force: SI/2023-64.](#)

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