

**Canada's Customs Duty and War Exchange Tax
on Periodical Publications
and Printed Advertising Matter
– Part 3: Periodical Publications –
by Christopher D. Ryan**

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Reprinted from *Canadian Revenue Newsletter* N° 37, August 2001
ISSN 1488-5255

**CANADA'S CUSTOMS DUTY AND WAR EXCHANGE TAX
ON PERIODICAL PUBLICATIONS AND PRINTED ADVERTISING MATTER
— Part 3: Periodical Publications —
Christopher D. Ryan**

An intention to impose a customs duty on magazines and similar periodical publications was announced in the Federal budget of June 1st, 1931.[50] The planned duty of 15-cents per pound under the General Tariff was the subject of many protests. In response, the duty was modified prior to its implementation as follows, taking effect on September 1st, 1931, and lasting through December 31st, 1935:

British Preferential and Most-Favoured-Nation (Intermediate) Tariffs

- All periodical publications (newspapers, magazines, etc): Free

General Tariff

- Newspapers: Free
- Magazines subject in their country of origin to additional postal fees based on distance carried and amount of advertising content;
 - containing over 20%, up to 30% advertising: 2 cents per copy
 - containing over 30% advertising: 5 cents per copy
- Periodical publications and portions of newspapers consisting primarily of fiction, feature stories or comics:
 - 15 cents per pound, but not less than 15 cents per copy
- Exempt from the duty were magazines that met one of the following criteria:
 - contained 20% or less advertising content,
 - published in a language other than English or French,
 - issued by, or on behalf of, religious, educational, labour, scientific, philanthropic, agricultural, fraternal and other not-for-profit organizations.
- Individual subscriptions taken on or before June 2nd, 1931, were exempt until April 1st, 1932. [51, 52]

The net effect of the tariff provisions was to limit the new duty to magazines and other, non-newspaper periodicals from the United States of America. This situation is reflected in the applicable Departmental regulations and instructions, which referred exclusively to the importations from the United States.[53, 54]

The 2 and 5-cent rates were intended to tax the advertising content

of the publications, which had previously escaped the duty on printed advertising matter. The 15-cent rate applied mainly to comic-books and 'pulp-fiction' publications. The latter rate was intended to discourage the importation of such publications. An additional, overall motive for the duty was to provide some protection for the Canadian magazine industry.[51]

The duty on periodical publications shipped in quantity by rail, freight or express companies was to be paid at the customs port-of-entry in the same manner as other goods, without the use of revenue stamps. The duty on periodicals sent into Canada by mail to individual subscribers or dealers was to be prepaid by the customs duty revenue stamps. Regulations required that dutiable periodicals mailed as single copies were to be individually stamped on their outer wrapper. For multiple copies contained within a single postal-parcel and destined for a single addressee, sufficient duty stamps were to be affixed to the outer covering to pay the total amount owing.[53]

Figure 27 below illustrates a magazine wrapper mailed at Portland, Maine. The 5-cent duty stamp shown in the inset is customs date-marked January 1933. The 1-cent postage stamp paid the rate for periodicals of 4 ounces or less.[44] Figure 28 on page 4 illustrates a cut-down cover-slip from a postal-package that once held four copies of *Time* magazine. The block of the 5-cent duty stamps is customs date-marked September 14th, 1934. To the left of the stamps is a rubber-stamped notation in red that reads '---- copies at 5¢ duty ----'.

Under the terms a bilateral trade agreement, the customs duty on magazines and other periodical publications from the United States was revoked effective January 1st, 1936.[46, 55] However, as was the case with printed advertising matter, the agreement permitted the application of the 10% War Exchange Tax (WET) to American periodicals from June 25th, 1940, through October 12th, 1945.[47, 49] According to the Customs Department, the amount of WET payable on a periodical was to be based "*on the regular selling price in the country of export to purchasers of the same trade status as the importer.*"[56] It may be inferred from this definition that the basis for the tax was the wholesale

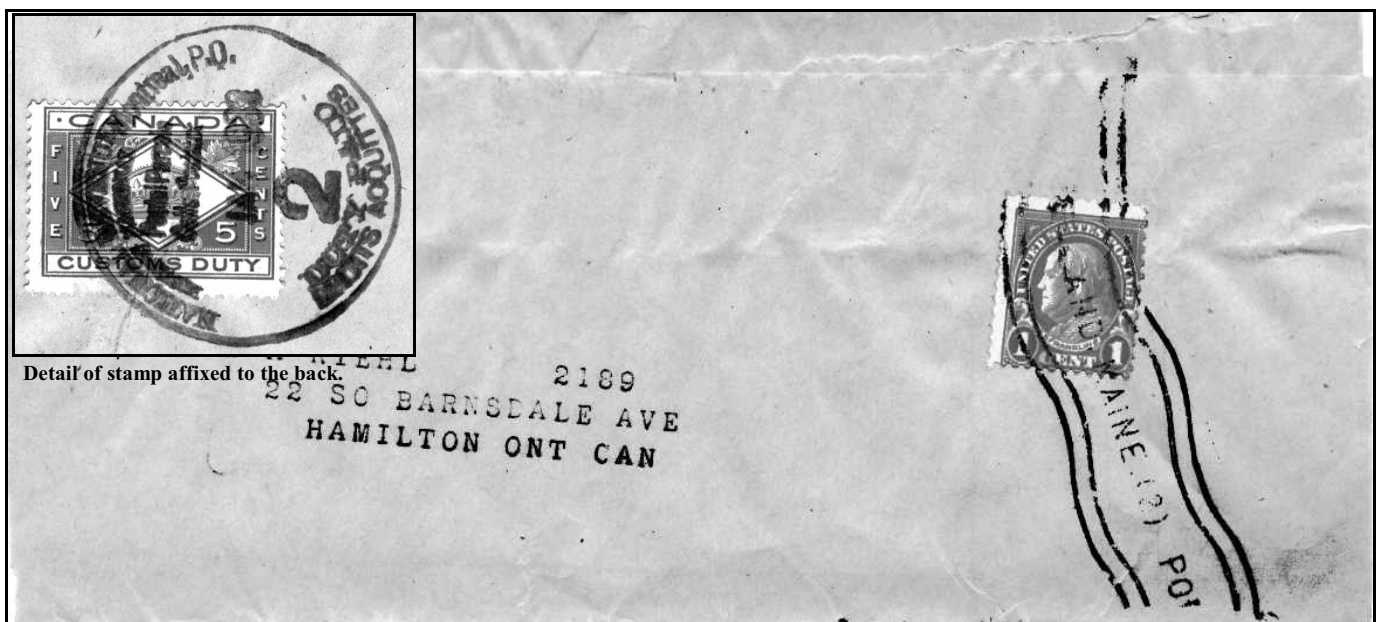


Figure 27: US wrapper, customs-dated Jan 1933, representing the 5¢ duty on magazines having over 30% advertising, in effect Sept 1931-Dec 1935.

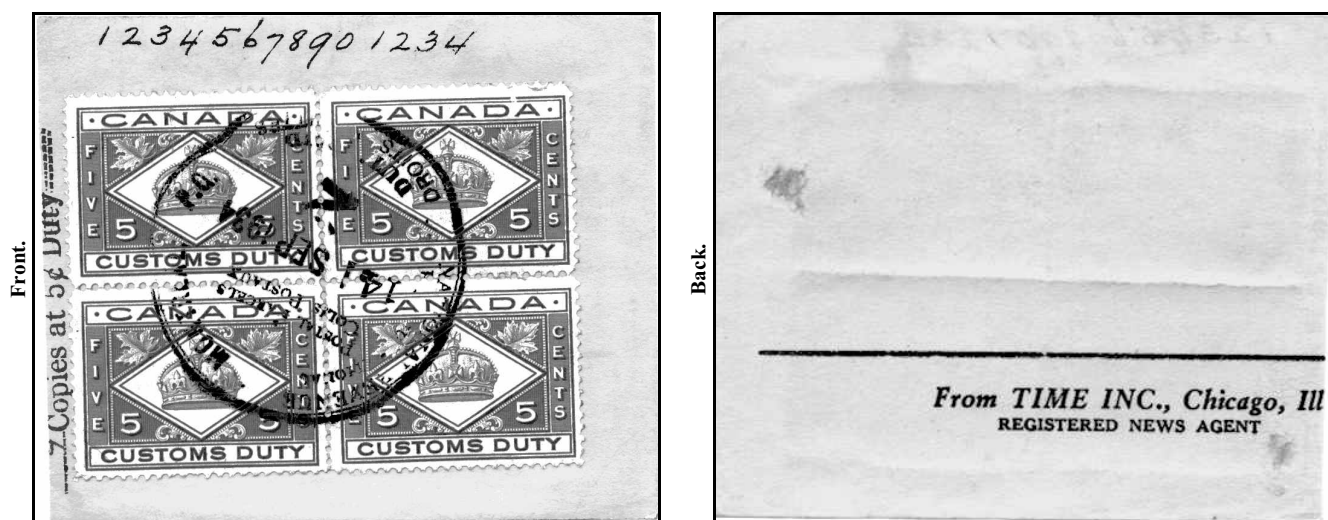
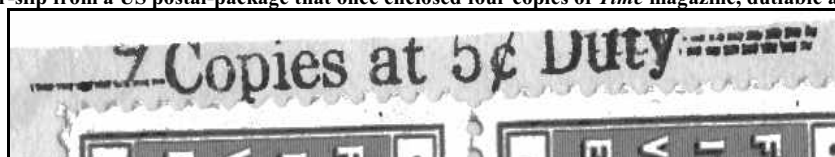


Figure 28: Portion of a cover-slip from a US postal-package that once enclosed four copies of *Time* magazine, dutiable at 5¢ each, Sept 1931-Dec 1935.



Detail of hand stamped notation at left side of duty stamps.

price for items sent into Canada to dealers for resale and the subscription price for items sent directly to consumers.

Unlike the old customs duty, the new WET also applied to newspapers and all other periodicals from non-British Preferential Tariff countries regardless of their percent advertising content or language of publication. On August 8th, 1940, the Customs Department granted an exemption to copies of periodicals issued by, or behalf of, religious, educational, labour, scientific, philanthropic, agricultural, fraternal and other not-for-profit organizations when not sent to a dealer for resale.[57] Over the 1940-1945 period of the WET, approximately 1700 periodicals were admitted to this exemption.[58]

Initially, no special provisions were made for the collection of the WET on periodicals mailed into Canada to individual subscribers. As described in the following letter of July 22nd, 1940, from a New York City publisher to its Canadian subscribers, the absence of such provisions led to significant delays.

The imposition of the 10% war duty on newspapers and periodicals without supplying the machinery to collect the tax, has seriously disrupted the regular service we have been privileged to render these many years.

We have offered to post a substantial cash deposit with the Canadian Customs for them to draw on at will — we have offered to use duty stamps available in New York. Both of these ideas have been rejected.

*In their places, we were told to engage a customs broker in each town to which *The Journal of Commerce* is mailed until the machinery is in order. This expense, however, would be prohibitive.*

Therefore, we must impose on your good nature for assistance. Will you contact your Customs Office and make some arrangement to move your daily issues promptly? Or can you send us some revenue stamps acceptable to the Customs Office? We are willing to affix these stamps to your issues if it will solve the problem.

*Meanwhile, there is bound to be a delay in your issues, but it is all beyond our control. As soon as we are given the means to pay the tax without delaying *The Journal of Commerce* in transit, it will receive our immediate attention.*[59]

In response to the situation, the Customs Department soon consented to the use of revenue stamps. Regulations approved by Order-in-Council on July 24th, 1940, and sent to Customs officers July 23rd, provided that “*customs revenue stamps*” in denominations of ¼, ½, 1, 2, 5 and 10 cents were obtainable from the Commissioner of Customs in Ottawa. These stamps were to be affixed in payment of the 10% WET to the wrappers or envelopes enclosing copies of taxable periodicals sent by mail.[60, 61]

The amount of WET payable on an individual subscription was to be calculated as 10% of the weighted-average subscription price in Canadian funds. The tax payable per individual copy in stamps was defined by Customs as the total amount on the subscription divided by the number of issues per year, rounded to the nearest quarter-cent. The minimum tax payable per copy was a quarter-cent.[61]

A number of American publishers objected to the time and expense involved in affixing multiple stamps to the many subscription copies that were mailed into Canada. In response, Canada Customs formally agreed on August 8th, 1940, to a procedure whereby American publishers could pay the WET on subscriptions directly to the Customs Department in Ottawa without the use of stamps. Under this procedure, publishers were to submit periodic statements of issued mailed to individual subscribers, accompanied by a money order for the amount of WET owing on such issues. Copies of periodicals sent to dealers for resale were not eligible for direct payment of the tax.[62]

Use of the direct payment scheme by a publisher was contingent upon the following conditions:

- the recommendation of the American Newspaper Association or the National Publishers Association.
- the approval of the Customs Department.
- the maintenance of detailed accounts and records by the publisher.
- a Canadian circulation of more than 50 copies per issue.[62]

From August 1940 through August 1945, 443 periodical publications were granted permission to pay the WET directly, thus removing the need for revenue stamps on their subscription copies sent by mail.[63]

The large wrapper in Figure 29 opposite once held an issue of *News-week* and paid 2 cents in permit-postage for periodicals over 4 ounces,

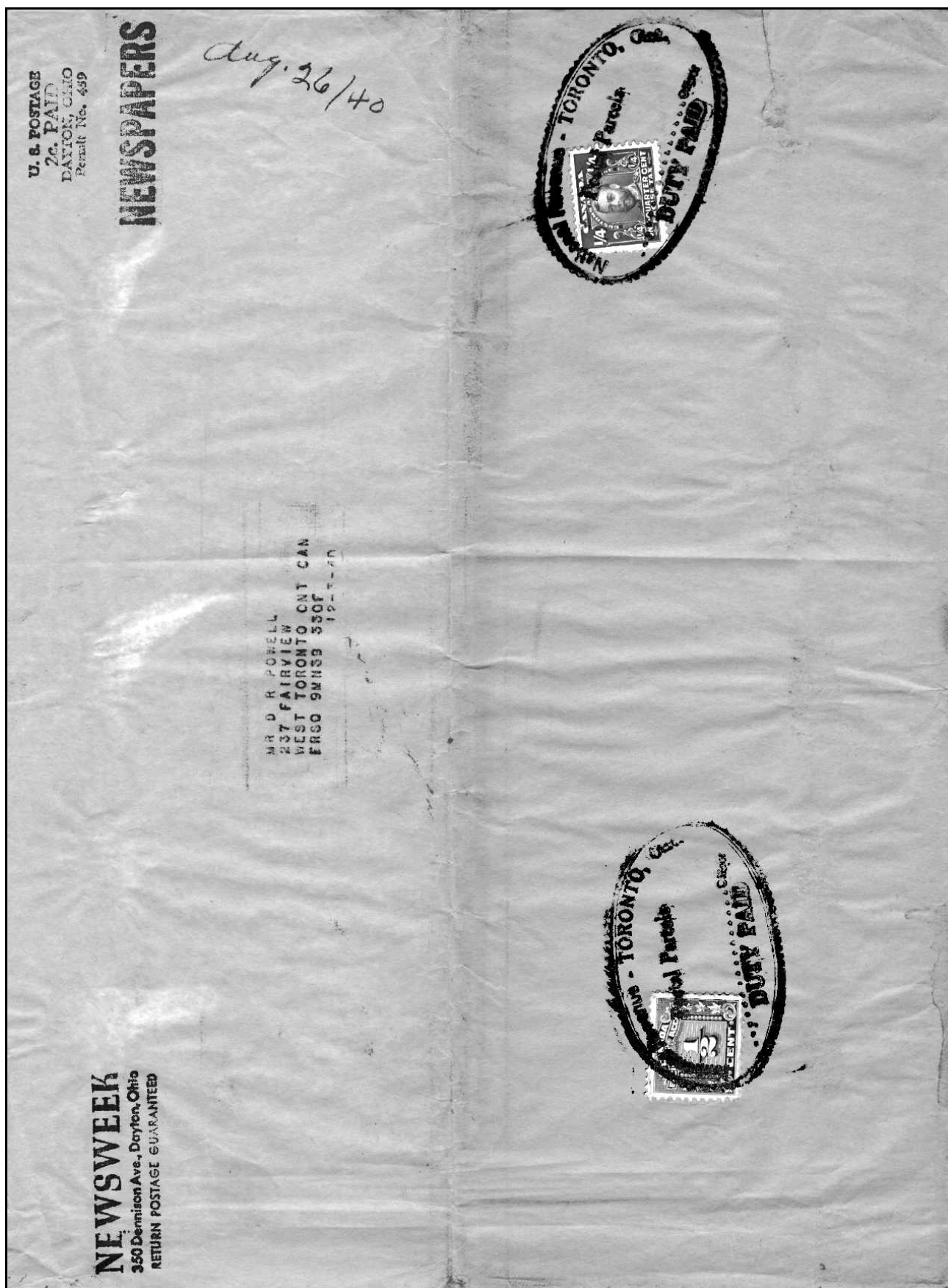


Figure 29: US wrapper of circa July/August 1940, representing the 10% WET on periodicals in effect June (July) 1940 - October 1945.

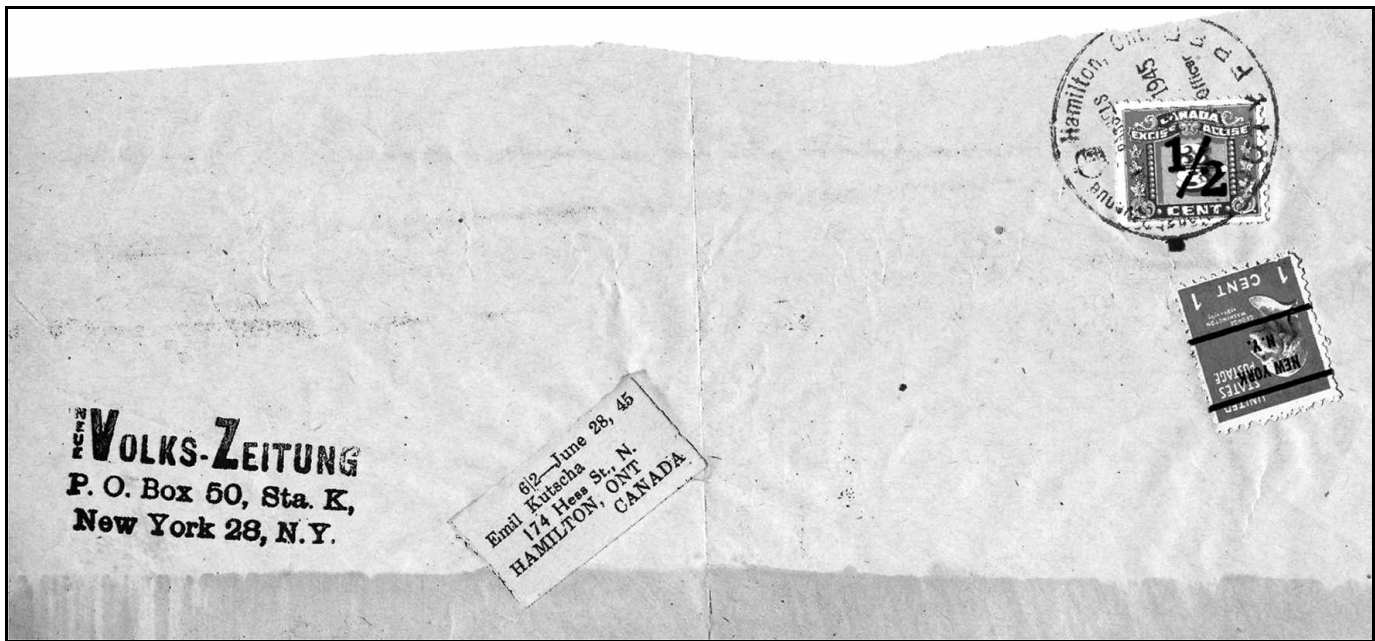


Figure 30: US wrapper, customs-dated Apr or Aug 10th, 1945, representing the 10% WET on periodicals in effect June (July) 1940 - October 1945.

up to 8 ounces.[44] This item bears a 1/4-cent George V excise tax stamp (van Dam's FX1) and a 1/2-cent Three Leaf excise tax stamp (FX60) in payment of 3/4 cent in WET. The wrapper does not bear a dated cancel but does have an added pencil notation of 'Aug 26/40', which was possibly added by the recipient of the periodical. This date is supported by a Customs Department Memo of August 21st, 1940, in which customs officers were informed that the "privilege" of direct payment of the WET had been granted to *Newsweek*, thus eliminating the use of stamps for this publication after August 1940.[64]

Figure 30 above illustrates a wrapper from the publication *Niue Volks-Zeitung*. The 10% WET is paid by a 3/8-cent Three Leaf excise tax stamp surcharged as 1/2 cent (FX111) and customs date-marked April or August 10th, 1945. The precancelled 1-cent postage stamp paid the rate for periodical publications of 4 ounces or less.[44]

Figure 31 opposite illustrates a large envelope that once enclosed an issue of *The Glass Industry*. Two cents in postage is paid by permit, representing the rate for periodicals over 4 ounces, up to 8 ounces.[44] The inset shows a combination of a 2-cent customs duty stamp (FCD7), a 1/2-cent Three Leaf excise tax stamp (FX60) and a red 1/4-cent Three Leaf excise stamp (FX56) in payment of 2 3/4 cents in WET. The three revenue stamps are customs date-marked February 4th, 1941..

The large envelop in Figure 32 once held an issue of the periodical *Wire & Wire Products*. The 3-cent postage stamp, postmarked December 8th, 1944, paid the rate for periodicals over 8 ounces, up to 12 ounces.[44] The revenue stamps on the back side (as shown in the inset) are customs date-marked December 10th, 1944. The 4 3/4 cents of WET was paid by a pair of 2-cent customs duty stamps (FCD7) along with a 1/2-cent Three Leaf excise tax stamp (FX60) and a green 1/4-cent stamp (FX57) from the same series.

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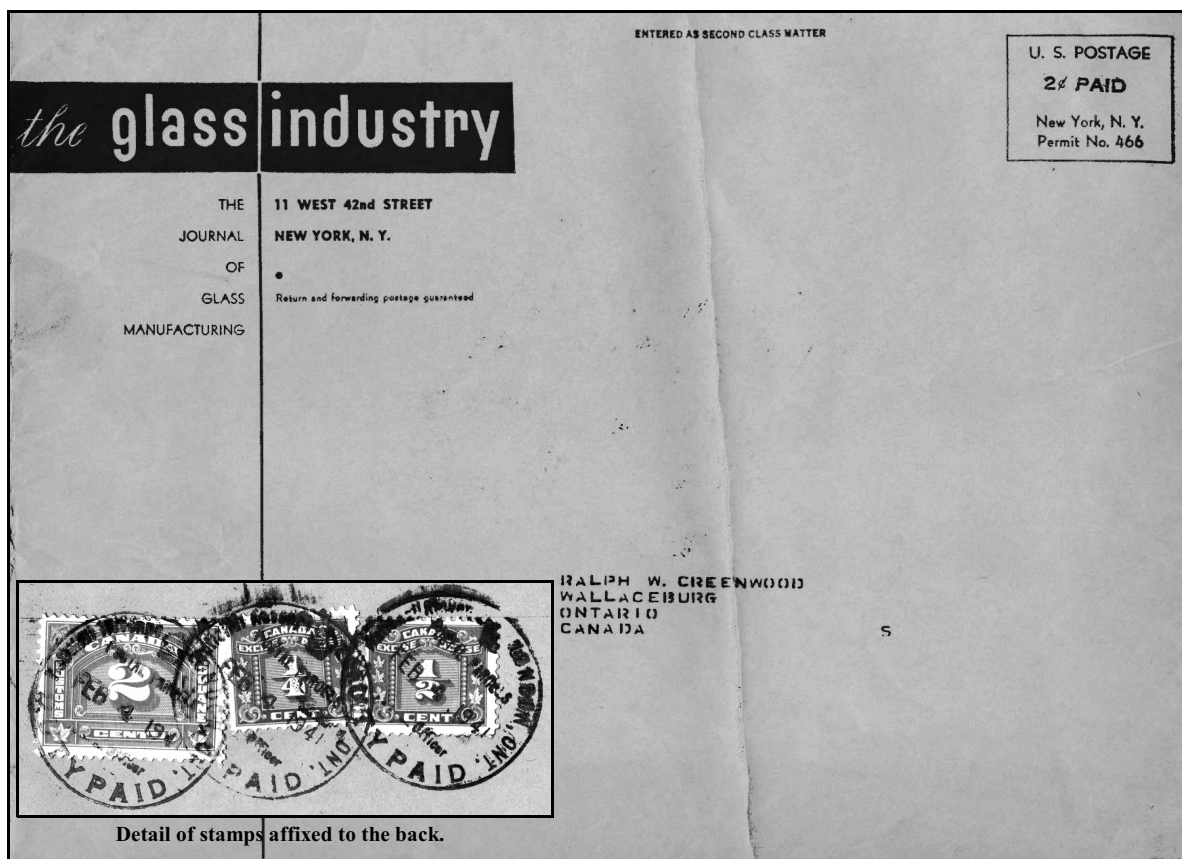


Figure 31: US cover, customs-dated Feb 4th, 1941, representing the 10% WET on periodicals in effect June (July) 1940 - Oct 1945.

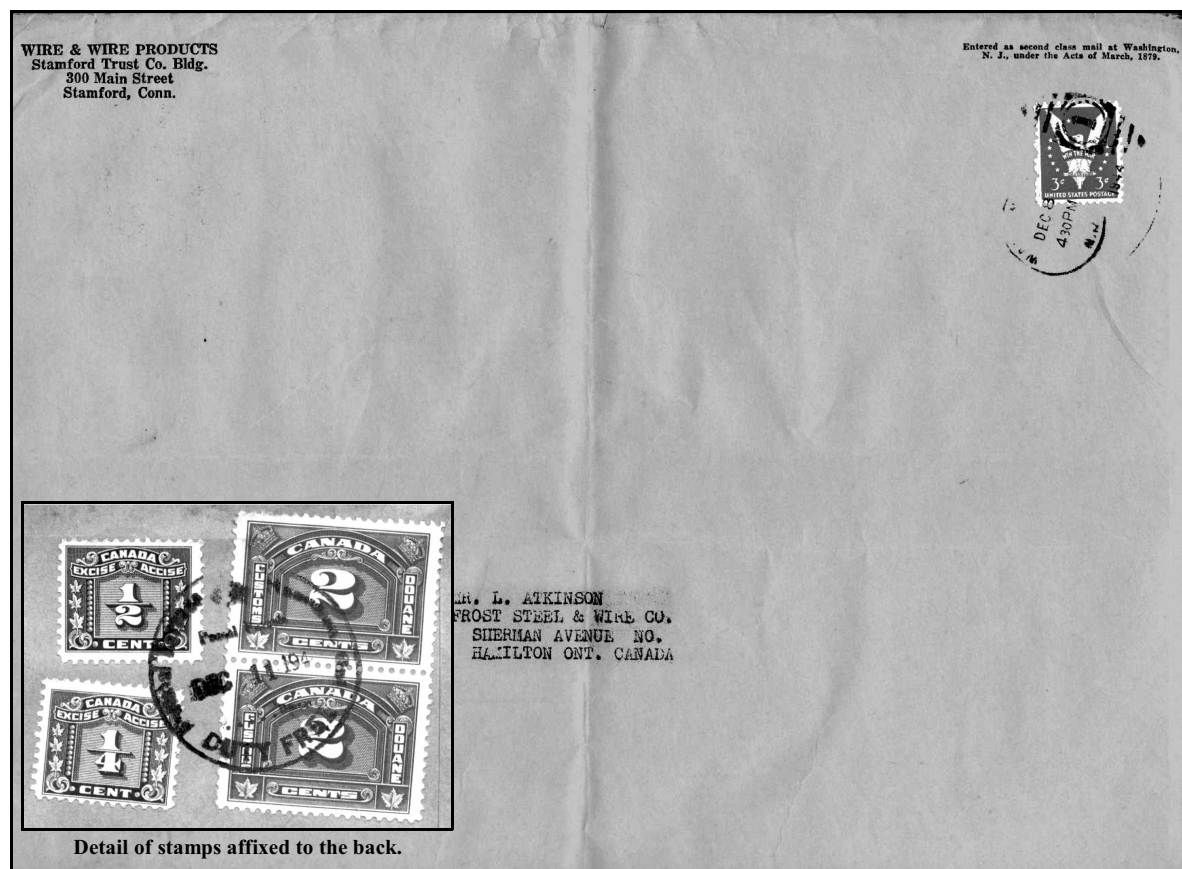


Figure 32: US cover of December 8th, 1944, representing the 10% WET on periodicals in effect June (July) 1940 - October 1945.