Export Guide Canada

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Executive Summary

Canada's economic pulse in 2022 is still being impacted by the COVID-19 pandemic and by uncertain global economic and political conditions. However, supply-chain disruptions have not halted Canadian economic recovery, and output is projected to grow at a considerable rate of 3.9% in 2022, and retain a similar growth rate of 2.8% in 2023 (OECD, 2021).

Canada has consistently maintained very strong trading ties with the United States. U.S. goods and services trade with Canada totaled an estimated $718.4 billion in 2019 withexports at $360.4 billion andimports at $358.0 billion. The U.S. goods and services trade surplus with Canada was $2.4 billion in 2019, making Canada currently the U.S.'s second largest goods trading partner with $612.1 billion in total (two-way) goods traded during 2019. It is estimated that U.S. exports to Canada accounted for 18% of overall National exports in 2019.

The Commonwealth of Virginia has furthermore developed an exceptional trade relationship with Canada, making it its first market for exports worldwide. Goods and services being exported to Canada have amounted to $4.3 billion in 2020, originating from a wide array of industries and services ranging from machinery, transportation, and agricultural goods, to business and professional services. The following guide has therefore been commissioned to allow Virginia based exporters to acquire a better understanding of the different requirements and steps of the export process to Canada.

I Logistics and shipping

1.1 Introduction and key figures

Transportation and warehousing are historically crucial components of the Canadian economy and have known year-on growth prior to the COVID-19 pandemic. Using the Canadian Transportation Economic Account (CTEA) measurement, the transportation & logistics sector contributed $168.1 billion or 8% of GDP in 2016. The compound annual growth rate in terms of GDP in the transportation sector over the previous five years was 4.1%.

In 2020 however, the transportation and warehousing sector's gross domestic product declined much more (-20.4%) than all other industries in Canada (-5.2%) due to a significant reduction in passenger services during the COVID-19 outbreak, as well as disruptions in the global supply chain. Using traditional measures of GDP, the sector made up 3.8% of GDP ($72 billion) in 2020. Since the onset of the pandemic, the Government of Canada put in place a number of financial support measures including assistance to Canadian air carriers, airports, and the aerospace sector to protect the public interest.

Looking at international connectivity, total international merchandise trade with Canada was $1,268 billion in 2021. Canada's annual merchandise exports rose 22.0% to $637 billion compared with 2020, when exports fell 12.3% because of restrictions in place during the first waves of the pandemic. Imports reached a record $631 billion in 2021, up 12.2% from 2020. The United States remains Canada's top trade partner, with $664 billion in total trade ($307 billion exported, $357 billion imported), up 26% from 2020. In addition to the U.S., Canada's top five trading partners in 2021 included the European Union, China, Mexico, and the United Kingdom.

1.2 Shipping to Canada: the main parties

a. The exporter

The exporter, also known as the shipper or the vendor, is traditionally responsible for shipping the goods. This includes preparing the required documentation that will be used throughout the shipping and importing process.

b. The carrier

The carrier is the freight company that transports the goods. They're responsible for preparing a Cargo Control Document (CCD) – also known as a manifest, waybill or advice note – which is used to report the shipments to the Canada Border Services Agency (CBSA). The carrier submits the CCD to the customs broker, along with the shipping paperwork provided by the exporter. Today, carriers need to submit this information electronically to the CBSA.

c. The customs broker

Customs brokers are licensed by the Canadian government to carry out customs-related responsibilities on behalf of their clients, the importer of record. Services provided by customs brokers include the following:

- Shipment clearance through the CBSA: obtaining, preparing or transmitting the necessary customs release documents or data for the CBSA or Other Government Departments (OGDs).

- Shipment accounting to the CBSA: calculating and paying duties and taxes on behalf of the importer as part of a full accounting package that is submitted to the Canadian government.
- Complete shipment management: arranging for the transportation, customs clearance and local delivery for a shipment (a one stop solution).

d. The importer/importer of record

The importer of record (the exporter's client) is responsible – and thus liable – for the payment of all duties and taxes, as well as the accuracy of the information presented to CBSA. Therefore, it is important to ensure that the exporter's processes are compliant with all government regulations. Compliance can fall by the wayside due to a lack of time commitment to correct and input precise data and a lack of internal expertise and resources.

Importers are also required to keep a hard or soft copy of records during six years from the end of the calendar year in which the goods were imported.

e. Canada Border Services Agency (CBSA)

The CBSA is the Federal Government department responsible for ensuring compliance with Canada's tax, trade and border regulations. It is also responsible for making sure that all OGD requirements are met before goods are allowed to enter Canada.

The CBSA reserves the right to inspect shipments at the importer's expense if the inspection involves loading and unloading cargo; if the examination takes place at a location besides a designated customs facility; and if it takes place after hours. The CBSA may also deny entry of the shipment into Canada, seize the contents, or request additional information.

If exporters are found non-compliant, the CBSA may levy financial penalties under the Administrative Monetary Penalty System (AMPS). One way to reduce the frequency of inspections is to have a strong record of compliance, and partner with carriers and brokers who are also committed to compliance.

1.2 The Required documents for customs

Below is an overview of the key documents the exporter needs as well as some additional documents that might be required depending on the type of goods the exporter is shipping:

a. Canada Customs Invoice (CCI) or Commercial Invoice

A commercial invoice is the basic document from which the buyer or importer pays the vendor or exporter. On import shipments, the commercial invoice generally serves a dual purpose: to enable the exporter to collect its money and to assist the importer in clearing goods.

The required information can be provided on either a CCI or a commercial invoice as long as all the prescribed data elements found on the CCI are included.

The following required information must be included in the invoice:

- Vendor/exporter full legal name, address, and country
- Consignee full name and address

- Detailed description of each item being shipped
- Net and gross weights (net weight excludes packaging)
- Unit price of each item (using the currency of settlement)
- Extended price
- Currency of settlement
- Terms of delivery and terms of payment
- Date on which goods began continuous journey to Canada
- Reference numbers (purchaser's order number)
- Import license (if applicable)
- Freight charges/insurance

b. Bill of Lading (BOL)

The bill of lading (BOL) is issued to a carrier by the exporter, and describes the goods to be shipped. The carrier acknowledges their receipt and the BOL states the terms of the contract for their carriage. A copy of the BOL is also forwarded to the importer to arrange for pick-up of the goods, and a third copy is kept for the carrier's records.

c. Manifest or Cargo Control Document

A manifest is a list of the contents of the shipment prepared by the carrier with information provided by the exporter to be shown to officials for customs clearance. Another name for the manifest is Cargo Control Document (CCD).

A manifest/CCD has its own identifier called the cargo control number. Once submitted and accepted by CBSA, the manifest and cargo control number are monitored by CBSA to ensure the proper clearance and closure of shipment. The most commonly used manifest is a Highway Form A8A.

d. Shipper's Export Declaration (SED)

A shipper's export declaration (SED) is required if goods are being exported from the U.S and are controlled exports. The SED must be prepared in English, and be typed or written using a non-erasable medium. The original copy should be signed (a signature stamp is acceptable) by the exporter, or its authorized forwarding or other agent. If the exporter is using an outside agent to prepare an SED, the exporter must grant the agent formal power of attorney through written authorization.

Documents required in special circumstances:

e. Packing List

Packing lists are optional and there is no standard format for composing them. The packing list is the detailed list of contents of the shipment. It includes quantities, items, model numbers, dimensions and net gross weights. A packing list should specify the number and type of units of material inside each carton or crate in the shipment. The exporter must complete the packing list at the time the goods are being prepared for shipment. The packing list helps the exporter's customs broker gain further information which can help avoid delays caused by trying to find out details about the contents of the shipment.

f. Import Permits

Import permits are additional documents that may need to be completed if the exporter's goods fall under certain categories. These are only necessary if the exporter's goods fall under Canadian Other Government Department (OGD) regulations on items such as food, drugs, textiles, etc.

The checklist below will help exporters gather all the right documents that must accompany each shipment.

Document	Issued by
PARS Notification cover sheet	Exporter/Carrier
Canada Customs Invoice	Exporter/Vendor
e-Manifest or Cargo Control Department	Carrier
Bill of Lading	Exporter/Carrier
Other Government Departments (OGD) documents, if applicable	Importer/Broker
Certificates of Origin (if goods are qualified)	Exporter/Vendor
Shipper's Export Declaration (if goods are deemed as controlled imports)	Exporter/Vendor

Information needed to complete the documents:

- ☐ Name of Canadian customs broker, phone and fax
- ☐ Consignee name and address or Importer of Record and address, if different than consignee
- ☐ Date of direct shipment
- ☐ Specification of commodities/description of goods:
  - Product/part number and description
  - What material the product is made from
  - Product use
  - Number of packages and weight
- ☐ Conditions of sale/terms of payment/currency
- ☐ Selling price – Total price of goods sold
- ☐ Declared value – Value of goods only, not including packaging, freight or licensing charges Freight charges/insurance
- ☐ Freight charges/Insurance
- ☐ Classification number (10-digit) – All goods that enter Canada are categorized according to the Harmonized System
- ☐ Classification (HS). Classification determines the rate of duty and any special requirements the exporter's product would be subject to upon import. The exporter should contact its broker for assistance with the classification of its goods.
- ☐ Restricted merchandise permits/licenses, if applicable

1.4 The Nine steps for goods' clearance at the Canadian border

a. Customs documentation completed

Before the carrier arrives, complete the necessary documentation for Customs, then double check that it's correct. Since the exporter's carrier uses its documentation in the clearance process, it's a good idea for the exporters to review the documents one last time for any errors or omissions.

b. Shipment picked up

The carrier picks up the shipment, assigns a cargo control number (CCN) to the shipment and attaches a CCN barcode label to the paperwork the exporter has completed. The carrier will use this CCN and the exporter's paperwork to obtain clearance into Canada. The exporter can also use the CCN to help track the shipment as it makes its way through the release process.

c. Customs documentation sent to customs broker

The carrier is responsible for the transfer of the documents to the exporter's customs broker.

d. Paperwork verified by broker

While the carrier transports the shipment to the Canadian port of entry, the customs broker reviews the paperwork for accuracy and to note any special requirements. If the broker discovers an issue or has questions, he will contact the exporter to obtain the required information.

e. Release submitted to CBSA

With the paperwork completed, the broker submits the release to the CBSA for clearance. Any Other Government Department (OGD) requests will also be prepared and submitted at this time. Traditionally, these requests were submitted manually on paper; however, the CBSA now requires that all requests be electronically transmitted. Electronic submissions are more effectively transmitted than hardcopy submissions and more efficiently stored. Nonetheless, it is still important to get these documents completed fully and correctly by the time they are given to the customs broker.

f. Shipment arrives at border

Once at the border, the carrier presents the shipment to the CBSA for release and entry into Canada. The CBSA officer will look for the corresponding release request submitted earlier by the customs broker. At this point, the officer can release the shipment or refer it for inspection (also known as "sending it to secondary"). Normally, provided the release request is in order, the shipment will be cleared for entry into Canada. However, if the release request isn't in the CBSA's computer system (for instance, if the release request wasn't submitted or was submitted late), a CBSA officer will send the carrier to the importer's customs broker to have the issue resolved.

g. CBSA releases shipment into Canada

The CBSA releases the exporter's shipment and its carrier continues the delivery process. The exporter's shipment is now on its way to the exporter's customer in Canada.

h. Broker accounts for shipment

The customs broker completes the accounting on the exporter's shipment and sends a package to the CBSA to pay the duties and taxes.

i. **Broker completes B3 form**

Once the broker has completed the accounting entry (also called a B3), they electronically transmit the accounting entry to the CBSA. At this point, the exporter's goods have legally entered into Canada and are free to be shipped to the importer.

1.5 An outlook of Canada's transportation & logistics network

a. **Road transportation**

Road transportation is the dominant mode for freight and passenger transportation across Canada. The country is linked from the Pacific to the Atlantic coasts by a network of connecting highways anchored by the Trans-Canada Highway. For geographical and demographic reasons, Canada's most extensive road networks are in the southern, more populated areas.

Canada's trucking operations are most notably used in the central part of the country, where they move food products andhigher valued manufactured and processed goods. Ontario and Québec (Southern) also have the busiest road border crossings in Canada, especially in Ontario, where manufactured goods cross back and forth the Canada-U.S. border several times throughout production.

Canada and the U.S. have a highly interconnected supply chain, particularly in automotive manufacturing. Ontario and Quebec have the busiest road border crossings in Canada. In the Continental corridor, 54% of total merchandise value were exported by road in the last 5 years. This is to be compared to 33% and 22% in Canada's Western and Atlantic regions, where exports further rely on maritime transportation.

b. **Rail transportation**

Canada's rail operations help sustain nearly every part of the Canadian economy, including manufacturing, agricultural, natural resources, wholesale and retail, and tourism sectors. There are two major freight railways serving Canada's Network:

- Canadian National (CN) has a rail network of around 22,000 km of tracks across Canada, and an American portion extending into the Gulf Coast.
- Canadian Pacific (CP) has 12,900 km of tracks across Canada and tracks that extends into the U.S., south of Kansas City. A number of short line railways are also instrumental in transporting containerized merchandise and bulk resources to and from major ports and the U.S.

  - *Canadian National (CN) owns 52.8% (21,879 km)*
  - *Canadian Pacific (CP) owns 30.7% (12,709 km)*
  - *Other railways own 16.6% (6,812 km)*

The freight rail transportation sector specializes in moving heavy, bulk commodities and containerized traffic over long distances. In 2020, the volume of rail freight amounted to 365.5 million tonnes, a decrease of 5.4% from 2019. While this marked the first decline in four years, freight volume remained close to the five-year annual average, which shows the resilience of the industry. The main categories of freight were: coal (14%); containerized cargo (14%); grain (13%); forest products (9%); chemicals (8%); petroleum products (excluding crude oil, 8%); potash (7%).

c. Marine transportation

Canadian ports are the main point of exit for the country's abundant natural resources, such as metallurgical coal, grains, fertilizers and forest products. These commodities are shipped to a broad array of overseas destinations, with a predominant and increasing focus on East Asian markets (China, Japan and South Korea) driven by rising demand for Canadian goods. Canadian ports are also the main point of entry for imported containerized manufactured goods, again dominated by the Asian market. Ports are important hubs, connecting Canadian coast lines to inland domestic and U.S. markets where goods are shipped by railways and trucks.

The Port of Vancouver, located on the southwest coast of British Columbia, is Canada's largest port in terms of traffic volume. It handled 145.5 million tons of traffic in 2020, largely destined for and arriving from Asian markets. The Port of Prince Rupert, another important and growing port on the West Coast, handled 32.4 million tons in 2020, up by 21.3% since 2018. This growth is explained by the strategic geography of the Port of Prince Rupert, which is closer to Asia than other west coast ports in North America. Finally, the Port of Montréal is Canada's second largest container port, mainly serving Québec, Ontario and the U.S. Midwest. In 2020, the port handled more than 35 million tons of cargo from around the world, but mostly from Europe.

d. Air transportation

Canada's air transportation system integrates with the global economy and moves freight and passengers across a country spanning over six time zones. Major Canadian airports include: Toronto Pearson International Airport (303.6 thousand tons), Vancouver International Airport (232.6 thousand tons) and Hamilton Airport (121.75 thousand tons).

In terms of passengers, Toronto's Pearson Airport, Canada's busiest, has moved 13 million passengers in 2020, down sharply from 50 million in 2019; Vancouver International comes in second, with 7.2 million passengers handled in 2020, which is about one-third of the traffic recorded in 2019; 4; Calgary International and Montréal's Pierre-Elliot Trudeau have both moved around 5.2 million passengers in 2020, once again a stark drop from 2019. In light of the pandemic, which has crippled the aviation industry by contracting passenger traffic, the number of passengers transiting through Canadian airports was estimated at 46 million in 2020, a decrease from 71.8% the previous year.

II Customs

2.1 Presentation of the Canada Border Services Agency (CBSA)

The Federal institution in charge of controlling merchandises' entrance and exit from the Canadian territory is the Canada Border Services Agency (CBSA). It ensures Canada's security and prosperity by facilitating and overseeing international travel and trade across Canada's border.

- The CBSA manages 117 land-border crossings and operates at 13 international airports.
- Of these land-border crossings, 61 operate on a 24/7 basis, as well as 10 of the international airports.
- Officers carry out marine operations at major ports, the largest being Halifax, Montréal and Vancouver, and at numerous marinas and reporting stations.
- Officers also perform operations at 27 rail sites.

2.2 The exporting process

The Canadian Business Number

Most foreign companies export to Canada through an importer who will manage the majority of the documentation required for the international trade process in Canada. Some documentation is the responsibility of the exporter however this depends upon the terms of sale previously agreed on.

As a prerequisite for a foreign company to successfully export to Canada, the exporter can verify that the Canadian importer is in possession of a Business Number (BN). The BN is issued by the Canada Revenue Agency (CRA) for an import/export account.

Foreign companies can also register as a non-resident importer and set up an import/export account themselves (see Section III: Non Resident Importer and Doing Business in Canada for non-residents guide) or do so via an agent or Canadian customs broker. This import/export account is free of charge. A broker can also help foreign companies to obtain a Canadian Business Number and complete the Agreement for Maintaining Books and Records Outside of Canada. (NOTE: brokers would charge a fee for assistance).

A Canadian customs broker can give advice on cost effective ways to bring goods into Canada and assist with compliance issues.

Identification of goods

The exporter should transmit as much information as possible about the goods it intends to export to Canada. This includes descriptive literature, product composition information and, whenever possible, product samples. This information will be crucial when it comes time to determine the tariff classification of the goods to import in Canada which will be used to determine the rate of duty that will be applied.

Like most trading countries Canada uses the Harmonized System (HS) as the basis of its classifications systems. The first six digits are a common identifier across all countries using the HS for that particular good.

Tariff classification numbers can be determined by:

- Consulting the *Customs Tariff*;

- Contacting the Border Information Service (BIS);
- Requesting an advance ruling on a tariff classification by mail from a CBSA trade office.

Advance rulings for tariff classification

To help the trading community determine the proper tariff classification of goods, the Canada Border Services Agency publishes advance rulings. The advance ruling ensures that the tariff classification number used is deemed correct by the CBSA. The ruling is binding until it is revoked or amended. It therefore provides certainty to the exporter, the importer, or their representatives, as to how goods are to be classified and thereby facilitates the documentation requirements for clearing goods at the border.

Who can request an advance ruling?

- *Exporters or producers of goods outside of Canada*
- *Importers of goods in Canada*
- *Persons who are authorized to account for goods under paragraph 32(6)(a) or subsection 32(7) of the Customs Act (the Act)*
- *Any person who is duly authorized to do so may transact business under the Act as the agent of another person*

The role of the custom broker

The importer can authorize a Licensed Customs Broker to act as an intermediary agent to transact business with the CBSA.

A broker's service typically includes:

- Obtaining the release of the imported goods;
- Paying any duties that may apply;
- Obtaining, preparing, and presenting or transmitting the necessary documents or data;
- Maintaining records; and
- Responding to any CBSA concerns after payment.

In most cases, it is the importer who is ultimately responsible for the accounting documentation, payment of duties and taxes, and subsequent corrections such as redetermination of classification, origin, and valuation. Nevertheless, as mentioned above, the responsibility can also lie on the shoulders of the exporter, depending on the terms of sales previously agreed on (ex. Delivery Duty Paid).

Determine the country of origin for the goods you are importing

Exporters are asked to procure all the required information to prove the origin of the exported goods. It is important to remember that this does not simply mean the country from which the product was shipped. It may also include where individual parts of the product are from, as well as where it was assembled into the final product. Requirements for proof of origin can be found in Memorandum D11-4-2, Proof of Origin.

Origin of goods for the purpose of tariff treatments are dealt with in:

- Customs Tariff Act, sections 16 to 18 and 24 (rules of origin and shipping requirements)

- Customs Act, section 35.1
- Proof of Origin of Imported Goods Regulations

Ensure that the goods being imported are permitted into Canada

Certain goods are not allowed to be imported into Canada. This includes the obvious, such as child pornography and hate propaganda, as well as less obvious items such as used mattresses and some used automobiles. More information on prohibited products can be consulted at Memoranda Series D9, Prohibited Importations.

Determine whether the goods are subject to any permits, restrictions or regulations

Many goods are subject to the requirements of other government departments and agencies and may require permits, certificates, and/or inspection. The CBSA is responsible for administering the legislated import requirements on behalf of other government departments.

It should be noted that more than one government department may have a role to play in the requirements and regulations pertaining to the importation of certain goods; it is therefore beneficial to contact any that may play a role.

You will need to determine whether or not the goods are subject to regulations, restrictions, permits or other requirements. The CBSA's Other Government Departments and Agencies: Reference List for Importers provides a list of some of the most commonly imported commodities that may require permits and/or certificates. More comprehensive information can be found in Memoranda Series D19, Acts and Regulations of Other Government Departments.

Alcohol or tobacco products have to be assessed with the applicable authority in the concerned province or territory.

The CBSA requires certain goods to be clearly marked with the country of origin. More information on marking requirements is found in Memorandum D11-3-1, Marking of Imported Goods.

Certain goods are subject to measures under the Special Import Measures Act (SIMA). The special measures available under the SIMA include anti-dumping duties, countervailing duties and undertakings. Exporters can consult the monthly index of products subject to SIMA and refer to Memoranda Series D14, Special Imports Measures Act and D15, Special Import Measures Act – Investigations for more information.

Should the exporter ship its goods to Canada as a non-resident importer, it is essential to determine whether the goods are subject to domestic controls. Under the Defense Production Act (DPA) and the Controlled Goods Regulations, any person who examines, possesses or transfers controlled goods domestically is legally required to register with Public Works and Government Service's (PWGSC) Controlled Goods Program (CGP).

A full list of controlled items in Canada is available in the Schedule to the DPA and to further establish if the imported goods are controlled in Canada. Additional information can be founded at the PWGSC's Guide to the New Schedule to the Defence Production Act.

Determining duties and taxes

Depending on the chosen terms of sales (ex. DDP), the exporter may be responsible for paying duty to the Canadian authority, based on the Canadian dollar value of the goods.

Determine the applicable tariff treatment and rate of duty

Once the correct tariff classification number is determined, it is required to establish the applicable tariff treatment that applies to the goods before the determination of the rate of duty. The CBSA chapter of the *Customs Tariff* Schedule presents two columns: on the right-hand side entitled "Most-Favoured-Nation (MFN) Tariff" and "Applicable Preferential Tariffs".

Most-Favoured-Nation (MFN) Tariff
Goods originating from all countries, except North Korea, are entitled to use the rate of duty specified under this column.

The requirements of the particular trade agreement or tariff treatment must be satisfied in order to benefit from a preferential duty rate. The importer must possess proof of origin for the specific trade agreement at the time of importation.

A complete list of countries eligible for the above tariff treatments can be found at the beginning of the *Customs Tariff*. General tariff information and guidelines can be found in Memorandum D11, *General Tariff Information*.

Determine if the goods are subject to the goods and services tax (GST), excise tax or excise duty

The GST (5%) is payable on most goods at the time of importation under Part IX, Division III of the *Excise Tax Act*.

Some goods such as prescription drugs, medical and assistive devices, basic groceries, agriculture and fishing goods are non-taxable. They are listed under Schedule VI and Schedule VII of the *Excise Tax Act*.

Tax exemption codes to use on the Canada Customs Coding Form B3, are listed in Memorandum D17-1-10, *Coding of Customs Accounting Documents*, Appendix H, List 4 (GST Status Codes) and List 7 (Excise Tax Exemption Codes). If the goods are tax exempt, it is mandatory to quote the tax exemption code on the import-export documentation.

Examples of goods subject to excise tax include:

- Automobile air conditioners, whether separate or permanently installed ($100 per air conditioner);
- Certain vehicles designed for use as passenger vehicles; and
- Certain fuels.

Examples of goods subject to excise duty include:

- Tobacco and certain alcohol products.

Complete references are available in the *Excise Tax Act* or the *Excise Act, 2001* or for more information on GST, excise tax or excise duty, contact the Canada Revenue Agency.

Determine the value of the exported goods

With the tariff classification established, the importer or the exporter are able to calculate the value for duty.

In most cases, the value for duty is the amount paid by the importer to the vendor for the goods. The declaration of value for duty should be supported by a receipt or sales invoice from the vendor/exporter. This document must include a complete description of the goods, the selling price and conditions and terms of the sale. Memorandum D1-4-1, *CBSA Invoice Requirements* provides additional information. The value for duty must be in Canadian funds.

The *Customs Act* identifies six legislated methods of valuation. The method applicable to the imported goods is the first method, considered in sequential order, for which all requirements of the method can be satisfied.

1. transaction value method (Section 48)
2. transaction value of identical goods method (Section 49)
3. transaction value of similar goods method (Section 50)
4. deductive value method (Section 51)
5. computed value method (Section 52)
6. residual basis of appraisal method (Section 53)

Estimate in advance how much duty and taxes you will be required to pay

Take the value in the currency indicated on the invoice. Convert the value into Canadian dollars using the exchange rate from the date of direct shipment (the date the goods began their direct and continuous journey to a specific destination in Canada). To obtain the proper exchange rate, call the Border Information Service (BIS).

Timeframes for submitting advance information to the CBSA

Freight forwarders must electronically transmit advance house bill data on consolidated freight to the CBSA. The CBSA must receive and validate data within the time frames specified by mode.

Freight forwarders using air transportation should transmit information to the CBSA no later 4 hours prior to the arrival of the goods, and 24 hours for marine transportation.

Getting the goods released

There are two options for getting the goods released. With both options, the release and accounting documents can be prepared by the importer or a licensed customs broker.

Regardless of which method is used, the CBSA will assign each shipment a 14-digit transaction number to identify the goods throughout the clearance process.

Method 1: Full accounting and payment of duties for release of goods

Complete and present the B3-3, *Canada Customs Coding Form* accounting document at a CBSA office. Additional information about coding of CBSA accounting documents can be found in Memorandum D17-1-10, *Coding of Customs Accounting Documents*.

The following documents will be required:

- Two copies of Form A8A-B, *Cargo Control Document* (CCD), provided by your carrier.
- Two copies of Form CI1, *Canada Customs Invoice* (or the commercial invoice that contains the data). For information on Canada Customs Invoice requirements, refer to Memorandum D1-4-1, *CBSA Invoice Requirements*.
- A paper copy of all import permits, certificates, licenses, or required documents from other government departments and agencies (OGD) or an electronic copy for EDI participants (OGD Interface).

Pay the duties and taxes by:

- Cash;
- Debit card (available at most CBSA offices and subject to the limit imposed by the card's financial institution);
- Certified cheque or money order (payable to the Receiver General for Canada);
- Travellers' cheques;
- Credit card for amounts less than $5,000; or
- Uncertified cheque for amounts under $2,500 if certain conditions are met (payable to the Receiver General for Canada).

More information on accounting documents is available in Memorandum D17-1-5, *Registration, Accounting and Payment for Commercial Goods*.

Method 2: Release of goods prior to the payment of duties

Release on Minimum Documentation (RMD) allows the release of goods prior to the payment of duties and taxes. To take advantage of this privilege, the importer must follow an application process, which includes posting an approved amount of security with the CBSA. This option is generally used by established importers with high import volumes. The RMD accounting option requires the electronic transmission of RMD release requests using the Electric Data Interchange (EDI) system with certain exceptions. For additional details on this accounting option, refer to Memorandum D17-1-4, *Release of Commercial Goods*.

For more information on release and accounting procedures, see Memorandum D17-1-5, *Registration, Accounting and Release of Commercial Goods*.

2.3 Technological shifts: the eManifest Portal & the CBSA Assessment and Revenue Management

The eManifest Portal

The eManifest Portal is an option developed by the Canada Border Services Agency to allow the trade community to electronically transmit their pre-arrival information through the Internet. The eManifest Portal was developed primarily for small- to medium-sized businesses to facilitate their compliance and ease the transition from paper reporting to pre-arrival electronic data transmission. The eManifest Portal is available for highway carriers and freight forwarders to transmit pre-arrival data. Warehouse operators and brokers have access to the Portal to view data they have received from the CBSA.

- Main Features:

The eManifest Portal features many self-serving functions such as the ability to:

- securely transmit trade data to the CBSA;
- confirm receipt of information and receive notifications from the CBSA;
- verify status of the trade data, whether it is transmitted through the Portal or by electronic data interchange (EDI);
- receive system messages from the CBSA updating users on important information related to their cross-border activities; and
- access online help and reference material.

- Business Requirements:

There are two types of accounts in the eManifest Portal – the Business Account and eManifest Portal User Account:

- Each person who works in the Portal must first set up an eManifest Portal User Account. To set up a User Account, the user will need to provide information such as their name, e-mail address and telephone number.
- The Business Account is set up by an authorized representative of the business, called an Account Owner. They will need a valid client identifier and Shared Secret.

- Not to be confused

The eManifest Portal is a different tool than The Trusted Trader Portal (TTP) and the Electronic Data Interchange (EDI):

- The TTP is a secure online tool that allows members of the trade community to complete and submit applications for membership in the Partners in Protection (PIP) program, as well as maintain their membership documentation online. The PIP program only accepts applications and updated Security Profiles through the TTP.
- The EDI is a standardized way of electronically exchanging information between and within businesses, organizations, government entities and other groups. These standards specify the formats, character sets, and data elements used in the exchange of business documents and forms.

2.4 The CBSA Assessment and Revenue Management (CARM)

The CARM project is a multi-year initiative that will transform the collection of duties and taxes for goods imported into Canada. Through CARM, the CBSA will modernize and streamline the process of importing commercial goods.

Once fully implemented, CARM will:

- simplify the overall importing process
- provide a modern interface for importing into Canada
- give importers self-service access to their information
- reduce the cost of importing into Canada
- improve consistency of compliance with trade rules

Read more about the features and benefits of the CARM initiative.

The first phase of the CARM is the implementation of the Accounts Receivable Ledger (ARL) which is the official system of record for commercial accounting and payment at the Canada Border Services Agency (CBSA).

ARL aims at modernizing commercial payments by simplifying the assessment and collection of revenue by managing and reconciling all transactions of an importer or broker under a single account. It provides a single electronic statement via electronic data interchange (EDI), and enables payments through online banking or through electronic data interchange payment file known as EDI820. It is recommended you contact your financial institution to discuss your preferred option.

2.5 Additional resources

- Mapping of container entrance process in Canada: https://www.cbsa-asfc.gc.ca/security-securite/mts_smc-eng.html
- https://www.cbsa-asfc.gc.ca/import/guide-eng.html
- List of CBSA's brokers: CBSA's licensed customs broker list
- Canadian Association of brokers: See Canadian Association of Customs Brokers
- Guide: Doing Business in Canada for non-residents: https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4027/doing-business-canada-gst-hst-information-non-residents.html#what_is

III Non-Resident Importer

3.1 What is a Non-Resident Importer (NRI)?

Ordinarily, when a U.S. company wants to export products to Canada, it would require working with a Canadian partner, and likely a Canadian Customs Broker. Once the goods reach the border, the shipment would be out of the exporter's hands, and they would have to rely on the importer to manage the shipment from that point forward.

This sort of system naturally comes with its disadvantages. The exporter of the goods has no control over the products after they cross into Canada. It can also lead to mistakes on the partner's part, thereby yielding higher costs overall.

Non-Resident Importer status is an interesting solution because it allows companies based outside of Canada to act as the importer of the goods in Canada without having to establish a location within Canada's borders. This makes that company responsible for customs clearance instead of the customer purchasing the goods, making the experience much simpler for buyers.

3.2 Benefits of becoming a Non-Resident Importer

There are many advantages to becoming a non-resident importer in Canada. By being in control of exports and imports, the company will benefit from:

- **Supply chain control:**

One of the biggest benefits of becoming a Non-Resident Importer is the amount of control it grants a company over its supply chain. By effectively acting as the exporter and the importer, the company can cut out several unnecessary middlemen, like additional carriers, business partners, and distributors. This not only saves money, but it also decreases the risk of something happening to the shipment. Having a close control of the supply chain results in better reliability and consistency, fewer delays, and overall seamlessness to the process.

- **Reduced costs:**

Becoming a Non-Resident Importer can lead to cost savings. When one company controls the export from the U.S. and the import into Canada, it can be a lot easier to consolidate shipments to get them through customs all at once. Then, the consolidated shipments can be dispersed once in Canada, to be delivered to their respective customers. By clearing multiple shipments at once, companies can save money on customs fees and inspections. Additionally, they could save a lot of time that would otherwise have been spent on waiting for each shipment to get through customs.

- **Shipment visibility:**

The importer can get to control the shipment from the moment it leaves the warehouse to the moment it arrives at its destination, even as it crosses the border. As a Non-resident Importer, the company would no longer have to wonder about what the importer does with the shipment once it crosses the border.

Additionally, the company can provide this accurate tracking data to customers as well, to keep them in the loop of what is happening to their purchases and where they are going.

- **Simplified pricing:**

When a company controls the entire shipment from start to finish, it can be a lot easier for it to determine the cost for its customers. The company can guarantee that there will be no surprise fees and can have a clear idea of what it will cost to move the shipment to the border, clear customs, and deliver it to its destination. There are no other individuals involved with the movement of the freight that could suddenly change the price, add fees, or give an unreliable quote. In summary, as the sole importer/exporter, the company could accurately estimate the shipping costs, duties, taxes, and customs fees right away, and provide the customer with a reliable, simple price.

- **Door-to-door shipping**

As a Non-Resident Importer, the company could use a door-to-door shipping policy. This means that a freight forwarder, carrier company, or logistics company will take the goods from the factory, manufacturing plant, or warehouse, and deliver them to the border. After the goods clear customs, that company will organize to have the goods picked up on the other side and delivered directly to the buyer's warehouse.

- **Expanded market reach Supply chain control:**

By becoming a Non-Resident Importer, a company can easily expand its business reach into Canadian markets. The reason this is so easy is that the company would not need to have any physical presence at all in Canada. In fact, the company would not need to worry about managing a physical location, bills, and potentially Canadian employees.

3.3 How to become a Non-Resident Importer in Canada

There are different steps and procedures for a company to become a Non-resident Importer.

3.3.1 Apply for a Canadian Business Number

The first step a company will need to follow is applying for a Canadian Business Number (BN) issued by Canada Revenue Agency (CRA). This is essentially like a tax ID number, and it is required for all Non-Residents that want to import into Canada. The Business Number is a unique 15-digit number companies in Canada use to transact with government agencies.[1] This number appears as a string of 9 digits to identify the specific business, 2 letters to identify the program type, and 4 digits at the end as a reference to the program account (for example: 123456789RM0001). This BN is incredibly important and will be necessary for importing and exporting, invoicing, and paying taxes.

There are three different ways to apply for a BN with the Canada Revenue Agency (CRA):

- By submitting an application online, through the official Business Registration Online (BRO) service. All the conditions to apply for a Business Registration Online are available on the following link : [Business Registration Online – What you can do - Canada.ca]

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[1] [The Non-Resident Importer (NRI) Program - PF Collins]

- By completing the RC1 Form, and faxing it to the CRA at 1-705-671-0490.
  The RC1 Form is available on the following link: RC1 Request for a business number and certain program accounts - Canada.ca
- By calling the CRA at 1-800-959-5525 and verbally giving them the information required on the RC1 Form.

Regardless of the method chosen, the company will need to provide information such as company type, contact information, and how much the company imports in Canada are worth.

3.3.2 Register with the CBSA

Once the business is registered with the CRA and the BN has been obtained, the importer will need to follow one last step before becoming an official Non-Resident Importer. In order for goods to be accepted across the border, the company will need to register with the Canada Border Services Agency (CBSA). The CBSA is the agency in charge of regulating the flow of people and products across the border, much like the Customs and Border Protection (CBP) in the U.S. The importer would need to inform the CBSA of where they will be keeping the records of shipments, for 6 years after the end of the current year.

If the records will be kept outside of Canada, the importer would need to obtain authorization from the CBSA. Additionally, the importer will also need authorization if they choose to use the services of a customs broker.

3.3.3 Invoicing

As a Non-Resident Importer, it would be the company's responsibility to ensure that all the paperwork is filled out and managed correctly. One of the most important documents to complete properly is the commercial invoice, which has information on the size, quantity, and type of commodities, along with information on the manufacturer, importer, and buyer.

However, if the shipment is valued at more than CAD $2,500, a special type of invoice is required: A Canada Customs Invoice (CCI).[2] All commercial shipments imported into Canada must include a commercial invoice. It must provide specific information, including, but not limited to:

- The buyer and seller
- The product's country of origin
- Price paid or payable
- Quantity and description of the goods.

A Canada Customs Invoice (CCI) is required for shipments with Value for Duty of CAD $2,500 or more. For shipments valued under CAD $2,500, companies may use a commercial invoice provided it details the same information as a CCI. NRIs may also submit both a CCI and commercial invoice with their shipment.

As an NRI the selling price will include duty, Goods and Services Tax (GST), customs brokerage, and freight/shipping costs. All charges must be stated on the commercial invoice so that duty and GST is calculated on the correct value. The HS Code allows for accurate calculation of duties, based on the tariff classification and the country of origin.[3]

[2] How Do I Become A Non-Resident Importer In Canada? | Canada Cross Border Freight
[3] The Non-Resident Importer (NRI) Program - PF Collins

IV Sales Tax

In Canada, the Canada Revenue Agency (CRA) administers tax laws for the Government of Canada and for most provinces and territories. Moreover, the CRA also administers various social and economic benefit and incentive programs delivered through the tax system.

4.1 Provincial and Federal taxes

There are two types of taxes in Canada, the GST and the HST. Most goods imported in Canada are subject to the federal GST (Goods and services) tax which is calculated at the rate of 5% of the duty-paid value of the shipment. This tax must be paid at time of entry and is collected at the border unless the goods are going directly to a bonded warehouse. In this case, the GST is collected when the goods leave the warehouse and become eligible for sale in Canada. Several provinces have combined the GST with their provincial sales taxes on various categories of goods, thus creating a Harmonized Sales Tax (HST). On most commercial imports, however, only the federal (GST) portion of the HST is applied to the sale. A zero-rated supply has a 0% GST/HST rate throughout all of Canada. For example, basic groceries are taxable at the rate of zero (0% GST/HST) in every province and territory. The rate for other taxable supplies depends on the province or territory. The current rates are:

- 5% (GST) in Alberta, British Columbia, Manitoba, Northwest Territories, Nunavut, Quebec, Saskatchewan, and Yukon
- 13% (HST) in Ontario
- 15% (HST) in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island.

. As a Non-Resident Importer, the company will be registered for the GST/HST when it applies for a Canadian BN.

4.2 Determine if the goods are subject to the goods and services tax (GST), excise tax or excise duty

The GST (5%) is payable on most goods at the time of importation under Part IX, Division III of the *Excise Tax Act*.

Some goods such as prescription drugs, medical and assistive devices, basic groceries, agriculture and fishing goods are non-taxable. They are listed under Schedule VI and Schedule VII of the *Excise Tax Act*.

Tax exemption codes to use on the Canada Customs Coding Form B3, are listed in Memorandum D17-1-10, *Coding of Customs Accounting Documents*, Appendix H, List 4 (GST Status Codes) and List 7 (Excise Tax Exemption Codes). If the goods are tax exempt, it is mandatory to quote the tax exemption code on the import-export documentation.

Examples of goods subject to excise tax include:

- Automobile air conditioners, whether separate or permanently installed ($100 per air conditioner);
- Certain vehicles designed for use as passenger vehicles; and
- Certain fuels.

Complete references are available in the *Excise Tax Act* or the *Excise Act, 2001* or for more information on GST, excise tax or excise duty, contact the Canada Revenue Agency.

4.3 Tax rates calculator

Depending on the place of supply and type of supply, companies can use the GST/HST calculator to calculate the amount of GST/HST to charge. If provincial sales tax is charged in the place of supply, companies must calculate the GST on the price without the provincial sales tax. The GST/HST calculator is available on the following link: GST/HST calculator (and rates) - Canada.ca.

V Packaging: marking and labelling

5.1 Marking

Marking of goods occurs prior to importing into Canada and refers to the Country of Origin. Marking is not to be confused with Labeling which is enforced after the goods are imported and before they are sold.

Marking is regulated and enforced by the Canada Border Services Agency (CBSA) at the time of importation. The Country of Origin marking requirements are set out in the Canada Customs Act. Marking is the notation of the country of manufacture on the imported product. The regulations for marking are found in CBSA Memorandum D11-3-1:

"Certain goods when imported into Canada are required to be marked to indicate clearly the country in which the goods were made. The foreign exporter or producer usually applies the country of origin marking. However, Canadian importers are responsible for ensuring that imported goods comply with marking requirements at the time they imported the goods." (D11-3-1)

D11-3-1 Memorandum details what goods require marking and what goods are exempt. In addition, it explains the method and manner of marking. In general, the marking of goods from both **CUSMA** (Canada, US, Mexico, Agreement, also known as USMCA or T-MEC) and non-CUSMA countries must clearly indicate the Country of Origin of the goods. Therefore, if the imported good is originating from the U.S., markings would appear as "Made in USA".

Marking language requirements

When goods are imported from CUSMA countries or from the non-CUSMA country of Honduras, marking shall be in English, French, or Spanish.

Failure to mark penalties are cumulative. Failure to mark goods may result in the application of a penalty by CBSA of $150 on first offense, $225 on second and $450 on third. The penalty applies to each shipment. In addition to the penalty, the importer will be required to mark the goods appropriately.

5.2 Labelling

Labeling occurs once the goods are imported. The importer must determine that the goods meet the specific labeling requirements before they are sold. The label requirements vary according to the product and can be reviewed on the **Canadian Legal Information website** along with any specific certification requirements that must be met before sale in Canada.

Product labeling is regulated by various parties depending on the product. The requirements are established under Canadian federal laws, regulations, policies and guidelines and under provincial laws and are **not** enforced by CBSA at the time of importation. However, some **Participating Government**

Agencies (PGAs) have specific labelling requirements. Such is the case with food products, where labeling requirements are regulated by the CFIA and the Food and Drug Regulations.

Canada is a made of two different official national languages, English, and French. Translations in both English and French on labeling and packaging is mandatory, especially in Québec. Canada is a bi-lingual country, with both English and French listed as the nation's official languages. According to the results of Canada's 2016 census, more than 20 percent of the overall population lists French as their "preferred" language, and the English French bi-linguicism rate reached the highest proportion ever at almost 18 percent. As such, the government's labeling and packaging requirements reflect this bilingualism.

According to the Québec Charter on the French language, the label information that summarizes the product's information, identity and description must be shown in English and French. Also, the net quantity declaration must be in English and French. These rules are applicable throughout Canada.

The Consumer Packaging and Labelling Act[4] as well as the Consumer Packaging and Labelling Regulations[5] provide that the following three pieces of information must appear on the labels of all prepackaged products throughout Canada: the identity of the product, the net quantity of the product, and the identity and principal place of business of the dealer. The statute and regulation also provide that this information must be set out in both official languages, i.e., English and French.

However, there is one exception to this rule: the identity and principal place of business of the person by or for whom the prepackaged product was manufactured, processed, produced, or packaged for resale may be indicated in either official language. Consumer Packaging and Labelling Regulations requires that "all" mandatory label information be shown in English and French except the dealer's name and address which can appear in either language. Therefore, any label information in addition to the mandatory requirements discussed above (i.e., directions for use, promotional statements, etc.) does not have to appear in a bilingual manner. Dealers are, however, encouraged to include such information in English and French.

Here is an example of labeling requirements for prepackaged consumer goods regulated under **The Canadian Consumer Packaging and Labeling Act**:

- **Product Identity Declaration:** Describes a product's common or generic name, or its function. The declaration must be in both English and French.
- **Net Quantity Declaration:** Must be expressed in metric units of volume when the product is a liquid or a gas or is viscous; or in metric units of weight when the product is solid; or by numerical count. Net quantity may also be expressed in other established trade terms.
- **Dealer's Name and Principal Place of Business:** Where the prepackaged product was manufactured or produced for resale. In general, a name and address enough for postal delivery will be acceptable. This information can be in either English or French.

[4] R.S.C. (1985), c. C-38. https://laws-lois.justice.gc.ca/eng/acts/c-38/.
[5] C.R.C., c. 417. https://lois-laws.justice.gc.ca/eng/regulations/C.R.C.,_c._417/.