

INTRODUCTION TO IMPORTING GOODS INTO CANADA

Step-By-Step Points to Consider

Bay Brokerage Inc. will make the importation of goods into Canada a relatively straightforward process.

This brochure has been prepared to provide a basic understanding of Canadian Customs Regulations and procedures, and an importer's obligations.

We trust this information will be helpful to importers, foreign suppliers, and carriers to make importations into Canada an expedient undertaking.

PRE-IMPORTATION PREPARATION

1. Choose your Customs Broker.

By choosing Bay Brokerage Inc., an importer is selecting a fully licensed Canadian Customs Broker, servicing all ports of entry from one central location in Stittsville, (Ottawa), Ontario. Bay Brokerage also offers customs consulting, compliance verification, and freight services.

Bay Brokerage is able to release all Truck, Air, Ocean and Rail shipments in an expedient fashion. Carriers fax their documentation to us, and an entry is submitted to the Canada Border Services Agency (CBSA) for release.

Bay Brokerage is a full-service firm that has an experienced and professional staff capable of handling all Customs related matters.

2. Brokerage Fees

Fees charged are agreed upon in advance by the broker and the importer for a period of time, usually one year. Fees are based upon the type of service rendered, the Canadian Dollar value of the shipment, and any special services provided.

3. The Agency Agreement

In order to transact business on behalf of an importer, every Canadian Customs Broker must have a valid written authority from the importer. This is usually in the form known as an "AGENCY AGREEMENT", which must be signed by an officer of the corporation. We can provide a copy of this form for your perusal and completion, along with our client information sheet, credit application, and GST agreement.

4. Canadian Business Number

A Canadian Business Number must be obtained in order to import into Canada. If an importer does not have one already, Bay Brokerage can supply an application and obtain one. Please complete it and return to us, and we will apply for the business number.

5. Export Import Controls Bureau

Some commodities are controlled by the Export & Import Controls Bureau of International Trade Canada, and require an import permit to be issued prior to the goods being released by the CBSA. Such commodities include, but are not limited to, textile products, food, and steel. Prior to the broker applying for an import permit, an importer must have a company file number as issued by International Trade Canada. Bay Brokerage will supply importers with an application to obtain a company file number.

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6. Other Government Departments

The CBSA administers and enforces rules on imported goods on behalf of many government departments, such as the Registrar of Imported Vehicles and the Canadian Food Inspection Agency, to name a few. Goods that may be subject to the requirements of other government departments include automobiles, food items, plants and plant matter, animal and animal matter, and pyrotechnics. Advance notice of shipments provides the broker with the opportunity to determine if there are any such requirements prior to the goods crossing the border.

7. Maintenance of Records

All importation records must be kept in Canada for a period of six calendar years following the importation of the goods. These include the records that relate to the origin, marking, purchase, importation, costs, manufacture and payment for the goods in Canada. Also, any applications for advance rulings made in respect to the commercial importation must be kept in Canada.

Importers may designate an authorized responsible agent, such as a Chartered Accountant or Customs Broker, to maintain such records.

8. Valuation

The value for duty of imported goods can be calculated using Sections 45 through 53 of the Customs Act. Generally, the most common type of transaction is the arms-length sale between two unrelated parties. This type of transaction is noted in section 48 of the Customs Act.

When a sale is made to a company in Canada from outside of the country, the selling price may include certain fees that may be deductible from the transaction value, such as freight fees. Section 48 of the Customs Act allows for the selling price to be adjusted downward from the point of direct shipment to Canada, to ensure that such charges are not included in the dutiable/taxable value. It is very important for foreign suppliers to identify all the terms of sale on all Canada Customs or Commercial Invoices. By identifying these terms of sale and costs, non-dutiable charges can be deducted from the selling price, provided that they were initially included in that price. Please note, alternatively, that the Customs Act also provides for the selling price to be adjusted upwards for certain fees that are not included in the selling price, but are dutiable and taxable as part of the price.

Examples of charges that should be identified, if part of the selling price, include freight from the point of direct shipment to the Customer's door in Canada and insurance on the freight.

There are alternate valuation methods that apply in situations when an arm's length sale does not take place. These include Identical Goods, Similar Goods, Deductive Method, Computed Method, and Residual Method.

9. North American Free Trade Agreement

In order to qualify for the preferential rates of duty provided under NAFTA, a NAFTA Certificate of Origin must be completed and provided by the foreign supplier. Bay Brokerage can provide a copy of this certificate and its instructions for completion.

It is imperative that the certificate is completed in the prescribed manner, including the correct Harmonized System Coding, as the certificate will be invalid otherwise. Canada Customs is strictly enforcing compliance in all areas of Customs regulations; therefore, it is in an importer's best interest to ensure that all documentation is accurate, and that suppliers understand the obligations under the NAFTA Agreement prior to completing the certificate.

10. Other Trade Agreements and Preferential Treatments

Canada has entered into trade agreements with many countries. Goods manufactured and imported directly from such countries may benefit from preferential tariff treatments. If the goods being imported fall into this category, Bay Brokerage can confirm if any preferential tariffs apply, and advise what documentation is required to take advantage of such preferential tariffs.

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11. Administrative Monetary Penalty System (AMPS)

The Administrative Monetary Penalty Systems (AMPS) is a program to promote voluntary compliance with customs legislation by imposing monetary penalties for non-compliance. The penalty amounts levied are proportionate to the severity, type, and frequency of an infraction. In the case of imported goods, the importer, not the Customs Broker, is responsible for the accuracy and compliance of the import transaction. In order to ensure that transactions are compliant, Bay Brokerage will be pleased to offer consulting services on a fee basis, and make recommendations as required.

IMPORTATION

Once pre-importation preparation is complete, shipments may begin to enter Canada. A Canada Customs Invoice or a commercial invoice containing all the elements of a Canada Customs Invoice, a bill of lading, airwaybill, or cargo control document, and any applicable foreign certificates and permits must accompany every shipment. Shipments can be sent via ground, air, rail, or ocean.

1. Release Procedures, PARS (Truck)

Many shipments are released under the Pre-Arrival Review System (PARS). The procedure is as follows:

- a. When the carrier picks up the shipment from the supplier, a PARS label is affixed to the documentation. This is to be faxed along with the commercial invoice or Canada Customs Invoice to Bay Brokerage three or more hours prior to crossing the border. These should be faxed during the business hours of 8:30 AM to 5:00 PM, (eastern time), Monday through Friday, otherwise afterhours fees might apply. The estimated time of arrival and the port of crossing must be listed on the documents. The carrier should call to verify that all items and information faxed is acceptable and legible.
- b. The release information will be sent to the CBSA for review. Pre-recommendation for release, or a rejection notice will be issued after the officer's primary review. Once the pre-recommendation for release is received, usually within 1 hour of submission, the carrier may proceed to the border.
- c. At the border, the carrier must hand in the shipment documents with the bar-coded PARS label affixed to them. This will be scanned by the CBSA, and the system will match it up to the entry. Once release is approved, the carrier is free to go. This process, once at Customs, usually takes less than 5 minutes, unless the officer wishes to inspect the goods.

2. Release Procedures, PARS (Air & Rail)

Air and Rail shipments can also be cleared using the PARS system.

- a. The carrier faxes the cargo control document along with all Canada Customs Invoices or commercial invoices to the broker prior to arrival at the border.
- b. The submission of the release information and CBSA pre-recommendation is handled the same way as listed above.

Once the shipment reaches the border, the carrier will transmit an "arrival" to the CBSA, where the shipment details will match up with the release information, and release is facilitated.

3. Release Procedures, In-Bond Air, Rail, Truck, & Ocean Freight

The release of in-bond air, rail, truck and ocean freight is handled much the same way as PARS shipments, as listed below:

- a. The air, rail, truck or ocean carrier will fax the Cargo Control Document and applicable documentation to Bay Brokerage.
- b. The release request is submitted to the CBSA for review. Once again, the information will be reviewed by the CBSA, and they will issue the applicable release or rejection information to us.

Once the goods are released from Customs, the carrier will deliver them to the consignee, if previous arrangements have been made to do so.

POST-IMPORTATION

After goods are successfully released from Customs, the broker will complete the final accounting of the entry. Using the information available, the broker will assign the Harmonized System Code (or tariff code), the

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applicable duty rate, and the applicable taxes. At times, all information is not available to complete the final accounting, thus the broker will contact the importer for clarification.

Once the final accounting documents are received from the broker, most importers feel that their job is complete, but, in reality, it has just begun. To ensure compliance with Customs Regulations, the importer must post-audit the entry. Items such as, but not limited to, the value of the goods, tariff treatments, quantities, and countries of origin should be verified against the importer's accounting records, customs records, and receiving records. Any discrepancies must be reported to Canada Customs by way of an amendment within 90 days of importation. Bay Brokerage has the expertise on staff to handle such audits, and any amendments that may be required.

Bay Brokerage Inc. hopes that this information helps to simplify some of the procedures in the often-confusing world of importation. If you require further details, please call us. Any one of our experienced staff will be able to assist you.

(The information provided in this brochure is intended as a general guideline only, and was accurate at time of publication. Please contact Bay Brokerage Inc. for more detailed information.)

Bay Brokerage Inc.

52 Springbrook Drive, P.O. Box 472
Stittsville, (Ottawa), Ontario
K2S 1A6

Telephone: (613) 592 7944

Facsimile: (613) 592 4044

Email: release@baybrokerageinc.com