



Ottawa, February 20, 2009

MEMORANDUM D4-3-4

In Brief

DUTY-FREE SHOP – OPERATIONAL RESPONSIBILITIES

1. This memorandum replaces Memorandum D4-3-4, dated September 9, 2008.
2. This memorandum is revised as a result of the Paper Burden Reduction Initiative. The revisions are aimed at eliminating obsolete and duplicated requirements, streamlining certain commercial processes and modifying complex policies and forms.
3. In accordance with the above, among major realignment between the D4-3 series of Customs Memorandum (D4-3-2 to D4-3-7), the procedures established for the reporting and control of inventory have been realigned with Memorandum D4-3-5 and the requirements, guidelines or procedures listed below have been deleted and abolished.
 - (a) Preparation of form K11
 - (b) Preparation of form E15
 - (c) Daily, weekly and monthly controls
 - (d) Restricting access to the warehouse
 - (e) Conducting regular physical verification
 - (f) Controlling access to inventory records
 - (g) Conducting trial balances, reconciliation
 - (h) Reviewing site controls
 - (i) Sales invoices prepared in three copies
 - (j) Accept all goods returned
 - (k) Stock liquor products in one litre sizes or less
 - (l) Monthly export declaration form B13



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DUTY-FREE SHOP – OPERATIONAL RESPONSIBILITIES

This memorandum outlines and explains the responsibilities of duty-free shop licensees in the operation of a duty-free shop.

LEGISLATION

For the regulations governing the information in this directive, refer to the *Duty Free Shop Regulations*.

GUIDELINES AND GENERAL INFORMATION

1. Duty-free shop licensees are responsible for carrying out all proposals made in their approved licence applications. They must also comply with any other conditions of operation that may have been required by the Canada Border Services Agency (CBSA) before opening for business. They must establish and maintain appropriate operating and administrative practices and procedures to comply with the regulatory requirements of the licence. These responsibilities include the provision and maintenance of facilities and appropriate services to the public.

FACILITY STANDARDS

Site Requirements

2. The site at which the duty-free shop will be located and operated is to be physically situated so as to facilitate the direct export of goods. It must also be easily serviceable by the CBSA. Where site constraints do not allow the shop to be situated to ensure direct export, a delivery system, subject to CBSA approval, must be used.

Building and Facility Requirements

3. The duty-free shop licensee must ensure that all areas or buildings designated as part of the duty-free shop's operations are physically secure.
4. Where the duty-free shop is to be located within an existing building (such as a passenger terminal at an airport), the storage area may, subject to CBSA approval, be located in another part of the building or in another building that is located on the same property. The licensee may also apply to operate an off-site storage facility in addition to the storage space used in the duty-free shop, as explained in Memorandum D4-3-6, *Duty Free Shop – Off-Site Storage*.

Access to the Site, Building or Facility

5. The licensee must control access to its facilities to ensure that their inventory is kept secure. At a land border crossing, the shop must be appropriately fenced in to prevent unauthorized access. The entrance to the site must be configured so that vehicles may enter but not leave, and the exit from the site must be configured so that traveller's vehicles may exit but not re-enter. Egress for travellers must be restricted to the U.S.-bound roadway only. If the port is configured so that a possible turnaround point exists between the shop egress and the point of no return, the operator will take whatever steps are necessary to prevent his or her customers from using that turnaround point without crossing the border with goods purchased in its shop.

6. At an airport, the traveller must always present a boarding pass or ticket showing a foreign destination in order to enter the shop, or it must be shown at the time of purchase. For flights departing from Canada that are boarded on a progressive basis, duty-free goods may be sold to boarding passengers at each airport of embarkation, subject to the conditions outlined in Memorandum D2-5-5, *Progressive Clearance at Airports*.

Goods Not Exported

7. Where the traveller is unable to depart from Canada, the licensee may accept the return of goods and provide the necessary monetary or credit refunds. If the goods were opened and/or partially consumed and the licensee does not or cannot accept the returned goods, the traveller must pay the applicable duties and/or taxes to the CBSA.

Off-site Sales Outlets

8. Although a licence to operate a duty-free shop is issued for a specific location, a licensee may establish off-site sales outlets in other locations. However, such outlets may only be used for taking orders, while the actual delivery or pick-up of the duty-free goods must take place at the duty-free shop itself. The off-site outlets cannot interfere with the primary outlets of other licensees nor should they create confusion for the travelling public. They cannot interfere with, or affect in a negative or confusing manner, traffic from other ports and should be located in a neutral area.

9. A duty-free shop licensee must obtain prior approval from the CBSA before establishing an off-site sales outlet by submitting Form BSF664, *Duty Free Shop Application/Amendment* to the Duty Free Shop Program along with a narrative description of the proposed outlet and site and building plans.

10. All products at an off-site sales outlet must be duty and/or tax-paid goods or dummy samples. No inventory from the duty-free shop will be kept at an off-site sales location without prior approval from the Program office.

ADDITIONAL INFORMATION

11. Any inquiries regarding this memorandum should be directed to the following:

Export Process and Duty Free Shop Program
Licensing, Export and Accounting Policy Division
Border and Compliance Programs Directorate
Admissibility Branch
Canada Border Services Agency
Ottawa ON K1A 0L8

Telephone: 613-948-7117 or 613-954-7215

Fax: 613-946-0241

REFERENCES

ISSUING OFFICE – Export Process and Duty Free Shop Program Licensing, Export and Accounting Policy Division Admissibility Branch	HEADQUARTERS FILE –
LEGISLATIVE REFERENCES – <i>Duty Free Shop Regulations</i>	OTHER REFERENCES –
SUPERSEDED MEMORANDA “D” – D4-3-4, September 9, 2008	

Services provided by the Canada Border Services Agency are available in both official languages.

