



Canada Border
Services Agency

Agence des services
frontaliers du Canada

The Duty Deferral Program

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Good News for Canadian Entrepreneurs

If you have imported goods into Canada within the last four years, or are planning to import goods into Canada, then you should know how the Duty Deferral Program can reduce your costs and improve your cash flow.

The Duty Deferral Program

Under this program, Canada Border Services Agency can waive, postpone, or refund duties and taxes you usually have to pay on imported goods. You can use the program's options individually or in combination, in the way that best suits your business needs.

The program offers Canadian businesses many of the same duty and tax incentives as those found in free trade zones around the world. For example, you don't have to pay duties and taxes on imported goods that you plan to export, even if these goods undergo a wide range of processing and manufacturing activities while you have them.

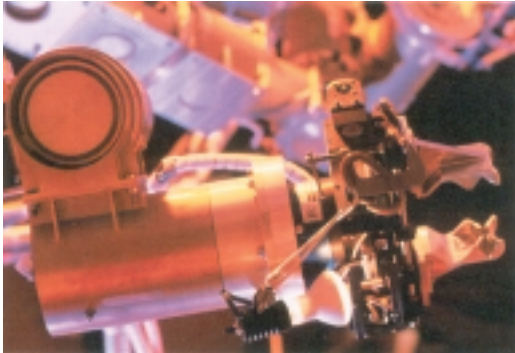
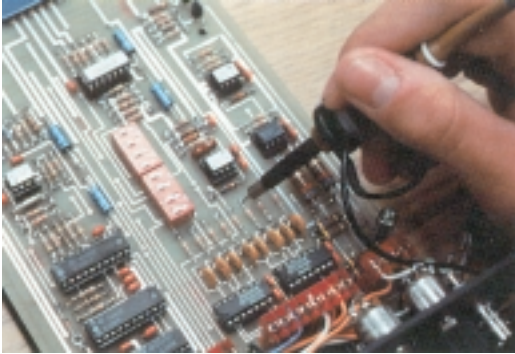
And you can bring goods into Canada and store them tax- and duty-free until they are delivered into the Canadian market. If you have already paid duties and taxes on imported goods, you can use the drawback option to ask for a refund for goods imported within the last four years.

Finally, the Duty Deferral Program is portable and has no geographic restrictions. This means you get to pick the most competitive and advantageous location for your business needs.



Program Options

The Duty Deferral Program has three options: customs bonded warehouse, duties relief and drawback. The flexibility of the program means that you can use one option or all of them in combination. If you like, you can even move goods between the options without paying duties. Check each option to see the unique advantages for Canadian business, and find out which approach to duty deferral best suits your business needs.



Storage – The Customs Bonded Warehouse Option

Forget all your preconceived notions of what a warehouse is. Customs bonded warehouses break the mould. They can be, but are not limited to, industrial-type structures. A customs bonded warehouse can be a conference room in a hotel or convention centre, part of an existing office building, or part of a complex of buildings. The bottom line is the flexibility you have to license a site that best suits your business needs. The customs bonded warehouse option applies even if you use a site licensed to someone else.



Whatever location or structure you choose, the customs bonded warehouse option will provide you with a distinct competitive edge in moving your goods, whether they are destined for the international or domestic marketplace. Under this option, efficient handling, storage, and minor manipulation of goods before they are exported or sold domestically, translate into lower costs, improved cash flow, and a simpler importing process.

Here are some of the many benefits you can expect under the customs bonded warehouse option:

- relief from all duties and taxes until the goods enter the Canadian marketplace;
- exemption from duties and taxes if the goods are sold abroad; and



- ability to take advantage of just-in-time inventory practices by buying goods in bulk and removing them from the warehouse in various quantities.



Equally important, while the goods are in the warehouse—and they can be stored there up to four years—you can handle them in a variety of ways, as long as you do not change them substantially.

Activities permitted under the customs bonded warehouse option include:

- reassembling goods that were disassembled for transport;



- displaying;
- inspecting;
- marking, labelling, tagging, or ticketing;
- packing, unpacking, packaging, or repackaging;
- sampling, testing, cleaning, and diluting;
- usual maintenance and servicing;
- preserving;

- separating defective goods from those of prime quality;
- sorting or grading; and
- trimming, filing, slitting, or cutting.

Since you can perform any or all of these activities under the customs bonded warehouse option, you can tailor the program to your particular business requirements.

Ask the producer who imports fabrics and stores them in a customs bonded warehouse. While the fabrics are in the warehouse, the producer can cut and mark them, and then export them to Europe, all without paying



duties and taxes. Not only has he been able to level his yearly production, but he has been able to double his staff as well. For this businessman, licensing a customs bonded warehouse is good for his business, and good for the Canadian economy.



Conventions, exhibitions, and trade shows can take advantage of the customs bonded warehouse option to license their event sites. Participants can then display and handle imported goods in applicable ways without the cost of duties and taxes. As an importer with a customs bonded warehouse licence, you can streamline your operation into a duty- and tax-free environment.

Those of you familiar with the old customs bonded warehouse system will recognize the tremendous opportunities offered by this option, which allows you to do things never before permitted.



Manufacturing – The Duties Relief Option

Do you import goods for storage, manufacturing, or processing and eventual export? If the answer is yes, then the duties relief option can help give your business a competitive advantage by lowering your costs, since you won't have to pay duties on the goods.

As with the customs bonded warehouse program, you are not restricted to a specific geographical site to participate under the program. You choose the place that best suits your business needs to set up your facility.

Under this option, you can perform a wide range of processing functions, everything from minor adjustments, to repair, to



full-fledged manufacturing. You don't have to separate your domestic and export production, and you can use imported and domestic raw materials interchangeably. Even goods that are consumed or expended in a manufacturing process are eligible under the program. Moreover, the Canada Border Services Agency will adapt customs procedures to your usual record-keeping system, allowing you to focus less time on paperwork and more time on business.





Let's say your company imports television parts from Thailand and delivers them to your factory in Canada. Under the duties relief option, you are relieved from duties on the imported components. Your employees can assemble the components into functioning TVs and you can then export them, all without paying duties.



What else? With duties relief you:

- do not have to post a bond to financially secure your liability;

- have up to four years to identify your export markets;
- can substitute Canadian-made parts for imported ones, allowing you the flexibility to meet changing market conditions; and
- can sell or transfer the goods to other program participants without having to pay the duties.

Refunding – The Drawback Option

Feel like you've been missing out on a good thing? The drawback option can fix that. It allows you to apply for a refund of the duties you paid on imported goods that you later exported. Just file a claim and we will process it and send your refund to you.

Maybe you're a manufacturer who imported chocolate to make candy bars for sale in Canada. You then developed an export market and sold some of those candy bars abroad. The drawback option allows you to claim a refund of the duties and taxes you paid on the imported chocolate used to make the exported candy bars.

Whether you're the importer, the exporter, or the manufacturer of the imported goods, you can still take advantage of the drawback option if the goods were imported in the past four years. It applies whether the goods were used or consumed in manufacturing, or simply stored and exported unused.



Want to Know More?

Clearly, participation in the Duty Deferral Program is a sound business move. It will lower your costs and at the same time improve your cash flow. To learn more about how you can use the program, visit our Web site at www.cbsa.gc.ca or visit one of our Compliance Division offices.



The phone numbers and addresses are listed in the Government of Canada section of your telephone book.

As you may know, the North American Free Trade Agreement (NAFTA) affects duty deferral programs offered by any of the NAFTA partners. If the goods that are exported to the United States or Mexico are further processed you may be subject to restrictions imposed under NAFTA. See Memorandum D7-4-3, *NAFTA Requirements for Drawback and Duty Deferral*.

for more information

