



Memorandum D7-4-2: Duty Drawback Program

ISSN 2369-2391

Ottawa, October 21, 2024

Plain language summary

Target audience: Importers of commercial goods

Key content: This memorandum outlines and explains the procedures and conditions that must be respected when filing a claim for a drawback of duties paid.

Keywords: CARM, accounting, commercial goods, importer, payment, program, revenue, CAD, EDI

On this page

- [Guidelines and General Information](#)
- [Claiming the GST/HST](#)
- [Who May Apply](#)
- [How to Apply](#)
- [Supporting Documentation](#)
- [Certificates and Waivers](#)
- [Filing Time Limits](#)
- [Deemed Exportation](#)
- [Consumable and Expendable Goods](#)
- [Equivalence](#)
- [Scrap or Waste](#)
- [Drawback Repayment](#)
- [Interest](#)
- [Non-compliance](#)
- [Sanctions](#)
- [Additional Information](#)

Guidelines and General Information

1. This program will be of benefit to persons who presently, or will
 - (a) import goods into Canada, or
 - (b) receive goods imported into Canada, and
 - (c) export the imported goods from Canada, and
 - (d) wish to file a claim for a drawback (refund) of the duties paid.

2. When imported goods which are subsequently exported from Canada were
 - (a) further processed, or
 - (b) displayed or demonstrated in Canada, or
 - (c) used for the development or production in Canada of goods for subsequent export, and
 - (d) exported without having been used in Canada for any purpose other than for (a), (b), or (c),

a drawback may be filed to claim the duties paid on the imported goods. This means a refund of the customs duties, anti-dumping and countervailing duties, or excise taxes, other than the Goods and Services Tax /Harmonized Sales Tax (GST/ HST), that were paid at the time of importation, may be claimed.

3. For the purposes of paragraph 2(a), "further processed" includes imported goods, other than fuel or plant equipment, directly consumed or expended in the manufacture or production in Canada of goods for export.

Claiming the GST/HST

4. Goods and Services Tax /Harmonized Sales Tax (GST/ HST) cannot be refunded by drawback. For information regarding GST/HST, please visit the [Canada Revenue Agency \(CRA\) Web site](#). For GST/HST technical enquiries, please contact the CRA at **1-800-959-8287**. In Québec, Revenu Québec administers the GST/HST. If the physical location of your business is in Québec, contact Revenue Québec at **1-800-567-4692**.

Who May Apply

5. The importer, exporter, processor, owner, or producer of goods that were exported from Canada and for which duty was paid on importation, may file a drawback claim. Where more than one person is eligible to file a claim, the claimant must secure a waiver from all other eligible claimants waiving their rights to claim.

How to Apply

6. Complete Form [K32, Drawback Claim](#) to apply for a drawback and submit it, together with supporting documentation, through the CBSA Assessment and Revenue Management (CARM) system. The CARM system has been developed to provide registered Trade Chain Partners (TCPs) the ability to submit requests for a drawback refund. CARM facilitates and expedites the drawback process by introducing information technology which streamlines the submission, receipt and processing of drawback claims.

Supporting Documentation

7. The drawback claim must include supporting documentation demonstrating that the conditions under the legislation and regulations have been met. This documentation could include, but is not limited to, a copy of the export sales invoice together with evidence of export.

8. Satisfactory evidence must be provided if the exports are affected by the Canada-United States-Mexico Agreement (CUSMA). "Satisfactory Evidence" is explained in [Memorandum D7-4-3, CUSMA Requirements for Drawback and Duty Deferral](#).

9. Company computer printouts or other company computer media describing the goods invoiced in the transaction may be provided when the claim is lengthy.

10. Additional information or documents may be required in order to establish the validity of the claim. They must be provided upon request.

Certificates and Waivers

11. A waiver is required from all other eligible claimants waiving their rights to claim a drawback. A claim will not be accepted if the required waivers are required but not included.

12. The CBSA has created two types of waiver certificates. Form [K32A, Certificate of Importation, Sale or Transfer](#) is used to waive the duties to someone other than the importer. Form [K32B, Drawback Certificate of Sale for Exportation](#) is used when the claimant is not the exporter.

Filing Time Limits

13. A claim for drawback must be filed within four years of the release date of the imported goods. In the case of spirits used in the manufacture of exported distilled spirits, a claim must be filed within five years of the release date.

14. Before a claim may be filed, the goods must be exported, or deemed exported.

15. TCPs are encouraged to submit their drawback claims directly via the CARM Client Portal, but drawback claims manually filed at a CBSA office will be date-stamped upon receipt and entered into CARM for processing. TCP registration in the CCP is required to obtain status updates on their claims

16. If the claim is sent by registered mail or courier, with proof, the date of registration will be the date used for calculating the time limit for the submission of the claim.

17. In instances where the claim is forwarded to CBSA by regular mail or hand delivered, the date that the claim is received in the CBSA office will be the date of filing.

Deemed Exportation

18. Subsection 89(3) of the [Customs Tariff](#) identifies goods that are deemed to be exported, even though the goods may not have left Canada.

Consumable and Expendable Goods

19. Goods, other than fuel or plant equipment, consumed or expended in the direct manufacture of other goods which are subsequently exported from Canada, may be eligible for drawback.

20. Consumables are goods that virtually disappear in the manufacturing process and do not form part of the finished product.

21. Expendables are goods that retain some of their physical characteristics after use, but have become useless or de-vitalized and do not form part of the finished product.

Equivalence

22. "Equivalence" is the term used in cases where both imported and domestic goods of the same class are used interchangeably in the processing of end products, some of which are exported. The imported goods must be in sufficient quantities to produce the goods exported, and be used in production prior to the domestic goods. The imported goods must be used in the different manufacturing facilities producing the exported products. The finished product, when incorporating domestic goods must be exported within two years of the date of release of the imported goods.

23. Equivalence can only be applied to goods which are further manufactured, including "consumable" or "expendable" goods.

24. In order for domestic and imported textile fabrics composed of different fibres to be considered equivalent for purposes of a drawback, the fabrics must be made from fibres that fall within the same class, as listed in subsection 11(2) of the [Goods Imported and Exported Refund and Drawback Regulations](#). Fabrics composed of fibres of different classes will be considered equivalent only if they meet the weight requirements of the regulations.

Examples:

Eligible Equivalent Blends or Mixtures

Polyester/Cotton 65/35 and 50/50
Polyester/Cotton 80/20 and 50/50
Wool/Viscose 70/30 and 40/60
Nylon/Cotton 15/85 and 40/60
Nylon 100 per cent and Nylon/Acetate 96/4

Ineligible Equivalent Blends or Mixtures

Polyester/Cotton 45/55 and 80/20
Nylon/Cotton 50/50 and 15/85

Scrap or Waste

25. Scrap or waste resulting from a processing operation can normally be included in a claim. However, the scrap or waste cannot be claimed if similar scrap or waste would be subject to duty if it were imported and the scrap or waste has a merchantable (sales) value.

26. If the scrap has a sales value and would be subject to duty if it were imported as such, it can only be claimed on a drawback if the scrap is exported. Otherwise, the claim must be reduced by the amount of duty that would be applicable to the sales value of the scrap.

Drawback Repayment

27. One of the conditions that must be met in order for goods to qualify as Canadian Goods Returned under tariff item numbers 9813.00 or 9814.00 is that you must repay the amount, including applicable interest, of any drawback that was granted.

28. To repay the drawback at the time of re-importation, the goods must be classified under tariff item numbers 9813.00 or 9814.00 and enter 50-0000 in the "Special auth. OIC field of the CAD. Refer to example No. 54 in Appendix A of [Memorandum D17-1-10, Coding of Customs Accounting Documents](#).

Interest

29. Any person who receives a drawback of duties other than those levied under SIMA, shall receive, in addition to the drawback, interest at the prescribed rate, starting on the ninety-first day after the application for the drawback is received by the CBSA, and ending on the day the drawback is granted.

30. Any person granted a drawback of duties levied under SIMA will be granted interest at the prescribed rate for each month or fraction of a month beginning on the ninety-first day after an application is received by CBSA, and ending on the day the drawback is granted.

Non-compliance

31. The CBSA will recover any amount exceeding the amount for which the person is eligible which it overpays, including interest. Interest will be collected on the overpayment from the time the drawback was paid until such time as the full amount is repaid.

Sanctions

32. The *Customs Act* provides for penalties to be applied under the [Administrative Monetary Penalty System](#) (AMPS) when duties owing are not paid within legislated time limits or in cases of non-compliance.

References

Consult these resources for further information.

Applicable legislation

[*Customs Tariff*](#)

[*Goods Imported and Exported Refund and Drawback Regulations*](#)

[*Customs Act*](#)

Related D memoranda

[Memorandum D7-4-1 - Duties Relief Program](#)

[Memorandum D7-4-3: NAFTA Requirements for the Duty Drawback and the Duties Relief Programs](#)

[Memorandum D17-1-10 - Coding of Customs Accounting Documents](#)

Superseded D memoranda

D7-4-2 dated January 14, 2011

Issuing office

Trade and Anti-dumping Programs Directorate
Commercial and Trade Branch

Contact us

For more information:

[Contact CBSA border information services](#)

For questions about the CBSA Assessment Revenue Management (CARM) system:

[CARM client support online form](#)

Related links

[K32](#), [K32A](#), [K32B](#), [B3-3](#)
[Administrative Monetary Penalty System](#)