



# Memorandum D7-4-4: Customs Bonded Warehouses

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Ottawa, October 21, 2024

This memorandum outlines and explains the procedures to be followed by an individual or company when applying for a Customs Bonded Warehouse (CBW) licence, and the conditions under which such warehouse must be operated.

## Plain language summary

**Target audience:** Importers of commercial goods.

**Key content:** This memorandum outlines and explains the procedures to be followed by an individual or company when applying for a Customs Bonded Warehouse (CBW) licence, and the conditions under which such warehouse must be operated.

**Keywords:** CUSMA, CARM, Duty Drawback Program, Duties Relief Program, Customs Bonded Warehouses, imports, exports, trade chain partners, customs duties.

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## Updates made to this D-memo

This memorandum has been revised to highlight changes that have been implemented through the new CBSA Assessment Revenue Management (CARM) system.

## Guidelines and General Information

1. Customs Bonded Warehouses (CBWs) are facilities licensed and regulated by the Canada Border Services Agency (CBSA), and operated by the private sector. Goods in a CBW are considered to be imported into Canada but have not been released from the CBSA. Imported and domestic goods destined for export may be placed in a CBW provided that the goods are readily identifiable.

2. These facilities provide, with a few exceptions, for the complete deferral of customs duties, anti-dumping and countervailing duties, excise duties and taxes including the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) on imported goods. This deferral continues up to the point the goods are released for Canadian domestic consumption or are exported.

3. CBWs may consist of:

- a) private warehouses operated by individuals or companies for the storage of their own in bond goods; or
- b) public warehouses operated by entrepreneurs for the storage of goods imported by various importers.

4. This program will be of benefit to persons who:

- a) import goods into Canada and wish to defer, with some exceptions for up to four years, the payment of duties and taxes until the goods are released for Canadian consumption;
- b) consolidate imported and domestic goods for export;
- c) perform the operations listed in paragraph 5 and 6; and
- d) import goods temporarily for display at conventions, exhibitions or trade shows.

## Allowable Activities

5. The [Customs Bonded Warehouses Regulations](#) allow certain activities to be performed in a CBW that do not change the condition of the goods. The goods in a CBW shall not be further manufactured. Goods may be manipulated, altered, or combined with other goods only for the purpose or in the course of:

- a) disassembling or reassembling goods that have been assembled or disassembled for packing, handling, or transportation;
- b) displaying;
- c) inspecting;
- d) marking, labeling, tagging, or ticketing;
- e) packing, unpacking, packaging or repackaging;
- f) removing from the warehouse, for the sole purpose of soliciting orders for goods or services, a small quantity of material, or a portion, a piece or an individual object, that represents the goods;
- g) storing; or
- h) testing.

6. In addition, the following activities that do not materially alter the characteristics of the goods may be carried on in a CBW. These specific activities are:

- a) cleaning;
- b) complying with any applicable law of Canada or of a province;
- c) diluting;
- d) normal maintenance and servicing;
- e) preserving;
- f) separating defective goods from prime quality goods;
- g) sorting or grading; and
- h) trimming, filing, slitting, cutting.

## Display Goods

7. The CBW program may provide for a temporary CBW licence for imported goods to be displayed at conventions and exhibitions as well as for marking purposes. These goods must have been properly declared and documented to enter the CBW designated area. Such goods include products on display as well as those that form part of the display such as stands, tables, backdrops, decorations, display booths, tents, and other housings or coverings. Prohibited or restricted goods are not allowed.

8. Item number 3 of the [Customs Bonded Warehouses Regulations](#) schedule contains provisions for marking purposes or display of goods at conventions, exhibitions, or

trade shows of up to 90 days. The goods must then be either exported from or entered (accounted for under section 32 of the Customs Act) in Canada. Information on temporary imports may be found in [Memorandum D8-1-2, \*International Events and Convention Services Program \(IECSP\)\*](#).

9. This provision is available for the one-time convention operator, an event planner or organizer, a convention facility hotel operator or owner, and for an importer who has imported goods that are not marked in accordance with the [Marking of Imported Goods Regulations](#).

## Permits

10. All goods being entered into a CBW are considered to be imported into Canada and are required to meet all other government department requirements/ conditions (such as permits, authorizations, waivers, rulings, etc.).

11. All permits, certificates, authorizations, or waivers must be presented when entering the goods into the CBW. It is the responsibility of the warehouse operator to inform the CBSA immediately of the revocation of such authorizations.

12. Restricted and controlled goods without permits and/or authorizations may not be entered into a CBW unless the responsible authority has issued a waiver.

13. Agriculture products subject to Tariff Rate Quotas (TRQ) entered into a CBW must have a valid import permit issued by Global Affairs Canada (GAC) in order to be accounted for at the "within access commitment" rate of duty. If agriculture products subject to TRQ's do not have a valid import permit issued by GAC then General Import Permit number 100 must be quoted in the "Special Authority Permit" field of the Commercial Accounting Declaration (CAD, formally known as the Canada Customs Coding Form, B3-3) using the "over access commitment" rate of duty. Should a valid import permit be subsequently issued for goods that were accounted for at the "over access commitment" rate of duty, then a CAD adjustment (formally a Canada Customs - Adjustment Request, B2) must be made to reclassify the goods at the "within access commitment" rate of duty.

## Application

14. Any person who wishes to operate a CBW must present a fully completed [Form E401, \*Application for a Licence to Operate a Customs Bonded Warehouse\*](#), via the CARM Client Portal (CCP) or to the CBSA office closest to the warehouse location.

15. A detailed site plan of the location of the proposed CBW must accompany the application. Flexibility has been provided in the identification of the bonded area to provide for the storage of domestic and in-bond goods. The goods must be readily

identifiable through your record-keeping system and be situated in the area designated on your site plan.

16. CBW applications for the storage of alcoholic beverages must obtain approval from the provincial liquor authority of the province where the CBW will be situated, and a copy of that approval must accompany the application.

## Security

17. Security to be posted with the CBSA for purposes of subsection 91(4) of the [Customs Tariff](#) shall be deposited with the Receiver General for Canada.

18. The amount of security will be 60% of the maximum amount of duties and taxes that would otherwise be payable at any time in the year following the issuance of the licence for the CBW. Security will be reviewed not less than annually and may be decreased or increased according to the largest amount of duties and taxes that would otherwise be payable at any time during the past fiscal year.

19. One bond may be filed for all CBWs operated by an individual or company within the same CBSA office area, provided the amount of the bond is the total of those amounts required under section 4 of the [Customs Bonded Warehouses Regulations](#) for each warehouse. The address of each warehouse and the proportion of the total bond value allocated to that CBW shall be indicated on an attached bond rider. The original bonds will be retained on file at the local CBSA office. Any updates and/or changes should be referred to the CBSA regional office where the CBW is located, or submitted directly through the CCP. All securities are to be handled in accordance with [Memorandum D1-7-1, Posting Security for Transacting Bonded Operations](#).

## Licence

20. When the applicant has met the requirements of the program, a CBW licence with a unique licence number will be issued. The licence number will consist of the CBSA office code, the letter "W" and a three digit number assigned by the CBSA office. When the CBW licence includes authority to store in bond domestic alcohol or tobacco (field 20, [Form E401](#)), an "E" suffix will be added to the licence number. A unique 4-digit sub-locator code will also be provided. The sub-locator code is required when completing an in- or ex- warehouse type Commercial Accounting Document (CAD) in CARM.

## Amendment/Cancellation of Licences

21. The Minister may, subject to [Customs Bonded Warehouses Regulations](#), amend, suspend, renew, cancel, or reinstate a CBW licence.

22. For licence cancellation purposes, the nearest CBSA office must be advised in writing at least 60 days prior to the effective date of cancellation. Alternatively, cancellation notices must be sent in the CCP at least 60 days prior to the effective date of cancellation. The CBSA will then acknowledge receipt of the cancellation notice. Transfer of ownership of the goods stored in a CBW must be reported to the CBSA by submitting a CAD type 30 and a type 13 in CARM. A change of ownership of the CBW facilities or a change of activities or type of goods must be reported immediately to the CBSA in writing.

23. When a licence is to be suspended by the Minister, the licensee will be advised of the immediate suspension and the reasons for the suspension in writing by registered mail. The licensee has 90 days after the date of suspension to make representation as to why the licence should not be suspended.

24. When corrective action by the operator is required, the suspension may be withdrawn when the CBSA is satisfied that the cause of the suspension no longer exists.

25. When a licence is to be cancelled by the Minister, the licensee will be advised in writing by registered mail of the effective date and the reasons for the cancellation. The licensee has 90 days after the date of cancellation to make representation as to why the licence should not be cancelled.

26. When the Minister is satisfied that the cause for cancellation no longer exists, the notice of cancellation may be withdrawn.

27. Licensees will be advised in writing by registered mail when a suspended licence has been reinstated.

## **Documentation**

28. For required information on CBSA documentation for CBWs refer to Appendix C of [Memorandum D17-1-10, Coding of Customs Accounting Documents](#). The following is a list of the entry types that may be used to enter, transfer or remove goods from a CBW on a CARM CAD:

- a) CAD type 10-1, in-warehouse, goods entering CBW;
- b) CAD type 10-2, in-warehouse, goods entering CBW – inventory shortage;
- c) CAD type 13-1, re-warehouse, transfer of goods – change of ownership;
- d) CAD type 13-2, re-warehouse, transfer of goods – change of location;
- e) CAD type 20-1, ex-warehouse, removal for domestic consumption;
- f) CAD type 21-1, ex-warehouse, removal for export;
- g) CAD type 21-2, ex-warehouse, removal for Duty Free Shop;

- h) CAD type 21-3, ex-warehouse, removal for the Duties Relief Program;
- i) CAD type 21-4, ex-warehouse, removal for diplomats;
- j) CAD type 21-5, ex-warehouse, removal for Ships' Stores;
- k) CAD type 21-6, ex-warehouse, removal for destruction;
- l) CAD type 30-1, transfer of goods – change of ownership;
- m) CAD type 30-2, transfer of goods – change of location.

## **Time Limit for Storage**

29. Generally, goods may be stored in the CBW for a period of up to four years from the date they were entered into the warehouse. However, these time limits vary depending on the type of merchandise, for example, goods such as beer and wine have a five-year time limit. The time limits are specified in section 19 of the [Customs Bonded Warehouses Regulations](#).

30. Where extenuating circumstances preclude the removal of unclaimed goods within the specified time limits outlined in the [Customs Bonded Warehouses Regulations](#), the CBSA may grant an extension under authority of subsection 37(3) of the [Customs Act](#), provided a written request is received from the importer, owner or their agent prior to the expiration of the specified time limit.

## **Restrictions on Goods**

31. No licensee shall receive intoxicating liquor in, or transfer from a CBW unless the licensee has obtained written approval to receive or transfer the intoxicating liquor from the board, commission, or agency authorized by the laws of that province to sell or authorize the sale of intoxicating liquor in that province. Intoxicating liquor is defined in the [Excise Act, 2001](#).

32. Provincial liquor authorities operating warehouses may:

- a. establish warehouses at various locations within a province and designate one such location as the control point for all CBW transactions within that province;
- b. use the average value concept on all importation's of bottled stock provided that such stock has been previously imported or the brand number has been previously registered with the CBSA.

33. Tobacco products can only be received or removed from a CBW for the following reasons:

- a) when they are for
  - i. sale to a foreign diplomat in Canada,
  - ii. export from Canada,
  - iii. sale to a duty free shop, or

- iv. use as ships' stores;
- b) when they are manufactured tobacco, other than cigarettes, tobacco sticks or snuff, and the licensee is a licensed tobacco or cigar manufacturer under the [Excise Act, 2001](#).

34. Domestic tobacco products may only be placed into, or removed from a CBW on condition that they are to be removed for use as ships' stores. Subsection 92(3) of the [Customs Tariff](#) states that the excise tax imposed under Part 3 of the [Excise Act, 2001](#) is not relieved by placing manufactured tobacco that is manufactured or produced in Canada in a CBW.

## Records

35. Record keeping systems must be able to track the movement of all goods under the CBSA's control in the CBW including:

- a) the movement into the warehouse;
- b) the movement while in warehouse;
- c) transfers to and from other licensed CBWs;
- d) records of allowable activities including manipulation, unpacking, packing, alteration, or combination with other goods in the CBW;
- e) all ex-CBW movements (the movement leaving the warehouse).

36. A CBW operator must acknowledge receipt of goods into the warehouse providing the importer/broker with a signed copy of the accounting document, which will confirm the operator's liability for duties owing on the goods until their eventual release.

37. Only similar goods of equal unit or package value may be shown on any one line of a CAD for entry into a CBW. Whenever applicable, model and serial numbers must be included with the description of goods.

38. Ex-CBW accounting documents for goods exempt of duties for sale to accredited diplomats must be accompanied by a written application, signed by a person designated on the list of [Foreign Representatives in Canada](#).

39. Warehoused goods may be temporarily removed from warehouse for exhibition provided that the conditions set forth in [Memorandum D8-1-1, Administration of Commercial Temporary Importation \(Tariff Item No. 9993.00.00\) Regulations](#), are met. Documentation requirements are outlined in [Memorandum D17-1-1, Documentation Requirements for Commercial Shipments](#).

40. Coding instructions for the completion of all CBW types of CARM Commercial Accounting Documents are contained in Appendix C of [Memorandum D17-1-10, Coding of Customs Accounting Documents](#).

## Sanctions

41. Failure to comply with the [Customs Bonded Warehouses Regulations](#), the legislative provisions of the [Customs Act](#) and policies may result in the application of a monetary penalty and in the case of continued non-compliance, possible suspension and/or cancellation of your licence. Legislation on penalties and interest may be found under section 109.1 of the *Customs Act*. The legislative authority to cancel or suspend a CBW license is contained in sections 7 and 8 of the *Customs Bonded Warehouses Regulations*.

42. Failure to maintain the records required to participate in this program by the [Imported Goods Records Regulations](#) may also result in sanctions being applied.

43. Failure to report non-compliance (goods that no longer qualify for the program) within the legislated time limits will also result in application of penalties and interest.

44. Failure to provide books and records when requested in accordance with section 43 of the [Customs Act](#) is an offense under section 160 of the *Customs Act* and may result in a summary conviction and/or imprisonment.

45. The CBSA will conduct periodic verifications to monitor compliance.

## Unlawful Removal

46. Goods unlawfully removed from a CBW may be seized as forfeit pursuant to section 110 of the [Customs Act](#). If the goods are not found, a sum equal to the ascertained duty paid value may be forfeited pursuant to section 124 of the *Customs Act*.

## Deemed Exportation

47. Subsection 89(3) of the [Customs Tariff](#) contains a list of when goods are deemed to be exported. This means that goods placed in a CBW as ships' stores, for supply to a duty free-shop or for export are considered a deemed exportation.

48. Imported goods that have been duty paid, goods imported under the Duties Relief Program, and domestic goods (produced from imported materials) are considered to be exported when they enter a CBW. Upon entry into the CBW, these goods are eligible for a drawback of duties. For goods delivered to a CBW or duty-free shop for exportation, documentation must include a copy of the CAD or [Form B116, Canada Customs Duty Free Shop Accounting Document](#).

## Canada-United States-Mexico Agreement (CUSMA)

49. Sections 95 to 98 of the [Customs Tariff](#) explain how CUSMA affects goods imported from non-CUSMA countries and used in the production of another product that is subsequently exported to a CUSMA country.

50. Goods leaving the CBW for export or duty paid goods entered into a CBW as "deemed export" and seeking a drawback may be affected by [Article 2.5](#) of the CUSMA. If an affected end product is placed in a CBW and exported to a CUSMA country, relief of duties must be paid within 60 days of export. Additional information pertaining to the CUSMA restrictions may be found in [Memorandum D7-4-3, CUSMA Requirements for the Duty Drawback and the Duties Relief Programs](#).

51. CUSMA does not affect relief or deferral of customs duties on products exported to non-CUSMA countries. The lesser of formula does not apply to products exported to non-CUSMA countries. Additional information may be found in [Memorandum D7-4-3, CUSMA Requirements for the Duty Drawback and the Duties Relief Programs](#).

### Transfer

52. A transfer means the change of ownership or the movement of goods between CBWs, or between a CBW and a duty-free shop, or both. The importer or owner of the goods shall submit a CAD in the CARM system under subsection 21 of the [Customs Act](#).

53. The types of transfers and documentation procedures are outlined in Appendix C (examples 15 to 18) of [Memorandum D17-1-10, Coding of Customs Accounting Documents](#). Procedures for the removal of excisable goods from an excise bonding warehouse to a CBW are outlined in [Memorandum D4-2-1, Ships' Stores](#). Information regarding the transfer of goods between programs (Duty Relief Program, Drawbacks Program and CBW Program) is outlined in [Memorandum D7-4-1, Duties Relief Program](#).

### Shortages in Shipments

54. Where shipments involving shortages are accounted for and delivered to the CBW, a "Nil" CAD ex-warehouse accounting entry must be presented for the quantity short-shipped, provided that evidence has been produced to verify the shortage. A CAD will account for the total quantity of goods with a notation indicating the quantity and value of goods were short. Procedures for shortages in split shipments (part for consumption, part for warehouse) and for goods to arrive are outlined in [Memorandum D17-1-1, Documentation Requirements for Commercial Shipments](#).

55. Where evidence of a short-shipment is not presented within 60 days of the date of warehousing, a CAD ex-warehouse accounting entry must be presented to

the CBSA to account for duties on the quantity of goods that were short-shipped. Where any quantity of warehoused goods will be ex-warehoused prior to the end of the 60 days, the CAD ex-warehouse must also account for any shortage that has not been properly verified. Further information regarding shortages may found in [Memorandum D17-1-5, Registration, Accounting and Payment for Commercial Goods](#).

## **Damaged, Destroyed, or Deteriorated Goods**

56. The importer is entitled to a reduction of the duty and tax payable when goods suffer damage, deterioration, or destruction in a CBW. A CAD, type 21-6, supported by an approved [Form K11, Certificate of Damaged Goods](#) must be submitted to the CBSA to account for the reduction in the quantity and value of the goods and to adjust inventory records. Details may be found in [Memorandum D6-2-5, Abatement of Customs Duties](#), and [Memorandum D6-2-3, Refund of Duties](#). Documentation details may be found in [Memorandum D17-1-10, Coding of Customs Accounting Documents](#).

## **Disposal of Goods**

57. If goods remain in the CBW at the end of the specified time limit, without authorization for an extension of the allowable time limits, the CBSA will remove the goods and arrange for disposal. Goods may be either transferred to the local Queen's warehouse or sent to a Queen's warehouse at a central point.

## **References**

### **Applicable legislation**

[Customs Tariff](#)

[Excise Act, 2001](#)

[Customs Act](#)

[Imported Goods Records Regulations](#)

[Customs Bonded Warehouses Regulations](#)

[North American Free Trade Agreement](#)

### **Related D memoranda**

[D4-2-1](#), [D6-2-3](#), [D6-2-5](#), [D7-4-1](#), [D7-4-2](#), [D7-4-3](#), [D8-1-1](#), [D17-1-1](#), [D17-1-5](#), [D17-1-10](#)

### **Superseded D memoranda**

D7-4-4 dated July 13, 2001

## **Issuing office**

Trade and Anti-dumping Programs Directorate  
Trade Incentives Unit

## **Other references**

Forms [B116](#), [K11](#)

## **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](#)