



Memorandum D8-2-26: Goods Returned After Repair or Alteration in the United States, Mexico, Chile, Israel or Another CIFTA Beneficiary, Colombia, Costa Rica, Peru, Jordan or Panama

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This memorandum outlines the conditions under which goods may be returned to Canada duty free after being exported to a free trade partner for repair or alteration under Tariff Item No. 9992.00.00 in the List of Tariff Provisions set out in the schedule to the *Customs Tariff*.

Plain language summary

Target audience: Importers of commercial goods.

Key content: When goods may be returned to Canada duty free after export for repair or alteration; how to account for such goods; documents required; how to correct a declaration; interest and penalties.

Keywords: CARM, duty free, imports, exports, repair, alteration, free trade partner, trade chain partner, GST/HST.

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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.

Definitions

For the purpose of this memorandum, the following definitions apply:

Authorized person

Any person who is authorized to transact business with the CBSA on behalf of another person (i.e. agents, TCP, custom brokers, trade consultants)

CARM

CBSA Assessment and Revenue Management System

CARM Client Portal (CCP)

An online interface allowing a registered user to submit and respond to an application for a temporary importation, in addition to its withdrawal, modification or revocation

Person

An individual, a partnership, a corporation, a trust, the estate of a deceased individual or a body that is a society, a union, a club, an association, a commission or other organization of any kind

Trade chain partner (TCP)

A person with a business number (BN9) and a program identifier (RM) (e.g., 123456789RM0001) including importers of goods in Canada, customs brokers, trade consultants, etc.

Guidelines and general information

1. Tariff item No. 9992.00.00 of the schedule to the *Customs Tariff* provides customs duty free importation of goods which are returned to Canada, regardless of country of origin, after having been exported for repair or alteration in the United States, Mexico, Chile, Israel or a Canada-Israel Free Trade Agreement (CIFTA) beneficiary, Colombia, Costa Rica, Peru, Jordan or Panama.

2. The provision allows customs duty free entry on the full value (export value and the foreign value added) of the returned goods, which were temporarily exported to a free trade partner (United States, Mexico, Chile, Israel or a CIFTA beneficiary, Colombia, Costa Rica, Peru, Jordan or Panama) for repair or alteration. At the time of import no customs duty is paid on the value of the repair or alteration. However, duties under the *Excise Tax Act* including the goods and services tax/harmonized sales tax (GST/HST) and excise tax, if applicable, are payable on the foreign value added. Where excisable goods are repaired abroad, and the value is enhanced, excise tax is payable on the duty paid value of the enhancement. For duty purposes, this provision applies to qualifying goods regardless of whether the repair or alteration is under warranty or not and regardless of whether the repair or alteration could have been performed in Canada.

3. Free trade partner means:

- (a) a CUSMA country (United States or Mexico)
- (b) Chile
- (c) Israel or another CIFTA beneficiary
- (d) Colombia
- (e) Costa Rica
- (f) Peru
- (g) Jordan, or
- (h) Panama

Goods and Services Tax (GST)/ Harmonized Sales Tax (HST)

4. This tariff item does not provide remission from the GST, nor the HST where applicable. However, paragraph 3(j) of the [Non-taxable Imported Goods \(GST/HST\)](#)

[Regulations](#) prescribes certain goods as non-taxable, namely those imported after being exported for repair under warranty. For the goods to qualify for full GST/HST relief, the warranty must cover the full value of all parts and labour, excluding partial or conditional warranties.

5. For non-warranty repairs and alterations, if the conditions of section 13 of the [Value of Imported Goods \(GST/HST\) Regulations](#) are met, the GST/HST is payable only on the value of the repair or alteration performed outside Canada, including the value of added goods. Generally, this treatment is conditional on the last importation of the good not having been based on a reduced value, not having been made on a non-taxable basis, and not having given rise to an imported goods rebate for the tax on the importation. The good must also not have been supplied prior to its re-importation without tax having applied to that supply because it was either made outside Canada or was zero-rated as an export, nor must the recipient of that supply have been entitled to a non-resident rebate in respect of the supply. The application of tax on the reduced value does not only apply where the goods are exported for repair work, but also where they are exported for such processing as adjusting, alteration, assembly, maintenance, manufacture, production, modification, overhaul, packaging, repackaging and testing provided the work meets the definition of a repair or alteration in paragraphs 12 through 15 below.

6. The HST for non-commercial importers applies to goods imported by residents of a participating province, regardless of where the resident or the goods enter Canada. This tax is paid at the time of importation of non-commercial goods by the resident in a participating province.

7. [Memorandum D8-2-1: Canadian Goods Abroad Program](#) provides partial or full duties relief on Canadian goods returned after being exported for eligible repair, equipment added, work done, or emergency repairs incurred outside Canada. For repairs done in countries that are not parties to free trade agreements, importers may use the repair provisions in paragraph 101(1)(a) of the *Customs Tariff*. If Canadian goods are exported from Canada to any country for work done involving manufacturing or assembling processes, importers must make application for the provisions in paragraph 101(1)(c) of the *Customs Tariff* that apply regardless of a free trade agreement. These provisions are detailed in [Memorandum D8-2-1: Canadian Goods Abroad](#). [Memorandum D8-2-4: Canadian Goods Abroad Program Emergency Repairs](#) provides information regarding relief for emergency repairs to conveyances outside Canada.

8. Tariff item No. 9971.00.00 applies to vessels temporarily exported for repair or alteration in a country designated as a free trade partner. Refer to [Memorandum D8-2-25: Canadian Vessels Repaired or Altered in the United States, Mexico, Chile, Israel or Another CIFTA Beneficiary, Colombia, Costa Rica, Peru, Jordan, Panama, Iceland, Liechtenstein, Switzerland or Norway](#).

9. [Memorandum D8-3-8: Canadian Civil Aircraft, Canadian Aircraft Engines and Flight Simulators Repaired Abroad](#) explains the conditions under which a remission of the GST/HST may be granted on all Canadian-manufactured or previously accounted for civil (i.e. non-military) aircraft, aircraft engines, and flight simulators as well as parts exported from Canada, when returned after being repaired abroad.

10. Duty-free tariff item Nos. 9813.00.00 and 9814.00.00 refer to Canadian goods, including containers, and goods once accounted for, exported from Canada, if the goods are returned without being advanced in value or improved in condition by any process of manufacture or other means, or combined with any other article abroad.

Definitions: Repair or alteration

11. The term “repair” means the adjustment of a good to restore it to its original operating condition and includes minor changes necessary to complete the restoration including replacing parts.

12. CUSMA Article 2.8, Goods Re-Entered after Repair or Alteration, specifies that “Repair or Alteration,” does not include an operation or process that either destroys the essential characteristics of a good or creates a new or commercially different good.

13. Under CUSMA, an operation or process that is part of the production or assembly of an unfinished good into a finished good is not a repair or alteration of the unfinished good. A component of a good is a good that may be subject to repair or alteration.

14. The term “alteration” is the process of changing, modifying, or making something different without transforming it into something else. There are no restrictions on the number of steps or processes or on the cost of the processes to effect an alteration.

15. Further to CUSMA Article 2.8, to determine if a good is commercially different, compare the exported good to the imported good after processing to assess the degree of change to the good’s:

- (a) product name, the generic, trade name, or chemical name;
- (b) product description and Harmonized System (HS) classifications;
- (c) essential characteristics or attributes including the purpose and nature of the changes or additions or any new physical, chemical, or functional characteristics;
- (d) end-use or role; and
- (e) functionality and marketability.

16. If the good is substantially transformed outside Canada from manufacturing or assembling processes that result in a new or different commercial good, the good does not qualify for classification in tariff item No. 9992.00.00. In such cases, refer to the provisions of paragraph 101(1)(c) of the *Customs Tariff* referred to above in relation to *Memorandum D8-2-1: Canadian Goods Abroad Program*.

General accounting procedures

17. The import accounting document in Commercial Accounting Declaration (CAD) in the CARM Client Portal (CCP) is required to account for the goods and to pay any applicable duties. The value for duty shown on this form is the value of the repair or alteration. The GST/HST is paid on this value unless a quoted GST/HST code relieves the tax. The goods are classified in the appropriate field according to the classification number in the schedule to the *Customs Tariff*. Heading No."9992", which relieves the customs duty, is shown in the tariff code field. Refer to related examples in [Memorandum D17-1-10: Coding of Customs Accounting Documents](#).

18. In addition, the importer must submit the documents according to the [Tariff Item Nos. 9971.00.00 and 9992.00.00 Accounting Regulations](#), including an invoice and proof of export. The invoice or written statement from the foreign processor must include the value of the repair or alteration. Although the goods are customs duty-free, GST/HST is paid (except for warranty repairs) on the foreign value added based on the value for duty. The value for duty is determined in the valuation provisions in the *Customs Act* and includes the price paid or payable for the work, and applicable additions under paragraph 48(5)(a) of the *Customs Act* relating to transportation and associated costs up to and from the place of direct shipment of the goods to Canada.

19. Proof of export can be a customs or transportation document, an exporter declaration, or other documents set out in the *Tariff Item Nos. 9971.00.00 and 9992.00.00 Accounting Regulations* that describe the goods sufficiently to establish that the re-imported goods are the same goods that were exported. A record of the make, the model, and the serial numbers will help identify the goods.

20. If insufficient documentation to determine eligibility for importation under tariff item No. 9992.00.00 is provided at the time of accounting, the goods may be assessed duties and taxes on their full value at the time of import.

Corrections, re-determinations and further re-determinations

21. In accordance with subsection 32.2(2) of the *Customs Act*, the importer is obligated to make a correction to declarations of tariff classification, value for duty, and origin within 90 days after the importer has reason to believe that the original declaration is incorrect. For example, if the importer realizes that the goods imported under tariff item No. 9992.00.00 actually had undergone further processing, the goods are no longer in compliance with a tariff item condition and the importer is obligated to adjust the accounting declaration for the goods correctly.

22. To correct a declaration, a CAD correction should be submitted in CARM system and any customs duties and taxes owing paid. A correction shall be treated for the purposes of the *Customs Act* as if it were a re-determination under paragraph 59(1)(a) of the *Customs Act*.

23. The obligation to make a correction in respect of imported goods ends four years after the goods are accounted for under subsection 32(1), (3), or (5) of the *Customs Act*.

24. For more information on the filing of corrections, refer to [Memorandum D11-6-6: 'Reason to Believe' and Self-adjustments to Declarations of Origin, Tariff Classification, and Value for Duty](#).

Audit, examination, or verification

25. If as a result of an audit, examination, or verification by the CBSA, goods are found to have been declared incorrectly, the goods will be subject to a re-determination or further re-determination under paragraph 59(1)(a) or (b) of the *Customs Act*, whichever is applicable.

Interest and penalties

26. In accordance with subsection 33.4(1) of the *Customs Act*, the importer is liable to pay interest against any outstanding amount owed, until the amount is paid in full. The interest will be calculated at the specified rate beginning on the first day after the date the importer became liable to pay the customs duties and taxes. For example, where it is determined that the goods imported incorrectly under tariff item No. 9992.00.00 actually had undergone further processing, the importer is obligated to pay interest on the amount owing from the day following the original date of accounting until the amount owing is paid.

27. [Memorandum D11-6-5: Interest and Penalty Provisions: Determinations/Re-determinations, Appraisals/Re-appraisals, and Duty Relief](#) provides additional information on interest and penalty provisions.

References

Please consult the following for additional information.

Applicable legislation

- [Customs Tariff](#)
- [Customs Act](#)
- [Excise Tax Act](#)
- [Non-Taxable Imported Goods \(GST/HST\) Regulations](#)
- [Tariff Item Nos. 9971.00.00 and 9992.00.00 Accounting Regulations](#)
- [Value of Imported Goods \(GST/HST\) Regulations](#)
- [The Canada-United States-Mexico Agreement \(CUSMA\)](#)

Related D memoranda

- [Memorandum D8-2-1: Canadian Goods Abroad Program](#)
- [Memorandum D8-2-25: Canadian Vessels Repaired or Altered in the United States, Mexico, Chile, Israel or Another CIFTA Beneficiary, Colombia, Costa Rica, Peru, Jordan, Panama, Iceland, Liechtenstein, Switzerland or Norway](#)
- [Memorandum D8-3-8: Canadian Civil Aircraft, Canadian Aircraft Engines and Flight Simulators Repaired Abroad](#)
- [Memorandum D11-6-5: Interest and Penalty Provisions: Determinations/Re-determinations, Appraisals/Re-appraisals, and Duty Relief](#)
- [Memorandum D11-6-6: 'Reason to Believe' and Self-adjustments to Declarations of Origin, Tariff Classification, and Value for Duty](#)
- [Memorandum D17-1-10: Coding of Customs Accounting Documents](#)

Superseded D memoranda

D8-2-26 dated September 8, 2015

Issuing office

Trade and Anti-dumping Programs Directorate
Headquarters File 9992.00.00

Contact us

[Contact border information services](#)

For more information on the CBSA Assessment Revenue Management (CARM) system: [CARM Client Support Help Desk](#)

Related link

[CARM Client Portal](#)