

Customs Compliance

Shipping to Canada: Facilitating the Border Compliance Process

Clearing goods through customs can be a painless part of shipping to Canada. Both U.S. Customs and Border Protection (CBP) and the Canada Border Services Agency (CBSA) administer programs designed to make the process less onerous and more accommodating of the trade community. An experienced logistics partner can ensure that shipments take full advantage of all trade facilitation opportunities – including opportunities to minimize duty and tariff obligations.

Following is a brief overview of options available to U.S. businesses. In addition, a white paper from Purolator International, “Avoiding Delays and Unexpected Costs: Facilitating the U.S.-Canada Border Clearance Process,” offers an in-depth discussion about trade facilitation options.

Shipment Preparation

Incomplete documentation and missing paperwork top the list of reasons why shipments are delayed at the border. For this reason, many businesses enlist a qualified customs broker or logistics provider. In addition to ensuring accuracy of all required documentation, a third-party expert can facilitate the compliance process in other ways, including:

Tariff Classification

Every product entering Canada must be assigned a 10-digit [Customs Tariff](#) code that is used to assess tariff and duty obligations. In many instances, there are only slight variations between codes. But assigning an improper code can have a substantial impact on the amount of tariff that is assessed. Thus, it is very important for a product to be assigned the tariff code that best meets its precise characteristics.

Other Government Departments

More than a dozen Canadian government departments and agencies – beyond CBSA – have control over the importation process. These government entities are referred to as “other government departments” and have very specific importation requirements for products that fall within their jurisdiction. CBSA enforces these mandates on behalf of the OGD. (To see a complete list of OGDs, please click [here](#).)

If a product triggers OGD compliance mandates, a shipper can expect additional paperwork requirements, including a special permit, license, or other certification.

Terms of Service

Shipping to Canada can be further exacerbated when the parties involved in the transaction fail to agree on established terms of service. International shipping operates under a uniform set of standards – known as Incoterms – that establish clear expectations and responsibilities between buyers and sellers. Because of Incoterms, buyers and sellers have a clear understanding of what constitutes “delivery,” for example, and which party is responsible for unloading a vehicle, who is liable for certain payments, and who has responsibility for customs compliance. This avoids costly mistakes and misunderstandings.



Eliminate delays
and unwelcome
border surprises.

Trade Facilitation Programs

By taking advantage of government programs designed to facilitate the process, a shipper can minimize the time – and cost – of clearing goods through customs.

Non-Resident Importer Program

U.S. businesses are allowed to register with CBSA as “non-resident importers,” whereby they are permitted to collect Canadian sales taxes at time of purchase and act as an “importer of record” in clearing goods through customs. NRI status has been a game changer for many businesses, since it essentially levels the playing field between U.S. and Canadian businesses.

Trusted Trader Programs

Both the U.S. and Canada maintain programs through which qualified businesses voluntarily undergo extensive application procedures and security reviews. In exchange, participants receive a number of benefits, including expedited border clearance.

In the United States, the primary program is called [Customs-Trade Partnership Against Terrorism](#) (C-TPAT) and is administered by CBP. In Canada, the program is called [Partners in Protection](#) (PIP) and is administered by CBSA.

C-TPAT and PIP participants are eligible for the [Free and Secure Trade](#) (FAST) program, which allows access to designated “FAST lanes” located at several major U.S./Canadian border-crossing points.

Minimize Fees and Duty

Opportunities exist for U.S. businesses to minimize – even eliminate – duty and tariff obligations. Important to note is that customs agents will not proactively grant a reduced duty benefit. Instead, a shipper – or its logistics provider acting on its behalf – must proactively apply for any benefit to which it is legally entitled.

- **Duty Drawback:** U.S. businesses are entitled to a refund of up to 99 percent of import duties paid on products that are subsequently exported. The refund is officially called a “duty drawback,” and the concept dates back to the earliest days of our country. Beware though: The filing process is complicated and requires detailed documentation.
- **Tariff Classification:** Products that are misclassified run the risk of being assessed higher tariff rates than necessary or of missing out on trade benefits.
- **North American Free Trade Agreement (NAFTA):** NAFTA eliminated tariffs on virtually all [originating](#) goods traveling between the U.S., Canada, and Mexico. But determining whether or not a product fits within NAFTA’s terms for “origination” can be tricky. To determine eligibility, it is necessary to consult NAFTA’s [Rules Of Origin](#), which specify content requirements for all products. Once a product is determined to qualify for preferential treatment, a NAFTA Certificate of Origin must be completed.
- **Consolidation:** Consolidation is offered by qualified logistics providers as a way to gain efficiency in the border clearance process while also reducing freight costs. Essentially, several smaller shipments are consolidated into one larger unit. The single large shipment clears customs as a single entry, thereby reducing inspection time and eliminating the need to file paperwork for each component. Not every carrier has the capacity to offer consolidation services, so a business must do its due diligence.

To learn more about these and other supply chain innovations, visit www.purolatorinternational.com/whitepapers to download Purolator International’s white paper: *Avoiding Delays and Unexpected Costs: Facilitating the U.S.-Canada Border Clearance Process*.