

CUSTOMS PROFESSIONAL'S TOOLKIT

SHIPPING TO CANADA

Looking to expand your business to Canada? It's important to learn the players, terms, and regulatory requirements before shipping to Canada.

Shipping to Canada

Looking to expand your business to Canada? It's important to learn the players, terms, and regulatory requirements before shipping to Canada.

With over 30 million people and active manufacturing, lumber, food and oil and gas sectors, Canada is an attractive market for U.S. companies looking to grow and expand their customer base and their supply chains.

But even though these two countries share a long border and enjoy strong relations, as with any market, there are rules and regulations that govern the movement of goods across that border.

The **Customs Professional's Toolkit: Shipping to Canada** gives you the insight you need to achieve success in Canada.

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IMPORTING AND EXPORTING

CANADIAN SHIPPING ACRONYMS

Importing and Exporting

Definitions of common Canadian shipping acronyms

The following list will assist you in understanding the meanings of many common shipping acronyms.

| | |
|---|---|
| ACROSS – Accelerated Commercial Release Operating Support System | A system developed by Canada Customs that allows shipment release information to be electronically communicated to and from Customs. |
| AMPS – Administrative Monetary Penalty System | A monetary penalty system that enforces compliance with customs legislation. |
| CADEX – Customs Automated Data Exchange System | An electronic data interchange systems offered by the CBSA, allowing importers and brokers to file customs accounting documents (B3 forms) electronically. |
| CBSA – Canada Border Service Agency | The agency responsible for providing integrated border services that support national security and public safety. The CBSA manages the flow of people and goods crossing into and out of Canada. |
| CCD – Cargo Control Document | An itemized list of the contents of a shipment (also known as the manifest) to be shown for customs clearance. The most commonly used manifest is form A8A. |
| CCI/CI – Canada Customs Invoice or Commercial Invoice | An invoice prepared by the vendor of the goods which is submitted to the CBSA for all shipments entering Canada. The CCI/CI helps to determine the classification of goods; the value for duty, tax and duty rate; and tariff treatments. |
| CFIA – Canadian Food Inspection Agency | A government department, or OGD, dedicated to safeguarding food, animals and plants to enhance the health and well-being of Canada's people, environment and economy. |
| CSA – Customs Self Assessment | A program which features streamlined release and accounting processes for qualified Canadian importers. Introduced by the CBSA, it reduces costs associated with cross-border trading. |
| DAS – Detailed Adjustment Statement | A document generated when an importer has corrections to their original customs entry or when Customs initiates corrections to an entry classification, valuation, origin, or any other adjustment. |

| | |
|---|---|
| <p>DFAIT – Department of Foreign Affairs and International Trade</p> | <p>A government department that promotes Canada as a dynamic place in which to invest and do business, and negotiates and administers trade agreements to assist and grow Canadian companies on the international stage. Some of DFAIT's programs include:</p> <p>Duty deferral program – companies defer or are relieved of the payment of duties.</p> <p>Duties relief program – companies import goods without having to pay duties and taxes (with the exception of the GST), when the goods are to be exported or incorporated into the production of goods to be exported.</p> <p>Drawback program – duties are refunded on imported goods when the goods have been exported. For more information see memoranda series D7.</p> |
| <p>FAST – Free and Secure Trade</p> | <p>A joint program between Canada and the U.S. to enhance security at the border while facilitating the free flow of identified low risk shipments.</p> |
| <p>GAA – General Agency Agreement</p> | <p>The written authority of a customs broker to act on behalf of the importer in transactional customs business.</p> |
| <p>GST – Goods and Service Tax</p> | <p>A federal tax that is paid on most goods and services sold in Canada.</p> <p>HST – Harmonized Sales Tax is the combining of GST and provincial sales tax (PST). HST is used in Newfoundland and Labrador, Nova Scotia, and New Brunswick (also to be implementing in Ontario in 2010).</p> |
| <p>LVS – Low Value Shipment</p> | <p>A shipment that is valued lower than \$1,600 CDN.</p> |
| <p>HVS – High Value Shipment</p> | <p>A shipment that is valued at or above \$1,600 CDN.</p> |
| <p>MFN – Most Favoured Nation Tariff</p> | <p>This tariff treatment is applied to goods where Canada has signed a general trade agreement with the World Trade Organization recognizing countries Canada is prepared to trade with unconditionally.</p> |
| <p>NAFTA – North American Free Trade Agreement</p> | <p>A trade agreement signed by Canada, the United States and Mexico enabling importers to substantially reduce, or even eliminate, duties if their products meet specific eligibility requirements.</p> |
| <p>OGD(s) – Other Government Departments</p> | <p>Government departments which administer import/export regulations related to their specific industry. Examples include CFIA, DFAIT, etc.</p> |

| | |
|---|--|
| PARS – Pre-Arrival Review System | A system developed by Canada Customs that allows release information to be processed before goods arrive at the border. |
| RMD – Release on Minimum Documentation | A release process that allows importers to obtain release of their goods prior to the full payment of their duties and taxes for a prescribed period of time (5 business days). |
| SIMA – Special Import Measures Act | A law protecting Canadian manufacturers and producers from two sources of unfair competition: dumped goods imported into Canada at prices lower than they would sell for in their home market or at prices below their full cost; and subsidized goods imported into Canada that have been produced as a result of substantial government subsidies. Such goods imported into Canada are subject to provisional duties or anti-dumping and/or countervailing duties. |
| TRQ(s) – Tariff Rate Quota(s) | A quota for a volume of imports at a lower tariff rate. After the quota is reached, a higher tariff is applied on additional imports. The distinction between an absolute quota and a TRQ is that under an absolute quota it is legally impossible to import more than the set quota, whereas under a TRQ, imports can exceed the set quota but a higher over-quota tariff rate is applied to the excess. |
| VFD – Value For Duty | Assessing the value of the duty based on the price paid for the goods in Canadian dollars. |
| VFT – Value For Tax | The total of the VFD plus applicable duties. GST/HST taxes are assessed based on the VFT. |

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IMPORTING AND EXPORTING

SHIPPING TO CANADA LEARNING THE KEY PLAYERS

Learn the roles and responsibilities
of the key players in the import process

Importing and Exporting

Shipping to Canada Key supply chain and players' roles

Roles and responsibilities of players in the import process

Whether you're new to shipping internationally or a seasoned importer/exporter, if you want to avoid running into problems at the border you need to know the key players in the shipping process and their respective responsibilities. The following is a brief overview of who's who when shipping to Canada:

The exporter

The exporter – that's you. Also known as the shipper or the vendor, the exporter is traditionally responsible for shipping the goods. This includes preparing the required documentation that will be used throughout the shipping and importing process.

The carrier

The carrier is the freight company that transports the goods. They're responsible for preparing a Cargo Control Document (CCD) – also known as a manifest, waybill or advice note – which is used to report the shipments to the Canada Border Services Agency (CBSA). The carrier submits the CCD to the customs broker, along with the shipping paperwork provided by the exporter. In the future, carriers will need to submit this information electronically to the CBSA.

The customs broker

Customs brokers are licensed by the Canadian government to carry out customs-related responsibilities on behalf of their clients, the importer of record.

Learn who's responsible
for what when shipping your
goods to Canada.



Services provided by customs brokers include the following:

- Shipment clearance through the CBSA: obtaining, preparing or transmitting the necessary customs release documents or data for the CBSA or Other Government Departments (OGDs).
- Shipment accounting to the CBSA: calculating and paying duties and taxes on behalf of the importer as part of a full accounting package that is submitted to the Canadian government.
- Complete shipment management: arranging for the transportation, customs clearance and local delivery for a shipment (a one stop solution).

The importer/importer of record

The importer of record (your client) is responsible – and thus liable – for the payment of all duties and taxes and accuracy of the information presented to CBSA. Therefore, it is important to ensure that your processes are compliant with all government regulations. Compliance can fall by the wayside due to a lack of time commitment to correct and input precise data and a lack of internal expertise and resources.



Importers are also required to keep a hard or soft copy of records for six years from the end of the calendar year in which the goods were imported.

Canada Border Services Agency (CBSA)

The CBSA is the federal government department responsible for ensuring compliance with Canada's tax, trade and border regulations. It is also responsible for making sure that all OGD requirements are met before goods are allowed to enter Canada.

The CBSA reserves the right to inspect shipments at the importer's expense if the inspection involves loading and unloading cargo; if the examination takes place at a location besides a designated customs facility; and if it takes place after hours. The CBSA may also deny entry of the shipment into Canada, seize the contents, or request additional information.

If you are found non-compliant the CBSA may levy financial penalties under the Administrative Monetary Penalty System (AMPS).

One way to reduce the frequency of inspections is to have a strong record of compliance, and partner with carriers and brokers who are also committed to compliance.

The importer of record (your client) is responsible – and thus liable – for the payment of all duties and taxes and accuracy of the information presented to CBSA.

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IMPORTING AND EXPORTING

SHIPPING TO CANADA CUSTOMS DOCUMENTS SIMPLIFIED

An overview of the documents you
need to export your goods to Canada

Importing and Exporting

Shipping to Canada Customs documents simplified

An overview of the documents you need to export your goods to Canada

Knowing which Customs documents to include with your shipment (and how to fill them out) can be tricky. Getting it wrong can mean lengthy delays at the border and hefty financial penalties.

Here's a brief overview of the key documents you need as well as some additional documents that might be required depending on the type of goods you're shipping.

The four documents you must include with every shipment

Canada Customs Invoice (CCI) or Commercial Invoice
A commercial invoice is the basic document from which the buyer or importer pays the vendor or exporter. On import shipments the commercial invoice generally serves a dual purpose: to enable you, as the exporter, to collect your money, and to assist the importer in clearing goods.

You may provide the required information on either a CCI or a commercial invoice as long as all the prescribed data elements found on the CCI are included.

Check that the following required information is included on the invoice:

- Vendor/exporter full legal name, address, and country
- Consignee full name and address
- Detailed description of each item being shipped

Learn about the key customs documents and document delivery methods required to ship goods into Canada.



- Net and gross weights (net weight excludes packaging)
- Unit price of each item (using the currency of settlement)
- Extended price
- Currency of settlement
- Terms of delivery and terms of payment
- Date on which goods began continuous journey to Canada
- Reference numbers (purchaser's order number)
- Import license (if applicable)
- Freight charges/insurance

If your commercial invoice can't supply the required information, you can complete a CCI for your shipments. The CCI contains all the information fields required by CBSA. You can obtain a copy here:

Bill of Lading (BOL)

The bill of lading (BOL) is issued to a carrier by you, the exporter, and describes the goods to be shipped. The carrier acknowledges their receipt and the BOL states the terms of the contract for their carriage. A copy of the BOL is also forwarded to the importer to arrange for pick-up of the goods, and a third copy is kept for the carrier's records.



Manifest or Cargo Control Document

A manifest is a list of the contents of the shipment prepared by the carrier with information provided by you, the exporter, to be shown to officials for customs clearance. Another name for the manifest is Cargo Control Document (CCD).

A manifest/CCD has its own identifier called the cargo control number. Once submitted and accepted by CBSA, the manifest and cargo control number are monitored by CBSA to ensure the proper clearance and closure of shipment. The most commonly used manifest is a Highway Form A8A.

Shipper's Export Declaration (SED)

A shipper's export declaration (SED) is required if goods are being exported from the U.S. and are controlled exports. To find out if your goods fall under this classification, you must check the commerce control list by contacting the bureau of Export Administration at the U.S. Department of Commerce.

The SED must be prepared in English, and be typed or written in a non-erasable medium. The original should be signed (a signature stamp is acceptable) by the exporter (U.S. principal party of interest), or its authorized forwarding or other agent. If you are using an outside agent to prepare an SED, you must grant the agent formal power of attorney through written authorization.

Documents required in special circumstances:

Packing List

Packing lists are optional and there is no standard format for composing them. The packing list is the detailed list of contents of the shipment. It includes quantities, items, model numbers, dimensions and net gross weights. A packing

list should specify the number and type of units of material inside each carton or crate in the shipment. As the exporter, you complete the packing list at the time the goods are being prepared for shipment. The packing list helps your customs broker gain further information which can help avoid delays caused by trying to find out details about the contents of the shipment.

Import Permits

Import permits are additional documents that may need to be completed if your goods fall under certain categories. These are only necessary if your goods fall under Canadian Other Government Department (OGD) regulations on items such as food, drugs, textiles, etc.

NAFTA Certificate of Origin

A North American Free Trade Agreement (NAFTA) Certificate of Origin is the document that shows where the goods were produced. This is required if your goods have been qualified as NAFTA eligible. To be NAFTA eligible, your goods must have been either produced or substantially manufactured in a member country. To prove that your goods are eligible for preferential tariff treatment, you must produce a country of origin certificate.

You have two options for sending your documents to customs:

Manual document delivery

Exporters can manually complete the documents then print multiple copies (one copy for the carrier and one for the exporter's records).

Electronic document delivery

Many customs brokers offer electronic data delivery and storage services. Moving to an electronic method of delivery is a good way to stay organized and efficient.

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SHIPPING

PREPARING YOUR CUSTOMS DOCUMENTS FOR SHIPPING INTO CANADA

Exporting to Canada is made easy with this handy checklist of required Customs documents.

Shipping

Preparing your customs documents for shipping into Canada

Customs documents are the set of paperwork required by the Canada Border Services Agency to accurately and completely identify goods that are being imported. The description, values and quantities you're shipping will be recorded and reported to Customs.

Documents for clearance

If you're shipping goods into Canada, the checklist below will help you gather all the right documents that must accompany each shipment.

| Document* | Issued by | |
|--|------------------|--|
| PARS Notification cover sheet | Exporter/Carrier | |
| Canada Customs Invoice | Exporter/Vendor | |
| e-Manifest or Cargo Control Department | Carrier | |
| Bill of Lading | Exporter/Carrier | |
| Other Government Departments (OGD) documents, if applicable | Importer/Broker | |
| Certificates of Origin (if goods are qualified) | Exporter/Vendor | |
| Shipper's Export Declaration (if goods are deemed as controlled imports) | Exporter/Vendor | |

*Other documents may be required depending on the nature of the goods imported.

Information you'll need to complete the documents

- Name of Canadian customs broker, phone and fax
- Consignee name and address or Importer of Record and address, if different than consignee
- Date of direct shipment
- Specification of commodities/description of goods:
 - Product/part number and description
 - What material the product is made from
 - Product use
 - Number of packages and weight
- Conditions of sale/terms of payment/currency
- Selling price – Total price of goods sold
- Declared value – Value of goods only, not including packaging, freight or licensing charges Freight charges/insurance
- Freight charges/Insurance
- Classification number (10-digit) – All goods that enter Canada are categorized according to the Harmonized System Classification (HS). Classification determines the rate of duty and any special requirements your product would be subject to upon import. Contact your broker for assistance with the classification of your goods.
- Restricted merchandise permits/licenses, if applicable

For more information on customs documentation or any other customs related inquiries, contact Livingston.

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IMPORTING AND EXPORTING

SHIPPING TO CANADA 9 STEPS TO CLEARING YOUR GOODS

Importing and Exporting

Shipping to Canada Nine steps to clearing your goods at the Canadian border

Once your carrier picks up your goods, you may be tempted to sit back and forget about your shipment. But, if problems arise that you need to troubleshoot, you should know the steps your goods go through when being cleared by the Canada Border Services Agency (CBSA). Being aware of what's happening with your shipment – and your responsibilities – could save you both time and money if your goods get stuck at the border.

Nine steps to clearing your goods at the Canadian border

1 Customs documentation completed

Before the carrier arrives, complete the necessary documentation for Customs, then double check that it's correct. Since your carrier uses your documentation in the clearance process, it's a good idea to review your documents one last time for any errors or omissions.

A mistake here can have a significant impact on the export process.

2 Shipment picked up

The carrier picks up your shipment, assigns a cargo control number (CCN) to the shipment and attaches a CCN barcode label to the paperwork you completed. The carrier will use this CCN and your paperwork to obtain clearance into Canada. You can also use the CCN to help track your shipment as it makes its way through the release process.

3 Customs documentation sent to customs broker

Normally, the carrier faxes the documents to your customs broker a minimum of three hours in advance of the truck's arrival at the border. Experienced drivers will send the paperwork and then follow up with a confirmation call to ensure your broker received the fax transmission.

4 Paperwork verified by broker

While your carrier transports your shipment to the Canadian port of entry, your customs broker reviews



Learn the nine stages
of clearing goods through
Canadian Customs.

the paperwork for accuracy and to note any special requirements. If the broker discovers an issue or has questions, they will contact you to obtain the required information.

5 Release submitted to CBSA

With the paperwork complete, the broker submits the release to the CBSA for clearance. Any Other Government Department (OGD) requests will also be prepared and submitted at this time. Traditionally, these requests were submitted manually on paper; however, the CBSA now requires that all requests be electronically transmitted. Electronic submissions are more effectively transmitted than hardcopy submissions and more efficiently stored. Nonetheless, it is still important to get these documents completed fully and correctly by the time they are given to your customs broker. If the broker needs to spend time contacting you or your customer to complete or clarify paperwork, it can lead to release delays.

6 Shipment arrives at border

Once at the border, the carrier presents your shipment to the CBSA for release and entry into Canada. The CBSA officer will look for the corresponding release request submitted earlier by your customs broker. At this point, the officer can release the shipment or refer it for inspection (also known as “sending it to secondary”).

Normally, provided the release request is in order, the shipment will be cleared for entry into Canada. However, if the release request isn't in the CBSA's computer system (for instance, if the release request wasn't submitted or was submitted late), a CBSA officer will send the carrier to the importer's customs broker to have the issue resolved.

7 CBSA releases shipment into Canada

The CBSA releases your shipment and your carrier continues the delivery process. Your shipment is now on its way to your customer in Canada.

8 Broker accounts for shipment

Your customs broker completes the accounting on your shipment and sends a package to the CBSA to pay the duties and taxes. If you want to take advantage of preferential tariff treatment (and you qualify), you must also include a completed North American Free Trade Agreement

(NAFTA) Certificate of Origin with the accounting package. Keep in mind that just one error on a NAFTA certificate can change your customer's costs to purchase from you.

9 Broker completes B3 form

Once the broker has completed the accounting entry (also called a B3), they electronically transmit the accounting entry to the CBSA within one hour of receiving the fax documents from the carrier/shipper. Note that if additional documents such as import permits are required, this process will take longer

At this point, your goods have legally entered into Canada and are free to be shipped to your importer.

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SHIPPING

SHIPPING TO CANADA FIVE QUESTIONS TO ASK

Learn the right questions to ask
your carrier when getting ready
to ship to Canada

Shipping

Shipping to Canada Five questions to ask your carrier

Crossing the Canadian border can be a challenge for carriers with limited experience moving goods internationally. To ensure that your goods reach their destination without costly delays at the border, be sure to ask your carrier these five questions:

1 Are your drivers, terminal personnel, dispatchers, and traffic managers involved in trans-border shipments aware of the Transportation of Goods Regulations?

These regulations are complicated and constantly changing. A solid understanding of how they affect your shipment will help ensure your goods make it into Canada without issue.

2 Are you aware of the documents required for international shipments?

Your carrier must be able to ensure that drivers know what documents need to be presented to Customs officers at the border. The Canada Border Services Agency (CBSA) has specific requirements as to when and which forms must be submitted. A carrier is responsible for some of these documents, and therefore, must be knowledgeable about the different documents required.

3 Are you aware of the CBSA's Pre-Arrival Review System (PARS)?

The Pre-Arrival Review System (PARS) is a tool developed by the CBSA that allows for release information to be processed before goods arrive at the border. This can significantly speed up the clearance of goods – reducing the wait time to minutes. If your carrier is unaware of PARS, it could lead to unnecessary delays.

4 Do you have a record in good standing with the CBSA?

Carriers with a strong history of compliance with the CBSA will have less difficulty crossing the border with your goods.

5 Are your drivers registered under the Free and Secure Trade (FAST) program with the CBSA?

FAST is a program set up after 9/11 that gives priority to registered secure carriers. FAST-registered drivers enjoy



To avoid shipping delays, ensure that your carrier can answer the following questions about shipping to Canada.

expedited processing of goods, access to dedicated lanes, a reduced number of inspections, and enhanced supply chain security. They have completed background checks and fulfill certain eligibility requirements. Having a carrier whose driver is registered with FAST will allow your goods to get where they need to be faster.

If you're not satisfied with your carrier's response to these questions, you might consider hiring a customs broker to ensure that you are up-to-date on new regulations and have all the proper documentation for your shipment.

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SHIPPING

SHIPPING LOW-VALUE GOODS TO CANADA

Find out if your goods qualify
for Canada's Low Value
Shipment program

Shipping

Shipping low-value goods to Canada by courier

The Low-Value Shipment (LVS) courier program is a special, streamlined customs release process used by couriers when a shipment imported into Canada is valued at less than \$2,500. Couriers participate in this program offered by Canadian Customs so that they can gain expedited release across the border. Exporters who are eligible to use this program enjoy quick and efficient clearance across the Canadian border. Read on to find out about the process to see if it is right for your importing needs.

If you're shipping to Canada and using a courier service, there's a good chance your shipment is being cleared using this program. However, there are some goods that don't qualify. Any goods subject to Other Government Department (OGD) regulations, such as goods that require import permits, are not eligible for release under this program. Instead, they are subject to normal documentation and release procedures.

As long as your goods are not subject to OGD regulations, they will go through eight steps to clear Canadian Customs.

Eight steps to shipping goods under the Low-Value Shipment program

- 1 You provide the courier with the necessary shipping and customs documents.
- 2 The courier separates high-value shipments from low-value shipments for multiple importers. Then the courier generates a Consist List which is the cargo or release document that lists the shipments that have arrived at the port of entry with the courier.
- 3 Before arriving at the border the courier provides copies of the Consist List to the Canada Border Services Agency (CBSA). CBSA will choose to release the goods into Canada or keep them at the border for further examination.



If you are shipping goods with a value of less than \$2,500, you may be eligible for the Low Value Shipment (LVS) program.

- 4 If CBSA has requested an examination of goods, the courier will make the goods available for inspection.
- 5 If CBSA has approved the release of the shipment, the courier is free to deliver the goods to your Canadian customer.



- 6 Your customs broker receives the consist list and other customs documents from the courier typically while the courier already en route to deliver the shipment to your Canadian customer.
- 7 Your customs broker reviews the documents for accuracy and completeness.
- 8 If there is missing or inaccurate information, your broker makes the necessary phone calls to the importer or exporter for additional information or clarification.

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