

# Guide For New Importers

IMPORTING

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## Contents

Acknowledgments .....	4
Introduction .....	5
Why Import? .....	5
Are You Willing To Take a Risk? .....	5
Establishing a Company .....	6
The First Steps .....	7
Research, Research, Research .....	7
What is Your Product Made Of? .....	8
Finding and Selecting a Supplier .....	8
The Supplier .....	9
Choosing an Agent .....	10
Researching Customs Tariffs.....	10
Classifying Your Goods .....	10
Tariff Treatment .....	11
National Customs Rulings.....	12
Receiving a Shipment .....	12
Methods of Transport .....	12
Freight Forwarders .....	13
Customs Clearance.....	14
Customs Brokers.....	15
Import Documentation and Procedures .....	15
1. Commercial Invoice .....	15
2. B3 Form.....	16
3. Certificate of Origin .....	16
4. Import Permits .....	17
Import Controls .....	17
Import Quotas.....	20
Duties Deferral Program .....	20
Duties Relief Program .....	20
Duties Drawback Program .....	21
Bonded Warehouses .....	21
Remissions .....	21
Refunds.....	21

Labeling .....	22
Textiles.....	22
Non-Food Goods .....	22
Precious Metals.....	23
Food .....	23
Warehousing .....	24
Determining a Selling Price .....	24
Duty .....	24
Taxes .....	25
Import Finance .....	25
What Can Banks Do?.....	25
Methods of payment.....	26
Letter of Credit (L/C).....	26
Alternatives to the Letter of Credit .....	26
Placing an Order .....	27
Import Laws and Regulations.....	27
Additional Assistance.....	28
Canada Border Service Agency .....	28
The Business Link .....	28
The Canadian Association of Importers and Exporters Inc. ....	28
ImportSource.....	29
Appendices .....	30
Appendix A: Sources of Information – Federal Government.....	30
Appendix B: Sources of Information – Other .....	31
Appendix C: General Trade Vocabulary .....	32
Appendix D: Incoterms™ 2000.....	34

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## Introduction

Big profits, glamour, and exotic locales—these are just some of the images often associated with importing. However, the pictures you don't see are the hard work, financial risk and frustration that go hand in hand with any import venture.

There are many questions you need to answer before you import. The three most important are:

1. Is there a market for my product? If there is no domestic market for the product, whether it is being sold directly to the consumer or used within a production process, the venture will not succeed.
2. Can I get the product that I need when I need it in the quantities I require? Timely delivery of the product is as important to the success of importing as meeting the financial demands of the venture. It is therefore imperative that you have a solid plan to deal with these areas and closely monitor them throughout the import process.
3. Can I meet the financial demands of this venture? Importing is costly and requires careful planning in order to properly estimate and maintain your profit margin.

This publication will address these and other questions about the import process and provide the novice with an overview of what to expect.

## Why Import?

People usually begin importing for one of the following reasons:

- they see an existing product which is cheaper in another market
- they discover a unique product that is not available in Canada
- they have a business acquaintance or family member in another country involved in exporting goods from that country
- they require raw materials which are not available in Canada for manufacturing purposes

## Are You Willing To Take a Risk?

There are many risks involved with importing, such as:

1. Foreign exchange fluctuations: impacts on profit unless you protect yourself by hedging currency at a bank, or ensuring the sales agreement stipulates payment in your home currency. Any fluctuations would then be the responsibility of the supplier.
2. Tariff changes: Changes in the classification of goods or the application of a new duty rate can occur without warning.
3. Change in expected prices: Fluctuating export taxes and/or modified regulations in the source country can cause price changes.

**\*Quick Tip:**

To find market information, contact  
**The Business Link**  
Business Service Centre

**\*Quick Tip:**

Import is when foreign goods enter the country; export is when goods leave the country.

4. Delivery time fluctuations: Communication and transportation difficulties, as well as inaccurate or incomplete documentation, can cause delays in delivery time.
5. Obsolete merchandise: occurs due to a passing trend or fad.
6. Intangible risks: include civil unrest, natural disasters, and strikes.

With any business venture there is an element of risk, and importing is no exception. Most problems stem from spur-of-the-moment decisions and improper research. To minimize your risk and avoid unnecessary losses, do your homework and develop a solid, well researched business plan.

## Establishing a Company

Keep in mind that the importing process is only one step in successfully starting a business. If you are not already operating a business in Alberta, you will have to look at several other issues such as:

**\*Quick Tip:**

You will need to register a business name or incorporate to open a business account at the bank and obtain a business line from the local telephone company.

- creating a business plan,
- registering your trade name or corporation,
- obtaining a business license,
- looking at regulations governing your product

If you are thinking of importing, it is recommended that you organize yourself into a business entity. Information on how to start a business is available at ***The Business Link***.

As an importer, you must also obtain a Business Number (BN). This number is sometimes referred to as an import number or export number. The BN streamlines the regulatory process by combining various registration requirements into one system.

**\*Quick Tip:**

If your goods have arrived and you don't have an import/export account, you can fax a copy of Form RC1E to a designated Canada Revenue Agency office and obtain a BN on an emergency basis.

The BN number has 15 digits -- the first nine numbers identify the business while the following two letters and four numbers indicate programs and accounts. There are four types of Canada Revenue Agency programs that you can be registered for:

- the Goods and Services Tax (GST)
- payroll deductions
- corporate income tax
- import/export (identified by the letters RM)

A BN looks like this: 12345 6789 RM0002.

To register, you must complete Form RC1E, Request for a Business Number, which is available at any Canada Revenue Agency office or by calling 1-800-959-5525. On-line registration is also available at <http://www.businessregistration.gc.ca/>. There is no charge to open this account. Note that you must indicate this number on your customs documents when importing.

For more details on the BN and how it affects your business, contact the Canada Revenue Agency to obtain a copy of the publication "The Business Number and Your Revenue Canada Accounts" or access it directly at <http://www.cra-arc.gc.ca/E/pub/tg/rc2/README.html>.

## The First Steps

### Research, Research, Research

A high value is placed on research as it sets the stage for success. Proper research involves time, money, and a strong commitment to finding the answers. From the marketplace and consumer behavior, to import procedures and shipping terms -- your first goal is to become well versed in these topics.

Where do you start? Most potential importers already have a product in mind -- they've either discovered it when visiting another country or found where to obtain it at a lower price. Keep in mind that if you deal with goods in an area you are familiar with, you will increase your chances for success as you already know the market and understand how new products or other developments may affect the industry. However, if you are not familiar with the sector you're dealing in, educate yourself by studying industry publications.

**\*Quick Tip:**

Prepare an informal survey to give to friends and co-workers about the product you plan to import but make it anonymous – that way, you'll have a better chance of getting honest opinions.

The first stage of your research is to determine whom your product is for. Is it aimed at infants, children, adults, teenagers, the elderly, or a combination of these?

The next step is to determine whether or not there is a demand for your product. One of the simplest ways of doing this is to ask yourself whether you would buy the product for yourself, your children, or another family member if you came upon it in a store (and be honest!). Ask friends, family and business acquaintances if they would purchase this item for themselves or other family members if they were out shopping and happened to see it. Check and double-check your findings. If the answers are positive and you want to further investigate the public's expenditure habits, contact **The Business Link** or your local Statistics Canada office for information.

Next, become a people watcher. Have you ever paid close attention to what people are buying? Ask yourself:

**\*Quick Tip:**

Where do you find information on trends? Try your local bookstore. There is a multitude of specialty magazines on the newsstands, from decorating to sports to fashion to toys and games.

1. How do consumers choose the items they purchase—is it the low price, superior quality, popular brand name, attractive packaging, usefulness, uniqueness, or a combination of these?
2. What are the latest trends? Be particularly conscious of this if you're planning to import fashion items, but be up-to-date no matter what category your goods fall into. For example, if you're importing Turkish carpets and the trend in home decorating is a rustic country cottage look, you'll have trouble unloading them. Or, if you're importing food products with a high fat content and the trend is towards healthy, low-fat eating, you'll be stuck with a product no one wants.
3. Which products sell out faster than others and which products collect dust on the store shelves year after year?
4. Is your product seasonal? You may have fallen in love with those loose, comfortable summer dresses you found in Asia, but if you're going to sell them in Winnipeg you will have a very limited market for them and a short time frame in which to sell them.



In order to be successful, your product must have a comparative advantage over others. In other words, your product should have either a lower price or be of higher quality than comparable products on the market, or else be unique.

### What is Your Product Made Of?

**\*Quick Tip:**

For more information on CITES as well as a listing of protected species, contact **The Business Link** Business Service Centre.

It is important that you are aware of the content of the product you're planning to import since Canada is a signatory to the Convention on International Trade in Endangered Species (CITES), which bans the import of any products made from specific plants and animals. For example, you will not be able to bring ivory jewelry into the country as elephants are a protected species under the CITES agreement.

You may also want to keep in mind that consumers are becoming increasingly sensitive to environmental issues and are purchasing products that do not endanger the environment. For instance, if you are planning to import a hand carved bowl made of a rare type of wood, consumers may find it offensive that a dwindling species of tree was destroyed just to make this item and will therefore refuse to buy it.

### Finding and Selecting a Supplier

At this stage you've done your market research, know what product you're looking for, and from which area of the world it comes from. Now all you need is a supplier. Directories listing foreign manufacturers and exporters will be useful in the search for a supplier. *The Business Link* carries a selection of company databases and foreign trade journals which are available for use in your research. You can also locate foreign suppliers on the Internet.

**\*Quick Tip:**

**The Business Link's** library contains a number of publications on the cultural aspects of doing business in foreign countries. Topics include attire, etiquette, and body language.

Foreign trade offices in Canada are another source of information for the importer. These offices are listed on the Foreign Affairs Canada website under *Foreign Representatives in Canada* at <http://www.dfait-maeci.gc.ca/protocol/menu-en.asp>. You can contact them to request trade directories and further information on suppliers in their country. These foreign representatives are located in Canada to promote their country's goods and services and encourage trade between the two nations.

You may choose to travel to the country of interest in order to locate suppliers. There are several advantages to visiting abroad:

1. It allows you to make direct contact with your supplier or agent.
2. You have the opportunity to personally see their operation.
3. You can inspect their product closely if you have never seen it first hand and determine whether or not the product requires modification.
4. It provides an opportunity to build a relationship.

A visit to the foreign supplier can also provide information on any export controls that would inhibit the flow of goods. Information sources in foreign markets include market research organizations and industry associations as well as agents, distributors, and consultants.

**\*Quick Tip:**

Looking for trade shows? Visit **The Business Link** for listings of trade shows around the world.

Another excellent way to meet foreign suppliers and agents is to attend a trade show overseas. You can browse at your leisure, inspect a wide range of products first-hand, and spend time with a number of different sellers.

If you do decide that travel is necessary, make the following arrangements prior to leaving:

1. Investigate the state of affairs in the country of interest. Is it experiencing unrest, or is it generally unsafe to travel there? If so, you may decide to find a supplier in another country.
2. Look into the office hours, national holidays, and the particularly busy times of the year (i.e. tourist season) in the country you are traveling to.
3. Ensure that you make contact and set up appointments well beforehand.
4. Check and double-check flight schedules, accommodations, and re-confirm all meetings.
5. Make sure you have the necessary identification papers, visas, passports, vaccinations, traveller's cheques and foreign currency.
6. Have your business cards translated into the language of the country you are traveling to and don't forget to include CANADA on your cards. This simple gesture of courtesy can pay for itself many times over.
7. If you are not familiar with the language of the country you're visiting, arrange for a translator.
8. Investigate the country's background and culture. Are there certain behaviors or gestures that are unacceptable? Is the business protocol different from that in Canada?

**\*Quick Tip:**

Always arrange for a translator if you are not completely fluent in the language of the country you're visiting. Being able to speak the language "a bit" is not good enough – misunderstandings can cost you the deal.

Making productive use of your time abroad will require detailed preparation and a serious time commitment when meeting with potential sellers and agents. Also allow for extensive follow-up depending upon the business culture in the country.

## The Supplier

When you meet with potential suppliers, you may want offer to sell the product exclusively throughout Canada as either an agent/broker or distributor/wholesaler. Occasionally, foreign suppliers are reluctant to grant exclusive rights nationally and in return may offer either a provincial territory or group of provinces. The foreign supplier may already have established accounts in Canada and require that these be excluded from any representation agreement. The Canadian Importers' Association advises that representatives restricted in any of these ways should carefully consider entering into an agreement on such terms unless the product has an unusually high market potential.

Once you have chosen a potential supplier, research the company's background thoroughly to ensure it has a sound reputation. Trust is a major aspect of an importing relationship, as your business will depend upon the supplier providing the goods you need. At this stage, a face-to-face meeting is usually required.

After you have made contact with suppliers you can request a price list, catalogues, and samples. If the samples are acceptable, you can test them in the market. However, be persistent when negotiating for free samples.

### **Choosing an Agent**

If you have the contacts and expertise to look after matters independently, you may not require an agent. If you do not, it is wise to use an agent in the country that you're importing from. An agent can help find suppliers, look into their background, and help you secure better prices for the goods. A good agent will inquire as to your import interests and keep you posted on any new opportunities as well as local conditions that may affect your supply.

Before finalizing any agreement with an agent, do your research. Find out the company name, address, phone, fax, contact person, years of experience, number of employees, products they represent and/or specialize in, other individuals or organizations they represent, and warehousing facilities. In addition, ask for references and follow up on them. Use your resources to investigate and secure a good agent -- this person will be one of the most important links in your organization.

An agent's fee is usually 7% - 15% of the actual cost of the goods. Make sure you find out ahead of time what your agent will be charging and factor this into your overall budget.

### **Forming an Agreement**

Make sure all agreements with your supplier or agent are in writing and clearly state which party is responsible for transportation costs, required packaging (type and amount of packaging), delivery times, storage, insurance, and any minimum requirements (e.g. you have to order a minimum of 100 units every 90 days).

### **Researching Customs Tariffs**

Customs tariffs are essentially taxes that are applied to goods that enter into Canada. The amount of tariff applied is determined by the tariff classification of the goods being imported and its tariff treatment. Certain goods for example have higher tariffs than others so it is important to know as much detail as possible about the product(s) being imported. The MFN tariff rate for umbrellas for example is 7%, for umbrellas with telescopic shafts however it is 7.5%. The same rule applies to where goods originate from. An umbrella from Austria for example may be charged a tariff rate of 7%, from China 5% and from Angola it could be free.

### **Classifying Your Goods**

Canada uses the international Harmonized Commodity Description and Coding System (HS) as the basis for its Customs Tariff for the classification of imported goods. This code is used to determine applicable customs duty rates and allows for the collection of statistical data. It also streamlines the documentation process and simplifies the transfer of goods.

Under this system, the export identification number is the same as the import identification number. The basic system uses a 6-digit number to identify basic commodities. Each country is allowed to add

additional digits for statistical purposes. In Canada an additional 2-digits are used for exports and an additional four digits for imports. For example, the tariff classification for non-coniferous flooring of maple is 4409.20.19.10. The first six digits are standardized or harmonized for all countries using the international tariff while the seventh and eighth digits represent Canadian trade purposes. The last two digits are used for statistical purposes.

There are a few ways to search for a classification number (HS Code) for your product. Statistics Canada allows you to search by commodity code on their website at [http://www.statcan.ca/trade/scripts/trade\\_search.cgi](http://www.statcan.ca/trade/scripts/trade_search.cgi). Another useful site is the APEC Tariff Database available at <http://www.apectariff.org>. Your free registration will allow you to search for HS Codes within APEC's member countries using a variety of methods. Lastly, you can contact the Canada Border Services Agency's Border Information Service (BIS: <http://www.cbsa-asfc.gc.ca/eservices/bis/menu-e.html>) at 1-800-461-9999.

Please note that you should always verify with Canada Border Services Agency or your customs broker to ensure you have the proper HS Code for your product.

If you are uncertain of what tariff rate applies to your product, an **Advanced Customs Ruling** can be requested from the Canada Border Services Agency. A tariff classification advance ruling is a written statement on the tariff classification of a particular product. This service is provided free of charge by the Canada Border Services Agency. You may be required though to provide documentation on your product and possibly a sample. More information on this can be found at <http://www.cbsa-asfc.gc.ca/E/pub/cm/d11-11-3/d11-11-3-e.html> or by contacting the Canada Border Service Agency at 1-800-461-9999.

## Tariff Treatment

Once the correct HS code has been found, the code can be used to determine a product's tariff treatment. A search for tariff treatments can be accessed through the Canada Border Services Agency at: <http://www.cbsa-asfc.gc.ca/general/publications/tariff2005/tablewithamendments-e.html>. The first 1 or 2 digits of your product's HS Code indicates what chapter of the Customs Tariff document your product falls under. For example, the HS Code 6401911100 for riding boots can be found in chapter 64. A search would result in information similar to this:

Tariff Item	SS	Description of Goods	Unit of Meas.	MFN Tariff	Applicable Preferential Tariffs
64.01		Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.			
6401.10		-Footwear incorporating a protective metal toe-cap -- -Of rubber:			
6401.10.11	00	--- -Riding boots solely of rubber	PAR	20%	NZT, UST, AUT, LDCT, GPT, MT, MUST, CIAT, CT: Free CRT: 12.5%

In ascending order, the lowest tariff treatment rates are for countries that are signatories under the following trade agreements: North America Free Trade Agreement (NAFTA), the Canada-Israeli Free Trade Agreement (CIFTA) and the Canada-Chile Free Trade Agreement (CCFTA). Goods originating from countries that are signatories to these agreements are generally levied none or significantly reduced tariffs.

Reduced rates often apply to countries listed in the following agreements: United States Tariff (UST), Mexico Tariff (MT), Mexico-United States Tariff (MUST), Chile Tariff (CT), Canada-Israel Agreement Tariff (CIAT), and Canada-Costa Rica Tariff (CRT) or based on special tariff provisions such as the General Preferential Tariff (GPT), Least Developed Country Tariff (LDCT), Commonwealth Caribbean Countries Tariff (CCCT), Australia Tariff (AUT), and New Zealand Tariff (NZT).

Goods originating from countries that do not have a tariff arrangement with Canada are subject to the Most Favoured Nation (MFN) rate which can range between 8%-20%. By far the highest tariff rate is for countries that do not fall under any of the above categories. They have rates as high as 35%. These countries include North Korea and Libya.

A list of countries and their relevant trade agreements with Canada can be found at the Canadian Border Services Agency website under "List of Countries and Applicable Tariffs Treatments" at <http://www.cbsa-asfc.gc.ca/general/publications/tariff2005/tablewithamendments-e.html>.

### **National Customs Rulings**

If you are uncertain of what tariff treatment is applicable to your goods, it is possible to apply for a National Customs Ruling. A National Customs Ruling (NCR) is a written statement provided by the Canada Border Service Agency to an importer or the importer's agent who outlines how the department will apply specific provisions of existing customs legislation to an importation. NCRs are issued for tariff classification, value for duty, origin, and marking.

NCRs are provided as an administrative service for the convenience of importers. Although the department is not legally required to provide this service, they will respond to all requests for NCRs unless there are circumstances where it is not appropriate to issue an NCR such as it is not possible to determine all the material facts at the time of the request for the NCR, the request is hypothetical in nature or the request pertains to multiple goods such as the contents of commercial catalogues.

For more details about National Customs Rulings, visit <http://www.cbsa-asfc.gc.ca/E/pub/cm/d11-11-1/README.html> or call 1-800-461-9999 (BIS).

## **Receiving a Shipment**

### **Methods of Transport**

There are four basic methods of transport to bring your goods to Alberta:

Truck	A popular option for shipments within North America or delivering the goods to Alberta from the port of entry in Canada. Options include general carriers, specific-commodity carriers, and private carriers. Costs are based on truckload and less-than-truckload quantities.
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Rail	Another common option when transporting goods within North America or from the port of entry in Canada. Prices are based on the carload -- a full carload will be cheaper than a partial carload.
Air	The most costly of all transport methods. There are also length and weight restrictions for air freight. However, the higher costs may be offset by faster delivery, lower insurance and warehousing costs, and better inventory control.
Ocean	Large items, bulk commodities and items that do not require fast delivery can be shipped economically by sea. However, there are minimum weight requirements for ocean freight which may be three to four times greater than air requirements. With ocean freight, your goods are shipped in 20 foot and 40 foot containers or in crates. The container charge will be less if you are able to fill one completely. If you don't have a full container load, you can lower your cost by "piggy backing" onto another partial shipment.

**\*Quick Tip:**

Delays in transport are common, so allow for them when planning your shipment.

Minimum weight charges apply to freight arrangements. Therefore, compare various combinations of ocean and land transport. You will also be responsible for specifying the amount and type of packaging needed.

Be prepared for the possibility of overseas delays when transporting your goods by sea. This can occur when shipping containers are full before your goods are considered. However, the volume of goods you ship will reflect the amount of influence you have with carriers. If you are a frequent customer who pays the bills on time, you'll have greater influence over when your shipment leaves. This is an important factor as shipping delays can be as long as four weeks.

### Freight Forwarders

This is an important aspect of the import process, especially if you're new to the field. A freight forwarder looks after the transportation of your merchandise, whether it be by air, rail, truck or ship, or a combination of these methods. Their services include:

- Estimating transportation costs as well as any other related fees
- Selecting a suitable carrier for your product
- Negotiating arrangements with the carrier
- Coordinating the movement of cargo from the port of entry in Canada to your destination in Alberta
- Preparing the necessary paperwork
- Arranging warehouse storage and cargo insurance

If the contract between you and your supplier stipulates CIF (cost, insurance and freight), then the supplier is responsible for shipping the goods to the designated Canadian port. You may, for example, be receiving your goods CIF Montreal. This means that once your shipment arrives in Montreal, ownership of the cargo transfers to you. You are responsible at this point for transporting

the goods to your business in Alberta. A freight forwarder can take care of these arrangements on your behalf.

Freight forwarding is a highly competitive field, so contact more than one company that specializes in these services and do a cost comparison. Charges are based on the weight, distance, and type of goods being shipped.

A listing of freight forwarders can be found in the business section of the Local Telephone Directory or through the Canadian International Freight Forwarder Association at <http://www.ciffa.com>. Detailed information on freight forwarders as well as guidelines on how to evaluate their services prior to retaining them, can be found at "International Freight Forwarding in Canada" at: <http://sea.agr.ca/can/e2801.htm>.

For additional listings of freight forwarders and other transportation resources, visit Transport Canada's trade links to air, rail, marine and trucking services as well as transportation authorities, world ports, trade corridors, and more at: <http://www.tc.gc.ca/en/menu.htm>. Freightnet also provides an on-line worldwide directory of freight forwarders at: <http://www.freightnet.com>.

### **Customs Clearance**

It is imperative that as an importer you research regulations and legislative customs that may apply to your goods and have all necessary documents in place and filled out properly **before** the goods are imported. The Canada Border Services Agency has the power to inspect, hold and seize shipments. So when goods arrive, Customs may hold them "in bond", meaning until any duties owing on the goods is paid. They may also do this if there is missing or inaccurate information or documentation. To avoid any delays, importers should be certain they have all the proper forms, permits, etc and ensure they are filled out properly.

Under the Administrative Monetary Penalty System (AMPS), the Canada Border Services Agency also has the power to levy fines up to \$25,000 to importers that do not comply with customs legislative, regulatory or program requirements. For more information on AMPS, visit the Canada Border Services Agency website at <http://www.cbso-asfc.gc.ca/E/pub/cm/cn439/README.html>. Please note that the CBSA does provide general information on importing and can meet with importers to discuss required paperwork. This service though is provided one time only. If you require more detailed assistance, hiring a customs broker is recommended.

### **Special Note: Advance Commercial Information**

Under the Advance Commercial Information program introduced in 2004, mandatory reporting of cargo, conveyance, and importer data is required before goods arrive in Canada. This information must be sent electronically to the Canada Border Services Agency. The program is being implemented in stages for different modes of transport. Since April 19, 2004, cargo data for marine shipments have been required 24 hours prior to loading of the cargo in the foreign port. The requirements for air, highway and rail freight will be implemented late 2005.

For more information on this program, visit the Canada Border Services Agency at <http://www.cbso-asfc.gc.ca/import/advance/menu-e.html> or consult your freight forwarder.

## Customs Brokers

A customs broker offers the following services:

**\*Quick Tip:**

A customs broker charges a fee for all services. Make sure you find out ahead of time what these fees are

1. Liaison with the Canada Border Services Agency which includes obtaining, preparing, and presenting or transmitting the necessary documents or data
2. Shipping advice
3. Monitoring the status of shipments
4. Keeping abreast of new developments and regulations and advising of their effect on imported goods
5. Obtaining the release of imported goods
6. Making the necessary payments in order to take possession of the shipment
7. Maintaining records
8. Responding to any Canada Border Services Agency concerns after payment is made

**\*Quick Tip:**

When a customs broker also acts as a freight forwarder, the timing of the shipment will be better coordinated.

One of the main reasons for hiring a customs broker is to free up the importer's time to take care of other business matters. Also, a customs broker's expertise in bringing goods across the border can prevent errors, thereby saving the importer time and money. The more complicated the shipment, the better it is to retain the services of a customs broker. For example, there could be mistakes in the documentation if a wide variety of goods falling under different classifications are sent in a single shipment. Or, the goods may be subject to special import controls.

Customs brokers are not federal government employees. When choosing a customs broker, get a number of quotes from different companies. Decide which services you require and find out exactly which charges apply to each specific service. As the importer, you are liable for all duties owing until either you or your broker pays them. This applies regardless of whether or not you paid the amount to your broker. Therefore, make sure the broker you select is reliable and financially reputable. Don't be embarrassed to ask for references -- that is, companies they have done work for. Then call these companies and ask them if they were happy with the broker's services. A listing of the companies in your region can be found at the Canadian Society of Customs Brokers website at <http://www.cscb.ca>.

## Import Documentation and Procedures

### 1. Commercial Invoice

For all commercial shipments entering the country, the Canada Border Services Agency requires importers provide all the data listed in the appendix to Memorandum D1-4-1. This document is available from the Canada Border Services Agency at <http://www.cbsa-asfc.gc.ca/E/pub/cm/d1-4-1/README.html>. The requirements outlined in the D1-4-1 will also be satisfied if the importer provides **one** of the following:

- a commercial invoice prepared by any means (typed, handwritten, telex, or prepared by computer) containing all the data listed in the appendix to Memorandum D1-4-1; or



- a commercial invoice prepared by any means that indicates the buyer and seller of the goods, the price paid or payable, and an adequate description, including quantity, of the goods contained in the shipment, together with a Canada Customs invoice containing the remaining required data, or
- a fully completed Canada Customs invoice (available at <http://www.cbsa-asfc.gc.ca/E/pbg/cf/ci1/ci1-fill-00b.pdf> or by calling 1-800-461-9999 (BIS).

You can use a commercial invoice on its own, as described above, or any other document that contains the same information in support of the declared value of the commercial goods entering Canada if any of the following apply:

- the value of the goods is less than \$1,600 (Canadian funds)
- the value of the Canadian goods being returned has been increased by less than \$1,600 (Canadian funds)
- the goods qualify unconditionally for duty-free and tax-free entry

## 2. B3 Form

Canada Customs Coding Forms (also referred to as a B3) are used to account for goods imported for commercial use in Canada. The B3 form is a declaration of what is being imported, the quantity, value of the goods, origin, tariff treatment or agreement and so on. For a copy of the B3 form visit <http://www.cbsa-asfc.gc.ca/E/pbg/cf/b3-3/b3-3-fill-04b.pdf>. Information on how to complete the B3 can be found in the publication entitled "How to Complete the Form B3 When Importing Commercial Goods" available at *The Business Link* or from the Canada Border Services Agency at <http://www.cbsa-asfc.gc.ca/E/pub/cp/rc4229/rc4229-e.pdf>.

## 3. Certificate of Origin

Certificates of origin are used to support any tariff treatments that are claimed on B3 forms. Tariff treatments are linked to international trade agreements that benefit importers by offering lower duty rates.

In order to qualify for General Preferential Tariff (GPT) treatment, an Exporter's Statement of Origin is required. It is issued by the exporter in the country where the goods originated.

"I certify that the goods described in this invoice or in the attached invoice No. \_\_\_\_\_ were produced in the beneficiary country of \_\_\_\_\_ and that at least \_\_\_\_\_ per cent of the ex-factory price of goods originates in the beneficiary country/countries of \_\_\_\_\_."

\_\_\_\_\_  
Name and title

\_\_\_\_\_  
Corporation name and address

---

Telephone and fax numbers

---

Signature and date (dd/mm/yy)

The above statement may be written out on a Canada Customs Invoice (Form C11) or commercial invoice or provided as a separate document. The information required in the statement must be provided in its entirety for goods to qualify for the GPT.

Lower customs duty rates can also be claimed under the North American Free Trade Agreement (NAFTA), the Canada - Israel Free Trade Agreement (CIFTA) and the Canada-Chile Free Trade Act (CCFTA). A representative of the manufacturer who is familiar with the manufacturing process and who can attest that the shipment qualifies for lower duty rates under NAFTA, CIFTA, or CCFTA should complete the certificate.

For a copy of the NAFTA Certificate of Origin, visit <http://www.cbsa-asfc.gc.ca/E/pbg/cf/b232/README.html>, for a CIFTA Certificate of Origin <http://www.cbsa-asfc.gc.ca/E/pbg/cf/b239/README.html> and for a CCFTA Certificate of Origin go to <http://www.cbsa-asfc.gc.ca/E/pbg/cf/b240/README.html>.

#### 4. Import Permits

Import permits, certificates, and examinations may be required on certain goods that are imported into Canada. It is up to importers to research in advance what government regulations or controls their goods are subject to and to obtain the necessary permits, health certificates and other documents. To do this, importers should refer to the Import Controls list and contact the relevant government department.

All of the import documentation mentioned above are extremely important when time is a critical factor. For example, if you plan to import clothing in response to demand created by a new trend, you want to get the goods into the marketplace before the trend has passed and a new one emerges. Waiting periods are also expensive -- your interest charges will increase while the demand for your product decreases. So ensure you have all the necessary documents and permits **before** you start importing!

#### Import Controls

Controls such as permits, certificates, examinations, and embargos are applied to certain goods entering the country. Some are to protect the health and safety of Canadian citizens (i.e. inspecting meat products), some are to protect Canadian industry (i.e. prohibiting the import of certain goods which will have an unfair advantage over Canadian-produced goods), while others send a message to a country that has a policy Canada does not approve of (i.e. Canada banned the import of food items from South Africa to protest apartheid). The following goods are prohibited:

- Material which is considered to be obscene, treasonable, seditious, hate propaganda, or child pornography
- Used or second-hand automobiles of all kinds (except from the USA)
- Used or second-hand aircraft of all kinds, barring exceptions
- Debased or counterfeit currency
- Certain birds
- Aigrettes, egret plumes and certain other feathers
- Used or second-hand mattresses
- Articles manufactured or produced by prisoners
- Reprints of Canadian works protected by copyright
- Matches made with white phosphorus

Some goods are subject to the requirements of other federal government departments and may require permits, certificates and examinations. For example, the Canada Food Inspection Agency examines and provides permits for some meat products, and all restricted or controlled drugs require an import permit from Health Canada. The Canada Border Services Agency administers the import aspects of legislation on behalf of these departments and will verify the permits or conduct inspections on behalf of other federal departments and detain the goods if necessary.

The following has been taken from the Canada Border Services Agency to help you determine if you need a permit, certificate and/or examination.

- **Alcohol products:** Check with the authority in your province or territory (i.e. liquor board or commission) for restrictions. In Alberta, contact Alberta Gaming and Alcohol Commission at (780) 447-8600.
- **Automobiles:** For more information on importing a vehicle into Canada, visit the Transport Canada website <http://www.tc.gc.ca/roadsafety/importation/menu.htm>. If you are importing vehicles from the United States, you can visit the Registrar of Imported Vehicles website at [http://www.riv.ca/english/html/how\\_to\\_import.html](http://www.riv.ca/english/html/how_to_import.html) or call 1-888-848-8240.
- **Drugs for human use, including medications:** For more information on importing such drugs, contact the Therapeutic Products Directorate of your regional Health Canada office or visit the Health Canada website at <http://www.hc-sc.gc.ca/hpfb-dgpsa/tpd-dpt/>.
- **Endangered species of wild fauna and flora:** For more information on importing animal and plants species and their derived products, visit the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) at [http://www.cites.ec.gc.ca/eng/sci0/index\\_e.cfm](http://www.cites.ec.gc.ca/eng/sci0/index_e.cfm) or call (819) 997-1840 or 1-800-668-6767.
- **Energy-using products:** For more information on Canada's energy efficiency regulations, visit the Office of Energy Efficiency of the Natural Resources Canada Website: <http://www.oeo.nrcan.gc.ca/regulations/importer.cfm?PrintView=N&Text=N>.
- **Explosives:** For more information on importing explosives, visit the Website for Natural Resources Canada, Explosives Regulatory Division (where you will find the phone numbers of their local offices): [http://www.nrcan.gc.ca/mms/explosif/over/over\\_e.htm](http://www.nrcan.gc.ca/mms/explosif/over/over_e.htm).

- **Firearms, weapons, and devices:** For more information on importing firearms contact the Canada Firearms Centre at 1-800-731-4000 (toll free) or visit its website at: [http://www.cfc-ccaf.gc.ca/info\\_for-renseignement/factsheets/imports\\_e.asp](http://www.cfc-ccaf.gc.ca/info_for-renseignement/factsheets/imports_e.asp).
- **Explosives:** For more information on importing explosives, visit the website for Natural Resources Canada, Explosives Regulatory Division at [http://www.nrcan.gc.ca/mms/explosif/over/over\\_e.htm](http://www.nrcan.gc.ca/mms/explosif/over/over_e.htm) where you will find the phone numbers of their local offices
- **Food and agricultural products, animals and animal products, and plant products:** For more information on importing these products, consult the Automated Import Reference System (AIRS), visit the Canadian Food Inspection Agency (CFIA) Website <http://www.inspection.gc.ca/english/toc/importe.shtml>, including their Import Service Centre (ISC) web page, <http://www.inspection.gc.ca/english/corpaffr/publications/importe.shtml> or call the ISC nearest you at:
  - Eastern ISC: 1-877-493-0468
  - Central ISC: 1-800-835-4486
  - Western ISC: 1-888-732-6222
- **Hazardous products:** For more information on importing hazardous products, visit the Health Canada website at <http://www.hc-sc.gc.ca>, contact your regional Health Canada office.
- Import permits may be required when controls have been placed on certain goods and countries of origin under the *Export and Import Controls Act*. Items falling under the Act include dairy products such milk and cream (liquid, powder and granular), dough, eggs, cheese, as well as alcohol, tobacco, steel, apparel, and textiles to name a few. For a complete listing of products under the Export and Import Controls Act visit <http://www.dfait-maeci.gc.ca/eicb/menu-en.asp>.
- **Ozone depleting substances:** For more information on importing these substances, visit the Environment Canada website at <http://www.ec.gc.ca/envhome.html>, or call (819) 997-2800 or 1-800-668-6767.
- **Precious metals, articles, such as jewellery** (marking): For more information on precious metal marking, visit the Competitions Bureau at <http://www.competitionbureau.gc.ca> or call 1-800-348-5358.
- **Textiles and textile products:** For more information on textile labeling and advertising regulations, call the Competition Bureau at 1-800-348-5358. Also, refer to the "Guide to the Textile Labeling and Advertising Regulations" located at <http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=1249&lg=e>.
- **Tires (new and used):** For more information on importing tires, visit the Transport Canada Website, <http://www.tc.gc.ca/en/menu.htm> or call the Road Safety general enquiries line at (613) 998-8616 or 1-800-333-0371.

- **Tobacco, and tobacco products:** For more information on importing tobacco, contact authorities in your province or territory. In Alberta, contact Alberta Tax and Revenue at (780) 427-3044.

## Import Quotas

Under the *Export and Import Permits Act* the quantity of certain products that can be imported into Canada may be controlled. Any items that are over and above the specified quota may either be prohibited or charged additional duty. Import controls apply to Agricultural Products, Steel Products and Weapons and Munitions. Products on this list may be subject to a quantitative import restriction and require a permit for importation into Canada.

Please note that in early 2005, import quotas for most imports of Textiles and Clothing were eliminated. Effective April 1, 2005, only those clothing and textile products that are eligible for a tariff preference level (TPL) benefit established under the NAFTA, (US/Mexico) CCFTA, (Chile) or CCRFTA (Costa Rica) are subject to import permit requirements.

For more information about import quotas, visit <http://www.dfait-maeci.gc.ca/eicb> or contact the Trade Controls Policy Division of International Trade Canada directly at (613) 995-8104.

## Duties Deferral Program

Canada Border Services Agency's duty deferral program includes three components enabling companies to defer or be relieved of the payment of customs duties: the duties relief program, the drawback program, and the bonded warehouse program. These and other programs enable Canadian businesses to compete more favourably in the world market. Regardless of which program, importers customarily pay for the duties up front and then are reimbursed any funds they qualify for. Information on any of the following programs can be accessed through the Canada Border Services Agency website (direct links are provided below) or by calling the Border Information Service (BIS) at 1-800-461-9999.

**\*Quick Tip:**

Goods that you temporarily import for a trade show can enter the country duty-free.

## Duties Relief Program

This program relieves the payment of duties (and potentially GST) on imported goods that will be re-exported in the same condition or after being used to produce other goods for export. To participate in this program, the Canadian Business must return *Duties Relief Application (Form K90* <http://www.cbsa-asfc.gc.ca/E/pbg/cf/k90/k90-00b.pdf>) to a Canada Border Services Agency Client Services office. When it is approved, a unique certificate number will be issued. This number is applied, at the time of importation, to imported goods that qualify for the program. The certificate number can also be applied to domestic purchases of imported goods from other program participants, when they are intended for export. Duty on goods that no longer qualify for relief must be paid. For instance, imported goods not re-exported must be duty paid when it is determined that they will not be re-exported. To this end, the exporter is required to maintain sufficient records to verify that the goods imported under the program have been dealt with properly. For more information, go to the Canada Border Services Agency at <http://www.cbsa-asfc.gc.ca/E/pub/cm/d7-4-1/>.

**\*Quick Tip:**

Goods you temporarily export to the United States for warranty repair can enter duty and tax-free.

### **Duties Drawback Program**

This program allows eligible Canadian companies to partially or fully recover, import duties (but not GST) under the following circumstances:

- imported goods further processed or manufactured in Canada and exported.
- imported goods that have not been used or damaged while in Canada may be eligible for a duty drawback after they have been exported.
- on unused and undamaged goods that the owner finds are obsolete or surplus.

More information on this program can be found at <http://www.cbsa-asfc.gc.ca/E/pub/cm/d7-4-2/d7-4-2-e.pdf>.

### **Bonded Warehouses**

A customs bonded warehouse is a facility operated by the private sector and regulated by the Customs Branch of the CBSA. In this warehouse, imported goods may be stored without having to pay duties and taxes (generally for up to four years) until they are exported or are consumed domestically. Duties and taxes will only become payable if the goods enter the Canadian domestic market. If imported goods are to be exported, payment of duties or taxes can be avoided by placing them in a bonded warehouse on their arrival in Canada. Of course, you must also consider the warehousing charges that will be incurred. Freight forwarders offer warehousing directly or can arrange warehouse storage for your goods.

For more information on the above incentives, visit <http://www.cbsa-asfc.gc.ca/menu/D-e.html>.

### **Remissions**

The Canada Border Service Agency administers various legislations, including remission orders and orders-in-council. All goods entering Canada, including those imported or exported temporarily, are subject to duties on their full value, unless there is a specific provision in the legislation or regulation that entirely or partially relieves the importer of this obligation. Some of the legislation may apply only to goods imported by a specific importer.

### **Refunds**

Refunds can be obtained on full or partial duties paid if:

- the goods suffered damage, deterioration or destruction at any time from the time of shipment to Canada to the time of release;
- the quantity of goods released is less than the quantity for which the duties were paid;
- the goods are of a quality inferior to that for which duties were paid;
- the goods were imported from a North American Free Trade Agreement (NAFTA), Canada-Israel Free Trade Agreement (CIFTA), or Canada-Chile Free Trade Agreement (CCFTA) country but no claim for preferential tariff treatment under a trade agreement was made for those goods at the time of accounting;
- duties have been overpaid or paid in error on the goods for any reason, other than an inaccurate determination as to the origin of goods imported from a NAFTA, CIFTA, or

CCFTA country for which preferential tariff treatment under a free trade agreement is claimed, an inaccurate determination of tariff classification or an inaccurate appraisal of value for duty;

- or the goods that are defective, are of inferior quality or are not the goods ordered have been disposed of in an acceptable manner or exported.

Generally, you **may** apply for a refund within four years of the date of accounting. The exception is for goods exported from a NAFTA country or from Chile where preferential treatment was not claimed. In this case, you may apply for a refund up to one year after the goods were accounted for.

Further information on refunds can be found at <http://www.cbsa-asfc.gc.ca/menu/D6-e.html> or by calling the Border Information Service (BIS) at 1-800-461-9999.

## Labeling

Product labeling must meet Canadian standards before the goods can be sold. This is monitored by Industry Canada. The Canada Border Service Agency enforces specific marking regulations pertaining to the “Made in...” requirements. This publication is available from *The Business Link* office or by visiting

[http://www.cbasc.org/servlet/ContentServer?pagename=CBSC\\_AB%2Fdisplay&lang=eng&cid=1081945275759&c=GuideFactSheet](http://www.cbasc.org/servlet/ContentServer?pagename=CBSC_AB%2Fdisplay&lang=eng&cid=1081945275759&c=GuideFactSheet).

### \*Quick Tip:

For additional information on labeling, see “Labeling Assessment Tools” on Industry Canada’s Strategis web site located at <http://strategis.ic.gc.ca/SSG/cp0135e.html>.

## Textiles

Labeling requirements include:

1. country of origin (indicates where the tariff applies)
2. fibre content (man made or natural)
3. dealer identification (who made, packaged and exported the product). This includes a tag attached to the material. A “CA number” may be used in place of the dealer identification and eliminates the need for a specific address as the registrant is issued a five-digit code. The cost to register with Industry Canada - Consumer Products, is \$100.

The provision for care information in the form of either written words or symbols (Canadian, U.S., or International) is not mandatory. However, in accordance with the Textile Labelling Act, where care information is provided, the information must appear in a manner which is neither false nor misleading and must accurately reflect an appropriate method of care for the article to which it applies. To read more about labeling requirements for textiles, go to the “Guide to the *Textile Labelling Act* and Advertising Regulations” available at <http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=1249&lg=e>.

## Non-Food Goods

Non-food goods are goods that are not considered to be textiles, precious metals, or food. For example, a packaged screwdriver is considered a non-food good.

Labeling requirements under this category include:

1. country of origin (Made in ...)
2. marking of imported goods (refer to memorandum D11-3-1 available from Revenue Canada)
3. what the product is (if it is not apparent using the common name)
4. name and address of the importing distributor or "responsible party".

For more information, visit

<http://www.competitionbureau.gc.ca/internet/index.cfm?itemID=1248&lg=e> and select "Guide to Consumer Packaging and Labeling Act and Regulations".

### **Precious Metals**

These are goods containing gold, silver and like metals. Labeling requirements for this class of goods include:

1. statement of quality (i.e. 14kt gold)
2. trademark identification of the party responsible for the product. This determines liability for the product.

More about precious metal labeling can be found in the "Guide to the Precious Metals Marking Act and Regulations" at <http://www.competitionbureau.gc.ca/internet/index.cfm?itemid=1234&lg=e>.

### **Food**

Imported products must meet the same labeling requirements as foods produced in Canada.

Labeling requirements include:

1. common name of the product (i.e. canned tomatoes)
2. net quantity (i.e. bananas by the kilogram)
3. list of ingredients
4. a mandatory and standardized Nutrition Facts table listing calories and 13 nutrients (fat, saturated fats, *trans* fats, cholesterol, sodium, carbohydrate, fibre, sugars, protein, calcium, iron, and vitamins A and C) for a specified amount of food. Some exceptions may apply.
5. name and address of the responsible party
6. storage instructions
7. the "best before" date
8. bilingual labels are required, however, the goods may be granted a special test market exemption if approved.
9. If a label carries the name and address of a Canadian dealer, the terms "imported by" or "imported for" must precede this address, unless the geographic origin of the product; or the name and address of the foreign manufacturer is placed immediately adjacent to the Canadian name and address.

The importer is responsible for the labels attached to the goods as well as any costs resulting from improper labeling. The federal department of Industry Canada investigates claims resulting from improper labeling.



Labeling costs are usually the responsibility of the supplier, however, this must be stipulated in the agreement. For more information on food labeling, visit

<http://www.inspection.gc.ca/english/bureau/labeli/guide/guidee.shtml>

## Warehousing

After a shipment is reported to the Canada Border Services Agency, an importer may want to move their shipment inland to a licensed warehouse facility for customs release. This means that goods can be moved beyond the border or an airport without having cleared customs, but remain under customs control.

There are three types of warehousing available to importers. Customs bonded warehouses as mentioned earlier are licensed and regulated facilities operated by the private sector where goods can be stored duty free and tax free until they are exported or are consumed domestically. This type of warehousing can save importers from paying duty up front by arranging to pay it when the goods are drawn out of storage.

The second type is Sufferance Warehouses. Sufferance warehouses are privately owned and operated facilities licensed by the CBSA for the short-term storage and the examination of imported goods pending release from customs. Sufferance warehouse keepers charge user fees to their clients for storage and handling. Goods may stay in a sufferance warehouse for up to 40 days.

The last are called Places of Safekeeping. If goods kept at a sufferance warehouse are not claimed after 40 days, they are transferred at the importer's expense, to a place of safekeeping. The importer is then given 30 days to formally release or account for the goods or risk the federal government disposing of the goods. The importer will be responsible for all reasonable expenses incurred by the CBSA in the disposal of the goods (other than by sale).

## Determining a Selling Price

There are many factors involved when deciding upon a selling price. The final figure will be based on the costs you pay for insurance, packaging, agent/broker fees, warehousing, financing charges, labeling costs, currency exchange rates, and shipping costs.

### Duty

Check all tariff or duty rates before ordering any goods as these charges can greatly influence the final selling price. Tariffs may be applied according to the product itself or specifically to the materials contained in the product. For example, the duty rate for t-shirts may be the same as the duty rate for the fabric alone. Specialized packaging (e.g. extra packaging used for crystal which the seller charges you for) may also be assessed additional duty over and above the duty charged on the actual goods.

Certain products also such as jewellery, precious stones, vehicles and tobacco are subject to excise taxes and duties. These can be levied by percentage per item or by a fixed dollar amount. For instance, automobile air conditioners, whether separate or permanently installed, are subject to an excise tax of \$100 per air conditioner.

Specific, detailed information is required to complete the documentation that determines the value of goods. The complete description should be accompanied by additional illustrations and samples. The intended use of the goods as well as the domestic destination must also be indicated.

Duty is assessed in the following manner:

- the value of the goods (e.g. 35% duty applied to the landed cost)
- the quantity of the goods (e.g.. \$1.30 per kilogram)

### **Taxes**

Provincial sales tax will be applied to the sale of the items. The Goods and Services Tax (GST) of 7% will also be applied to goods that were not previously subject to the Federal Sales Tax (13.5%). Excise tax applies to a variety of items such as new automobiles, cosmetics, jewelry, wine, and tobacco products. The tax varies depending upon the product. For example, in the case of wine the Excise Tax Act reads as follows: "a tax of \$0.0205 per litre on wines of all kinds containing more than 1.2% of absolute ethyl alcohol by volume". These taxes will have an impact on the price of the product as well as your profit margin. A list of products and their corresponding excise tax or duty is available at <http://www.cra-arc.gc.ca/E/pub/et/currate/README.html> or contact the Canada Border Services Agency at 1-800-461-9999.

### **Import Finance**

Because you will be dealing closely with the International Centre of the bank, it is important to compare charges and services offered before selecting a bank to work with.

#### **What Can Banks Do?**

Virtually all direct transactions between Canada and other countries are handled by Canadian chartered banks on behalf of their customers. The banks offer a wide range of specialized services such as financing and investment, advisory services on market conditions, and more. Furthermore, through direct or indirect representation in the principal money market centres abroad, the banks are equipped to deal in foreign exchange, accept deposits and make loans in foreign countries.

Banks can also:

1. Counsel and submit reports on market conditions as well as export and exchange regulations abroad.
2. Prepare reports on the reliability and credit standing of sellers abroad
3. Open commercial letters of credit to finance the import of goods
4. Sell foreign exchange necessary for payment of imported goods
5. Finance the importer's costs between the time of payment and delivery of the goods as well as subsidiary expenses such as storage, processing, sale, and collection of accounts receivable.

Since suppliers often demand payment up front, you should be prepared for these negotiations.

## Methods of payment

### Letter of Credit (L/C)

A letter of credit is a legal document to arrange payment between an importer and exporter. It acts as security for both parties, giving the exporter confidence that the importer is able to pay for the goods while assuring the importer that payment will be made to the exporter only after the terms outlined in the letter of credit have been met.

Once the letter of credit has been drawn up and the application is accepted, the importer instructs the bank to transfer the payment to the exporter. The importer's bank passes this information to the exporter's bank, which then notifies the exporter that payment has been arranged. The exporter sends out the goods and later presents the invoices and shipping documents to the bank in order to receive payment. There is no risk involved with the exporter receiving payment as long as the terms of the agreement have been followed.

For the importer, the letter of credit:

1. Conserves your company's cash flow by eliminating the need to make advance payments or deposits
2. Demonstrates your creditworthiness to your supplier and, as a result, a better price and more advantageous terms of payment may be offered.
3. Supports your supplier's access to bank credit (in many countries, L/Cs are pledged by exporters as security against working capital loans)
4. Ensures payment to the exporter will only be made after the terms of the agreement have been met and the documents, which have been reviewed by the bank's experienced staff, are in order

Note that L/Cs do NOT protect you against the risk of a trade dispute. Because there are no controls over the quality of the goods, you must know your supplier. With the support of a letter of credit, an importer can try to negotiate an agreement with the supplier to allow six days for inspection of the goods. With this flexibility, the goods can be returned or a discount can be requested. It is beneficial for the importer to also include stipulations that the goods must pass any necessary government inspections and regulations. If the importer needs 60 days to sell the goods, it must be stated up front and negotiated with the exporter as the exporter will likely be charged interest.

### Alternatives to the Letter of Credit

*Open Account* -- The seller ships the goods and relies on the buyer to pay the agreed price at the agreed time. This method is used when the buyer and seller have an established relationship.

*Payment in Advance* -- This is the most secure option for the exporter as it eliminates all risk of non-payment.

*Documentary Collections* -- The seller ships the goods before receiving payment. The seller will use a bank in the country of import (usually the importer's bank) and exchange the export documents for payment. There are two types of documentary collections:

a) Documents against payment involve a sight draft. This gives the seller some security as the documents will remain under the bank's protection until payment is received by the seller. The seller maintains control of the documents and therefore the goods.

b) Documents against acceptance involve a term draft. The bank in the country of import will release the documents to the importer when he or she signs the acceptance of the draft to pay at a specified future date. The importer's signature only establishes the obligation to pay, not the ability to pay. The exporter may be in the position of losing control of the documents, and therefore the goods.

## Placing an Order

Make use of facsimile, the Internet, or written correspondence to get price quotes.

A quote should specify:

- quantity and description of the goods
- price per unit
- packaging costs
- freight costs
- insurance
- CIF price and destination (see Appendix D)
- FOB price and port of export (see Appendix D)
- payment terms
- responsibility for additional fees and charges
- effective time frame of the price quote

Ask for specific prices each time to confirm the net price and estimate shipping costs so you can open a letter of credit in the right amount. You also need to agree on a minimum order size and the quality of the goods.

## Import Laws and Regulations

The following publications are available for importers and should be reviewed:

- Export and Import Permits Act
- Anti-Dumping Act
- Textile Labeling Act
- Guide to Importing Commercial Goods
- How to Complete the Form B3 When Importing Commercial Goods
- How to Import Textiles and Clothing
- A Guide to Importing Food Products Commercially
- The Special Import Measures Act
- Guide to Canada Customs
- Guide to the Consumer Packaging and Labeling Act and Regulations
- Automated Customs Information Service

## Additional Assistance

### Canada Border Service Agency

[www.cbsa.gc.ca](http://www.cbsa.gc.ca)

The Canada Border Service Agency offers seminars for new businesses on various issues, including customs. If you would like to participate in a business seminar, contact the nearest Canada Border Service Agency office for details on the next seminar scheduled in your area.

The Canada Border Service Agency also publishes a number of pamphlets on importing that may be of interest to you. To receive these publications, contact your nearest Canada Border Service Agency office.

### The Business Link

[www.businesslink.ca](http://www.businesslink.ca)

*The Business Link* is Alberta's first stop for business information. This not-for-profit organization provides information services to the public on diverse topics dealing with business start-up. *The Business Link* houses an information centre containing information guides and resources, an extensive business library, and is staffed by knowledgeable business officers who answer inquiries in person, by phone and via e-mail.

*The Business Link's* newest initiative is the Export Link, a new service dedicated to assisting entrepreneurs reach out to global markets. The Export Link offers a range of services for new and potential exporters and importers. These include answering export and import inquiries, providing access to information guides and resources, and handling referrals to governments programs and services.

The Export Link can be accessed through a variety of methods. Clients can visit *The Business Link*- Export Link centre in person at address below, or call the Team Canada information line at 1-888-811-1119 to talk to a knowledgeable business officer. The Export Link can also be accessed through *The Business Link* website and selecting Exporting or Importing. This website contains a large number export and import information guides and documents, and valuable links to government departments and agencies.

#### *The Business Link*

100-10237 104 Street NW  
Edmonton, AB T5J 1B1

### The Canadian Association of Importers and Exporters Inc.

[www.importers.ca](http://www.importers.ca)

The Canadian Association of Importers and Exporters Inc. (formerly known as The Canadian Importers' Association) was founded in 1932 and federally incorporated in September 1936. It's main objectives are to promote Canadian imports and exports, and to assist its members with their individual importing or exporting problems. The Association does charge a modest consultation fee for its information services. On behalf of its members, the Association has a continuing interest in areas such as the Customs Act, National Ports Policy, the Conference Shipping Exemption Act, the Rail, Road, Air and Marine Freight Tariffs, cargo insurance, and bonded and non-bonded warehouse charges and procedures.

The Association publishes its own magazine and sponsors a series of meetings on subjects pertaining to import and export. In addition, the Association organizes buying missions abroad in which all members are invited to participate and, during the course of the year, receives foreign trade missions from countries seeking markets in Canada for their products.

### **ImportSource**

[www.importsource.ca](http://www.importsource.ca)

ImportSource.ca is a website dedicated to providing resources to businesses at all stages of importing. Access information about preparing to import, developing an import plan, import controls, identifying suppliers and more.

**Final Words:** Importing can be both a worth-while and profitable activity. Like most initiatives, it entails a fair amount of research and planning. This guide is the first step then in preparing to import. By providing practical information on how to start, where to find information and who to contact, this guide helps individuals gain a better understanding of the import process. And hopefully, be better prepared to realize their importing goals.

Good luck!

## Appendices

### Appendix A: Sources of Information – Federal Government

#### **Agriculture and Agri-Food Canada**

Suite 725, Canada Place  
9700 Jasper Avenue  
Edmonton, Alberta T5J 4G4  
Phone: (780) 495-4888

Suite 750, 220 - 4th Avenue SE  
Calgary, Alberta T2P 3C3  
Phone: (403) 299-7688  
Internet: <http://www.agr.gc.ca>

#### **Canadian Food Inspection Agency**

General Enquiries:  
1-888-442-2342

#### *Edmonton office:*

J.G. O'Donoghue Building  
Room 205, 7000 - 113 Street  
Edmonton, Alberta T6H 5T6  
Phone: (780) 495-3333  
Fax: (780) 495-3359

#### *Calgary office:*

Room 654 - 220 4th Ave SE  
Calgary, Alberta T2G 2X3  
Phone: (403) 292-4301  
Fax: (403) 292-5707  
Toll-free: 1-800-442-2342

Plants & Animals  
Phone: (780) 495-3333 or  
(403) 299-7660  
Internet: <http://www.inspection.gc.ca>

#### **Canadian Standards Association**

1707-94 Street  
Edmonton, Alberta T6N 1E6  
Phone: (416) 767-4000  
Toll Free: 1-800-463-6727  
Fax: (780) 490-2059  
Internet: <http://www.csa.ca>

#### **Environment Canada Canadian Wildlife Service**

2nd Floor, Twin Atria Building  
4999 - 98 Avenue  
Edmonton, Alberta T6B 2X3  
Phone: (780) 951-8700  
Internet: <http://www.ec.gc.ca>

#### **Fisheries and Oceans Inspection & Field Services**

9021 - 46 Street  
Edmonton, Alberta T6B 3B2  
Phone: (780) 495-7023

#### **Foreign Affairs and International Trade Canada Special Trade Relations Bureau**

P.O. Box 481, Station "A"  
Ottawa, Ontario K1N 9K6  
Internet: <http://www.dfait-maeci.gc.ca>

#### *Agriculture and Steel Section*

Phone: (613) 995-8358

#### *Textiles/Clothing and Softwood Lumber Section*

Phone: (613) 996-3711

**Health Canada**

Edmonton Office:  
Suite 710, Canada Place  
9700 Jasper Avenue  
Edmonton, Alberta T5J 4C3  
Phone: (780) 495-2651  
Internet: <http://www.hc-sc.gc.ca>

**Industry Canada**

Suite 725, Canada Place  
9700 Jasper Avenue  
Edmonton, Alberta T5J 4C3  
Internet: <http://strategis.ic.gc.ca>  
Phone: (780) 495-2485 or  
(403) 292-5604

*Packaging & Labelling Non Food, Textiles & Precious Metals:*  
Information Centre, Competition Bureau  
50 Victoria Street  
Gatineau, Quebec  
K1A 0C9  
Toll-free: 1-800-348-5358  
Web site: <http://www.cb-bc.gc.ca>

**Canada Border Services Agency**

Box 9866  
Edmonton International Airport  
Edmonton, Alberta T5J 2T2  
Phone: 1-800-461-9999

Southern Alberta District  
P.O. Box 220  
Coutts AB T0K 0N0  
Phone: (403) 344-3766  
Internet: <http://www.cbsa.gc.ca>

**Statistics Canada Prairie Regional Office**

Pacific Plaza, Suite 900  
10909 Jasper Avenue, N.W.  
Edmonton, AB  
T5J 4J3  
Phone: 1-800-263-1136  
Internet: <http://www.statcan.ca>

**Appendix B: Sources of Information – Other****Business Development Bank of Canada**

200, First Edmonton Place  
10665 Jasper Avenue  
Edmonton, Alberta T5J 3S9  
Phone: (780)495-2277  
Toll Free: 1-888-INFO BDC

Suite 110, Barclay Centre  
444-7 Avenue S.W.  
Calgary, Alberta  
T2P 0X8  
Phone: (403) 292-5600  
Toll-free: 1 888 INFO BDC  
Internet: <http://www.bdc.ca>

**Trade Facilitation Office (TFO)**

The TFO is a non-profit organization partially funded by the Canadian International Development Agency (CIDA). TFO supports and promotes trade from developing countries. They will assist in locating sources of supply once an importer has chosen a product.

Suite 300 - 56 Sparks Street  
Ottawa, Ontario K1P 5A9  
Internet: <http://www.tfoc.ca>  
Phone: (613) 233-3925  
Toll Free: 1-800-267-9674  
Fax: (613) 233-7860



### **Canadian Association of Importers and Exporters**

438 University Avenue, Suite 1618  
 Toronto, Ontario M5G 2K8  
 Internet: <http://www.importers.ca>  
 Phone: (416) 595-5333  
 Fax: (416) 595-8226

### **Foreign Embassies & Consulates**

A complete list of foreign representatives is available in *The Business Link*, Business Service Centre, and through Foreign Affairs Canada at  
<http://w01.international.gc.ca/Protocol/main-en.asp?sScreen=Introduction&iLanguage=0>

## **Appendix C: General Trade Vocabulary**

The following are general trade expressions that you will encounter:

**Agent:** A representative who is hired to sell products in the target market. The agent does not take possession of the goods and assumes no responsibility for them. Agents are paid on a commission basis.

**Certificate of Origin:** Standard document that certifies the country where the product was made. Certificates of Origin are required when importing from some foreign markets and must be used for goods to qualify for preferential tariff treatment under the North American Free Trade Agreement.

**Commercial Invoice:** A document prepared by the exporter or freight forwarder, and required by the importer to prove ownership and arrange for payment to the exporter. It should include basic information about the transaction, including a description of the goods, address of the shipper and seller as well as delivery and payment terms. In some cases, the commercial invoice is used to assess Customs duties.

**Counter trade:** A general expression meaning the sale or barter of goods on a reciprocal basis.

**Customs Invoice:** A document evidencing the value of the goods that is then used to clear them through Customs in the country of import. In some cases, the commercial invoice may be used for this purpose.

**Distributor (Importer):** A company that agrees to purchase an exporter's product(s), and then takes responsibility for storing, marketing and selling them.

**Dock Receipt:** A receipt used by an ocean carrier to acknowledge receipt of a shipment at the carrier's dock or warehouse facilities.

**Export License:** A document that exporters must obtain before selling certain products abroad (e.g. protected birds, animals and plants). An export license may also apply to certain countries.

**Export Management Company:** An independent firm that acts as the sales or export department for a manufacturer. Some act as an agent of the manufacturer/exporter and are paid on a commission basis. Others buy directly from the supplier, assume responsibility for the goods and attempt to resell them.

**Ex Factory:** Is used in price quotations, an expression referring to the price of goods at the exporter's loading dock.

**Ex Works Price:** A price that normally includes export credit insurance, financing charges and profit margin. It does not include costs related specifically to domestic marketing activities.

**Freight Forwarder:** A service company that handles all aspects of export shipping for a fee.

**Import Tariff:** A tax levied on imported goods by governments.

**Insurance Certificate:** A document prepared by the exporter or the freight forwarder to provide evidence that insurance against loss or damage has been obtained for the goods to be exported.

**Landed Cost:** The cost of the exported product at the port or point of entry into the foreign market, prior to the addition of foreign tariffs, taxes, local packaging/assembly costs and local distributors' margins. Product modifications prior to shipment are included in the landed cost.

**Ocean (or Airway) Bill of Lading:** A contract between the carrier or freight forwarder and the owner of the goods. The buyer needs this document to take possession of the goods.

**Packing List:** A document prepared by the exporter showing the quantity and type of merchandise being shipped to the buyer.

**Pro Forma Invoice:** An invoice prepared by the exporter prior to shipping the goods which informs the buyer of the goods to be sent, their value and other key specifications.

**Quotation:** An offer by the exporter to sell the goods at a stated price and under certain conditions.

**Warehouse Receipt:** A receipt identifying the commodities deposited in a recognized warehouse. A non-negotiable warehouse receipt specifies to whom the deposited goods will be delivered or released. A negotiable receipt states that the commodities will be released to the bearer of the receipt.

*(Source: Exporting for Competitiveness 1992, Industry, Science and Technology Canada; Export Guide, A Practical Approach 1995, Foreign Affairs and International Trade Canada)*

## **Appendix D: Incoterms™ 2000**

To provide a common terminology for international shipping and minimize misunderstandings, the International Chamber of Commerce has developed a set of terms known as Incoterms™. They are as follows:

### **EXW EX WORKS (...named place)**

"Ex Works" means that the seller (foreign supplier) delivers when he places the goods at the disposal of the buyer (importer) at the seller's premises or another named place (i.e. works, factory, warehouse, etc) not cleared for export and not loaded on any collecting vehicle.

### **FCA FREE CARRIER (...named place)**

"Free Carrier" means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place.

### **FAS FREE ALONGSIDE SHIP (...named port of shipment)**

"Free Alongside Ship" means that the seller delivers when the goods are cleared for export and placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment.

### **FOB FREE ON BOARD (...named port of shipment)**

"Free on Board" means that the seller delivers when the goods are cleared for export and pass the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. This term can only be used for sea or inland waterway transport.

### **CFR COST AND FREIGHT (...named port of destination)**

"Cost and Freight" means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination BUT the risk of loss or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. This term can only be used for sea or inland waterway transport.

### **CIF COST, INSURANCE AND FREIGHT (...named port of destination)**

"Cost, Insurance and Freight" means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination BUT the risk of loss or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. However, in CIF the seller also has to procure marine insurance against the buyer's risk of loss of or damage to the goods during carriage. This term can only be used for sea or inland waterway transport.

### **CPT CARRIAGE PAID TO (...named place of destination)**

"Carriage paid to..." means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named

destination. This means that the buyer bears all risks and any other costs occurring after the goods have been so delivered.

#### **CIP CARRIAGE AND INSURANCE PAID TO (...named place of destination)**

"Carriage and Insurance paid to..." means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer bears all risks and any additional costs occurring after the goods have been so delivered. However, in the CIP the seller also has to procure insurance against the buyer's risk of loss or damage to the goods during the carriage.

#### **DAF DELIVERED AT FRONTIER (...named place)**

"Delivered at Frontier" means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border of the adjoining country. The term "frontier" may be used for any frontier including that of the country of export. Therefore, it is of vital importance that the frontier in question be defined precisely by always naming the point and place in the term.

#### **DES DELIVERED EX SHIP (...named port of destination)**

"Delivered Ex Ship" means that the seller delivers when the goods are placed at the disposal of the buyer on board the ship not cleared for import at the named port of destination. The seller has to bear all costs and risks involved in bringing the goods to the named port of destination before discharging. If the parties wish the seller to bear the costs and risks of discharging the goods, then the DEQ term should be used.

#### **DEQ DELIVERED EX QUAY (...named port of destination)**

"Delivered Ex Quay" means that the seller delivers when the goods are placed at the disposal of the buyer not cleared for import on the quay (wharf) at the named port of destination. The seller has to bear all costs and risks involved in bringing the goods to the named port of destination and discharging the goods on the quay. The DEQ term requires the buyer to clear the goods for import and to pay for all formalities, duties, taxes and other charges upon import.

#### **DDU DELIVERED DUTY UNPAID (...named place of destination)**

"Delivered Duty Unpaid" means that the seller delivers the goods to the buyer, not cleared for import, and not unloaded from any arriving modes of transport at the named place of destination. The seller has to bear all costs and risks involved in bringing the goods thereto, other than, where applicable, any "duty" (which term includes the responsibility for and the risks of the carrying out of customs formalities, and the payment of formalities, customs duties, taxes and other charges) for import in the country of destination. Such "duty" has to be borne by the buyer as well as any costs and risks caused by his failure to clear the goods for import in time.

#### **DDP DELIVERED DUTY PAID (...named place of destination)**

"Delivered Duty Paid" means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving modes of transport at the named place of destination. The seller has to bear all costs and risks involved in bringing the goods thereto, including, where applicable, any

"duty" (which term includes the responsibility for and the risks of the carrying out of customs formalities, and the payment of formalities, customs duties, taxes and other charges) for import in the country of destination.

Whilst the DDP term represents the minimum obligation to the buyer (importer), EXW represents the maximum obligation.

(Source: International Chamber of Commerce)

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