

# Duty Deferral and Duty Drawback Programs in Canada

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The below responses were compiled with the use of the Perplexity AI app. It is meant for general information purposes only and to demonstrate the process and general highlights. For a verification of the up-to-date procedure and forms please contact CBSA directly and / or your customs broker.

**Duty deferral** is a program in Canada that allows businesses to postpone the payment of duties on imported goods. Here's how it works and the application process:

## How Duty Deferral Works

The Duty Deferral Program in Canada consists of three main sub-programs:

1. Customs Bonded Warehouse Program: Allows businesses to store imported goods without paying duties and taxes until they are released for Canadian consumption or exported.
2. Duties Relief Program: Enables importers, owners, manufacturers, and processors to import goods without paying duties if they will eventually re-export them, either in the same condition or after using them to process other goods.
3. Drawback Program: Similar to the Duties Relief Program, but for those who have already paid duties on imported goods and are requesting a refund.
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## Application Process

To apply for the Duties Relief Program:

1. Complete Form K-90: Fill out the "Duties Relief Application" form (K-90).
2. Submit the Application: Send the completed K-90 form to the nearest Canada Border Services Agency (CBSA) office.
3. CBSA Review: The CBSA will review your application and conduct a site visit to your premises.
4. Approval: If approved, the CBSA will issue a certificate number identifying you as a duties relief participant.
5. Compliance: Maintain accurate records of imports, inventory, and exports for auditing purposes.
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## Application Recipient

The application goes to the Canada Border Services Agency (CBSA).

## Additional Information

- **Eligibility:** The program is for businesses that import goods into Canada, receive previously imported goods, or subsequently export those goods.
- **Time Limit:** Duty payment can be deferred for up to 90 days after sale for domestic goods.
- **Benefits:** Duty deferral can reduce costs, improve cash flow, and help preserve the first cost when re-exporting goods to the United States.
- **Requirements:** Accurate reporting and payment of duty within 90 days for goods sold in the Canadian market, and repayment of duty within 60 days on exported goods processed in Canada.

It's important to note that applications may be denied if the applicant owes money to the government.

**Duty drawback** is a program in Canada that allows businesses to reclaim customs duties paid on imported goods that are subsequently exported or used in the production of exported goods. Here's how it works and the application process:

#### How Duty Drawback Works

1. Eligibility: Importers, exporters, processors, owners, or producers of goods that were exported from Canada and for which duty was paid on importation can apply for a drawback.
2. Qualifying Conditions: To be eligible, one of these conditions must be met:
  - Imported goods are later exported as-is
  - Imported goods are used to manufacture other products for export
  - Obsolete or surplus imported goods are destroyed rather than sold in Canada or exported.
3. Time Limit: Claims must be filed within four years from the date of importation.

#### Application Process

1. Complete Form K32: Fill out the "Drawback Claim" form (K32).
2. Gather Supporting Documentation:
  - a. Export sales invoice
  - b. Bill of lading or other shipping documents
  - c. Proof of export
  - d. Waivers from other eligible claimants (if applicable).
3. Submit the Application: File the completed K32 form along with supporting documents through the CBSA Assessment and Revenue Management (CARM) system.
4. Application Recipient: The application goes to the Canada Border Services Agency (CBSA).
5. Processing: The CBSA will review the claim, verify the information, and may conduct audits to ensure compliance.
6. Refund: If approved, the CBSA will refund the eligible duties. Full refunds should be processed within 90 days.

It's important to note that the amount of drawback may be affected by trade agreements like CUSMA (Canada-United States-Mexico Agreement), and additional documentation may be required in such cases.

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