



Your cargo is our cargo

# IMPORTING INTO CANADA MANUAL

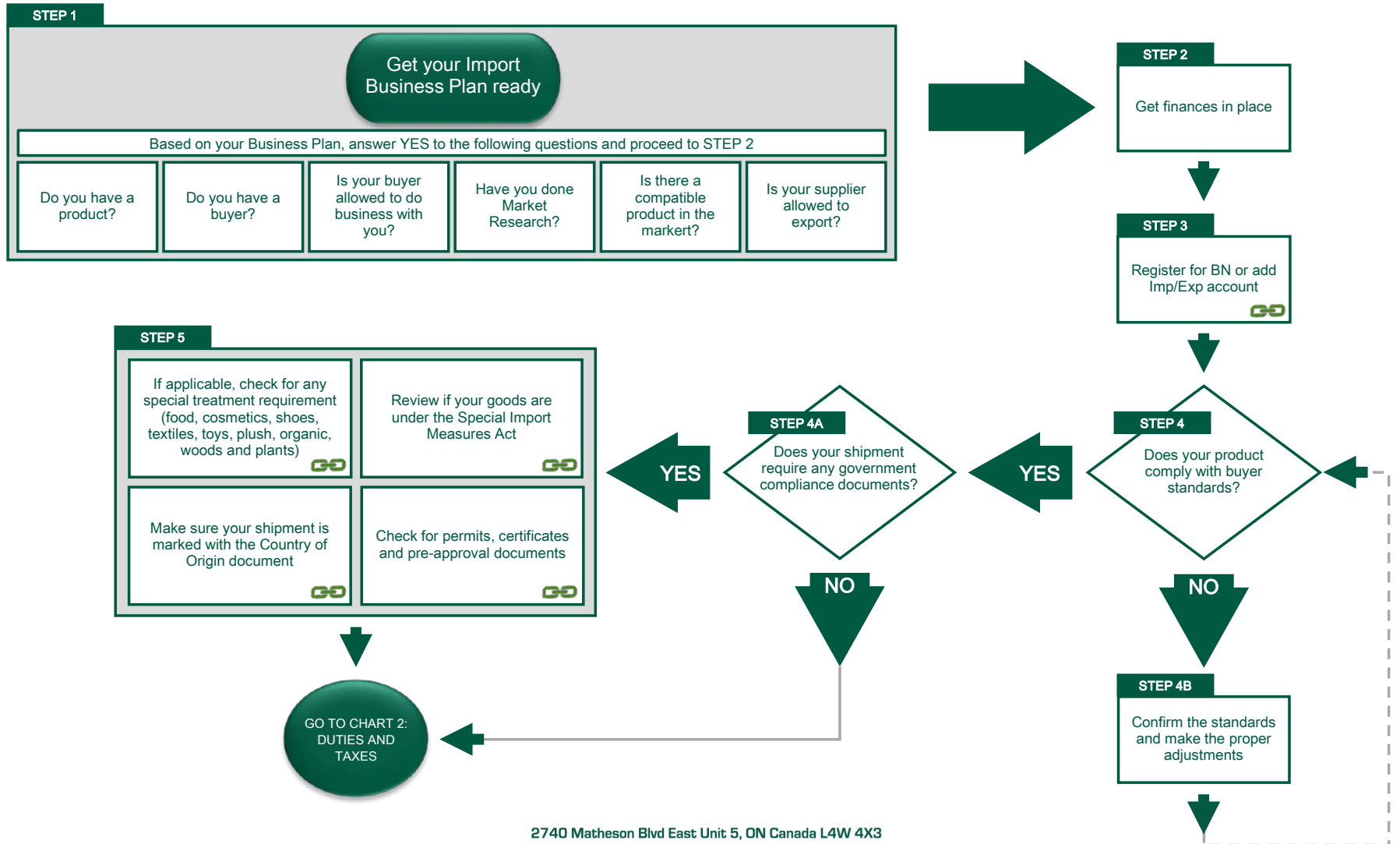
# **IMPORTING INTO CANADA FLOWCHART**

# MELLOHAWK

## LOGISTICS

### IMPORTING INTO CANADA

#### CHART 1: GETTING STARTED



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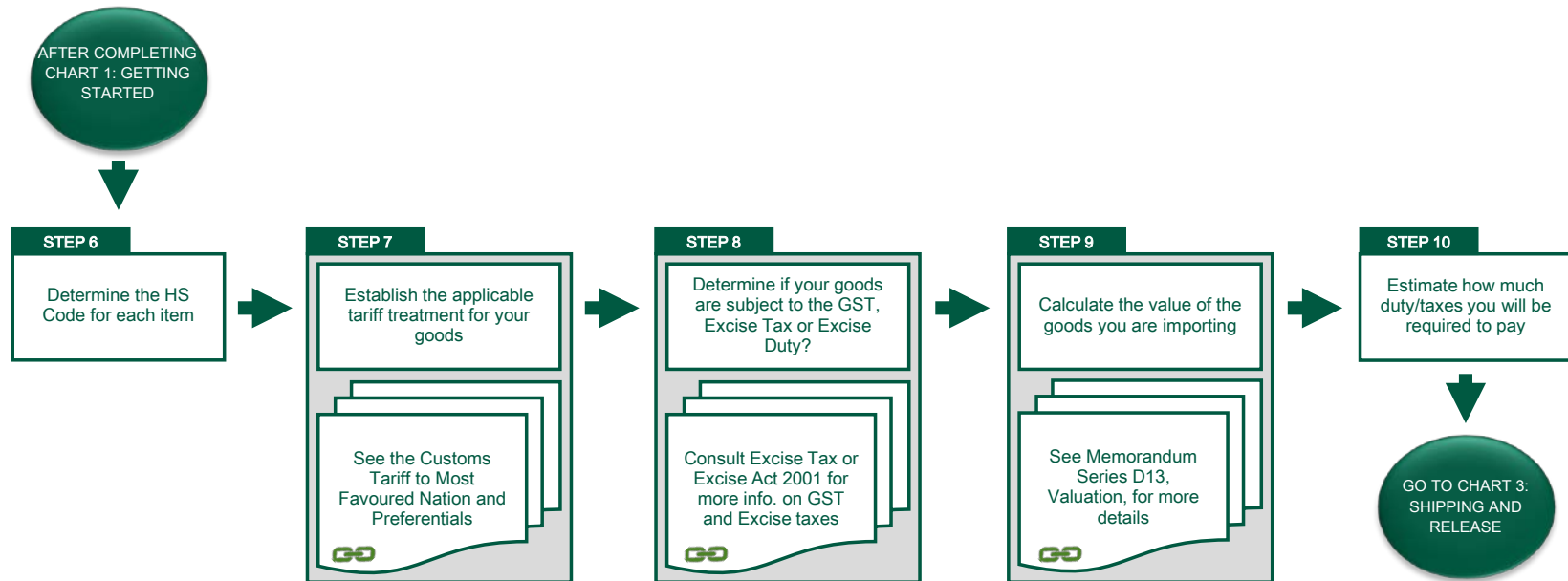


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## IMPORTING INTO CANADA

### CHART 2: DUTIES AND TAXES



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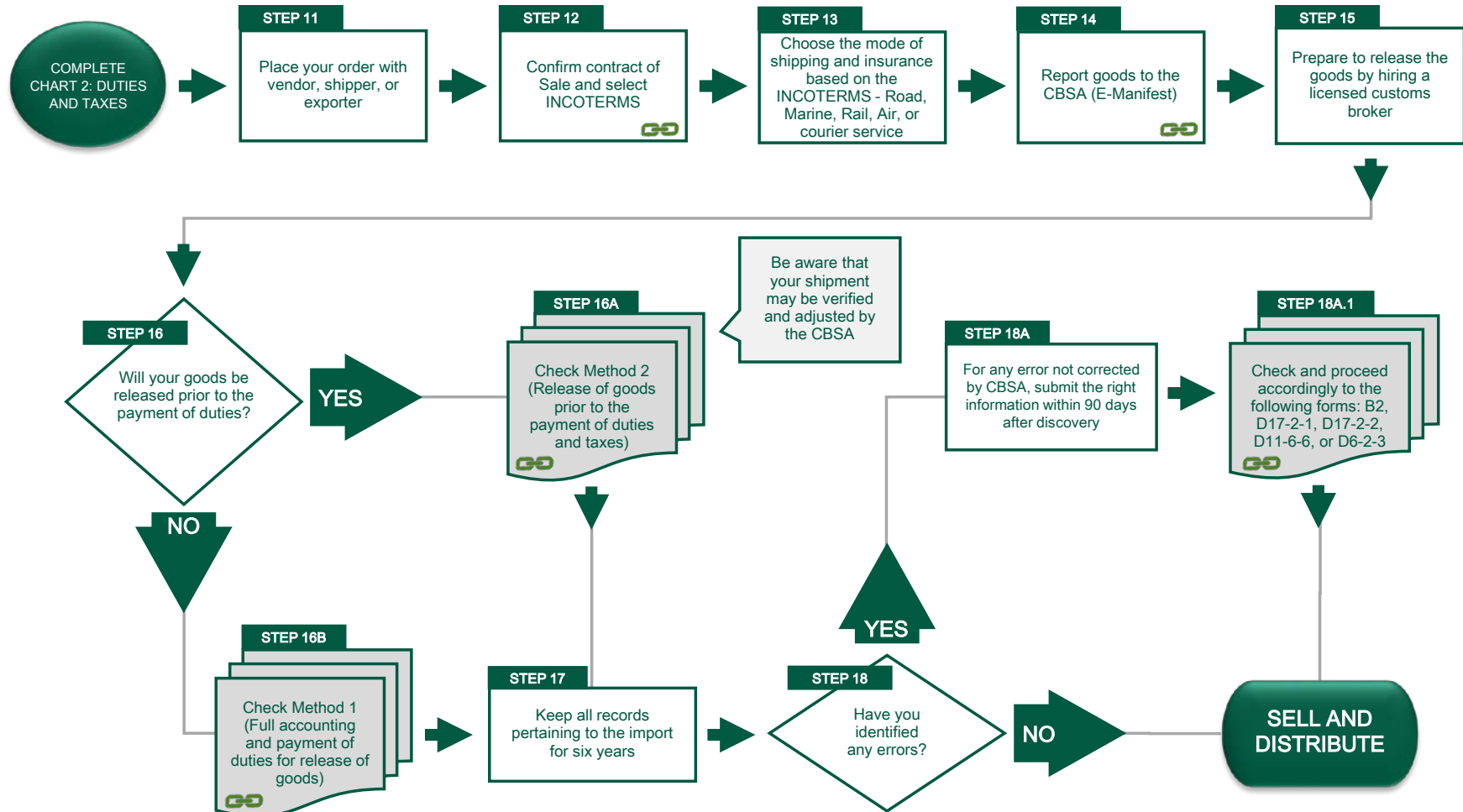


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## LOGISTICS

### IMPORTING INTO CANADA

#### CHART 3: SHIPPING AND RELEASE



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# **IMPORTING INTO CANADA STEP BY STEP GUIDE**



## SUMMARY: IMPORTING TO CANADA

**If YOU are the Shipper,  
Know your Shipper Responsibilities.**

- 1. Set up your company with a Business Number (BN) and an Import/Export Number.**
- 2. Get finances in place.** Do you know that you will be required to pay for shipping duties and taxes **BEFORE** you get paid from your customer?
- 3. Market Research.** Do you have a product? A buyer? A source of products? What else has been done with similar products? What is the competition? Does your buyer/seller need permission to import/export?
- 4. Once you have a product and a buyer.** Does your product comply with your buyer's standards? Do you need government compliance documents?
- 5. What are the HS Codes?**
- 6. How did you sell your product?** What are the payment terms? What are the **INCOTERMS** and **INSURANCE**?
- 7. Shipping questions:** Which mode will you use? Air? Ocean? Truck?
- 8. What do you know the Shipping documents needed?** Need 3 copies of Commercial Invoice & Packing List, plus a Certificate of Origin, and more!
- 9. What are your packing requirements?** Untreated wood packing is not permitted for international shipping. Do you require temperature control?
- 10. How will your goods be delivered?** How will you handle possible theft and damage?

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## LOGISTICS

### Guide to Importing into Canada, Step by Step<sup>1</sup>

**STEP 1: SET UP YOUR COMPANY  
BEFORE STARTING TO IMPORT**

**STEP 2: INSURE YOUR SHIPMENT**

**STEP 3: CHOOSE THE RIGHT  
INCOTERMS**

**STEP 4: PROVIDE THE CUSTOMS  
CLEARANCE**

**STEP 5: GET THE PAYMENT AND  
THE RELEASE OF YOUR GOODS**

**STEP 6: STORE THE GOODS IN A  
WAREHOUSE**

<sup>1</sup> Based on the file: *A Guide for Canadian Entrepreneurs - A step by step guide to importing*. The Government of Canada, 2008.





## STEP 1: SET UP YOUR COMPANY BEFORE STARTING TO IMPORT

### 1.1 Set up company and obtain Business Number and Importer Account Number

Before importing goods into Canada your company must obtain a **Business Number** (BN) for an Import/Export account from the Canada Revenue Agency.

**What does it mean?** This Business Number is used for major government revenue programs such as GST (Goods and Services Tax), payroll deductions and corporate income tax. Also, the Canada Border Services Agency (CBSA) will use the import-export account number to process customs documents.

**To avoid delays** in releasing the goods at the border, your company must open the import/export account with Canada Revenue Agency **before** starting to import or export goods.

#### How to obtain the Business Number for an Import/Export Account?

- A) Complete the **Form RC1 – Request for a Business Number (BN)**; or
- B) Use **Business Registration Online**; or
- C) If the company already has a Business Number, use the **Form RC1C – to add an import/export account**; or
- D) Call 1-800-959-5525.

**Important:** If the company name on the customs release documents is different from the name that CBSA and Canada Revenue Agency have on file, the shipment may be held up at the border.

Your company must send the completed printed forms to the nearest tax services office.

### 1.2 Identify the goods the company wants to import, check restrictions, and determine whether import permits are required.

Before importing, your company needs to consider carefully the **legal requirements** as well as the practicalities.

Importing Considerations	
Type of product	There are regulations covering special types of goods, such as food products and health products.

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<b>Source country</b>	Cheaper goods may be offset by additional expenses relating to transportation costs, tariffs, export taxes in the source country, and foreign exchange fluctuations. Risks such as political instability and fluctuating economies may also increase the effort required in importing.
<b>Service providers</b>	Experienced customs brokers, freight forwarders and other service providers can smooth the way, but their fees must be included in pricing calculations. Even if such experienced service providers are used, ultimately you are responsible for complying with import regulations.

*Source: A Guide for Canadian Entrepreneurs – A step by step guide to importing. The Government of Canada, 2008.*

The nature of the product that is imported will affect the amount of paperwork the company will have to complete, and may add to the cost of importing.

**No license is required to import most goods. However, some controlled products are subject to a quantitative import restrictions or quotas, and require a permit for importation into Canada.**

<b>Controlled Products:</b>	
<b>Agricultural products</b>	For information about importing an agricultural product that is on the ICL, call (613) 944-0777 (English) or (613) 995-8104 (French).
<b>Steel</b>	For information about importing steel, call (613) 944-0778.
<b>Weapons and munitions</b>	For information about importing weapons or munitions, call (613) 944-3097.

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<b>Clothing and textiles</b>	<p>Import permits for clothing and textiles are no longer required, except from countries that are eligible for a tariff preference level benefit under free trade agreements – U.S. and Mexico (NAFTA), Chile (CCFTA) and Costa Rica (CCRFTA).</p> <p>For information about importing a textile or clothing article from these countries, call (613) 996-3711.</p>
<b>Endangered species</b>	<p>The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) controls the international trade of endangered animal and plant species. The Canadian Wildlife Service (CWS), part of Environment Canada, administers CITES in Canada. For permit requirements, call CWS at 1-800-668-6767, or see the CITES website at <a href="http://www.cites.ec.gc.ca/eng/sct3/index_e.cfm">http://www.cites.ec.gc.ca/eng/sct3/index_e.cfm</a>.</p>

*Source: A Guide for Canadian Entrepreneurs – A step by step guide to importing. The Government of Canada, 2008.*

A permit will be required for each separate shipment. **Important:** Some goods are subject to the requirements of federal government departments, and may need permits, certificates and examinations, CFIA certificates. Shoes, textiles, clothing cosmetics, food, wood (and wood packaging) and dangerous goods all require special consideration.

## 1.3 Obtain information about duties, tariffs and the need of HS Code:

For each item that your company is importing, you need to determine the 10-digit HS classification number, which determines the rate of duty payable.

The current version of Canada's **Customs Tariff**, which conforms to the **Harmonized System (HS)** developed by the World Customs Organization (WCO), is on the CBSA website.

**TIP:** To find where to start in the Tariff Schedule, use the **Commodity Search** tool on Statistics Canada's website.

For the CBSA to determine that your company has used the right classification, you have to provide a detailed description of each product on the commercial invoice.

Before the shipment arrives, a CBSA specialist can help the company to determine the duties you will have to pay on the goods, so your company will need to give CBSA a detailed description of the goods, and know their value and origin.



**MELLOHAWK Logistics can assist your company with goods classification.**

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## STEP 2: INSURE YOUR SHIPMENT











**2.1** Insurance is essential to protect your company against potential losses.

Freight insurance will usually cover possible loss of goods, or damage to goods, for the entire trip, including time spent in warehouses during shipment. The “marine policy insurance” covers transportation by road, rail and air, as well as by sea.



**MELLOHAWK Logistics has a complete package to INSURE any product.**

### Insurance you may need to consider:

-  Loss or damage to goods in transit
-  Short-shipment by the supplier
-  Failure of the seller to supply
-  Transport delays and hold-ups at ports
-  Import duties
-  Storage of goods in bonded warehouses
-  Unloading, examination, and re-loading charges
-  Performance problems with the finished products
-  Health and safety problems with the product
-  Currency fluctuations

*Source: A Guide for Canadian Entrepreneurs- A step by step guide to importing. The Government of Canada, 2008*

## 2.2 Who arranges the insurance?

All the terms of Insurance & Shipping are based on INCOTERMS 2010 (Page 6). The responsibility for organizing insurance can be shared between the import/buyer and exporter/seller, or be undertaken by just one. Make sure the contract confirms which option has been chosen. Incoterms clarify to what extent a party must take responsibility for particular risks during transportation. **ALL INTERNATIONAL SHIPPING STARTS WITH THE INCOTERMS!**

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## 2.3 FREIGHT FORWARDERS

**What is a Freight Forwarder?** Freight forwarding is the process of transporting goods internationally. This can include multiple modes of transport, as well as paying fees and insurance charges on behalf of the importer/exporter. Freight forwarders are also an important part of the supply chain from a cost perspective because their higher volumes may yield better pricing. From a security viewpoint they are regulated by TRANSPORT CANADA and many modes will only accept cargo from accredited Freight Forwarders. MELLOHAWK Logistics Inc conducts business as per the CIFFA Standard Trading Conditions, however, all responsibility for accuracy and compliance rests with you the Shipper.

A **freight forwarder's services include:** assisting with freight quotes, booking space for freight on airlines, ships and other modes of transport, consolidating shipments from different suppliers, meeting the documentary requirements of the destination country, preparing shipping documents, banking and other papers necessary in the transaction, processing shipping documents, handling certification procedures, distributing documents to the necessary parties in the transaction – banks, offices, buyers, suppliers, arranging for insurance coverage, arranging for pre-shipment inspections and customs clearance, providing warehouse facilities, and providing information on hazardous materials, if necessary. Accredited freight forwarders are part of the secure chain of custody for your shipment.

**TIP:** When the service provider acts as customs broker and freight forwarder, coordination of shipment clearance will be improved.



**MELLOHAWK Logistics has 15 years of experience in freight forwarding and can assist on any shipping request from around the world.**

## STEP 3: CHOOSE THE RIGHT INCOTERMS

**3.1** Incoterms were developed by the International Chamber of Commerce (ICC) and provide a **common terminology for international shipments**, and minimize misunderstandings. **Incoterms indicate to both the seller and the buyer what is, and what is not, included in the selling price.** They also indicate where the exporter's responsibility ends and the importer's responsibility begins with respect to ownership, and insurance of the goods.

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**Which Incoterm will apply to a particular trade transaction is decided between the seller and buyer.** However, inclusion of the appropriate term in sales quotations is crucial to determine the responsibilities of each party in the contract of sale.

Brief definitions of Incoterms:	
<b>EXW</b> Ex Works (named place)	This Incoterm puts the most responsibility on the buyer. Title and risk pass to buyer including payment of all transportation and insurance cost from the seller's door.
<b>FCA</b> Free Carrier (named port)	Similar to FOB, except the seller's obligations are met when the goods are delivered into the custody of the carrier at the port. The risk of loss/damage is transferred at the buyer at this time, not at the ship's rail.
<b>FAS</b> Free Alongside Ship (named port of shipment)	Title and risk pass to buyer including payment of all transportation and insurance cost once delivered alongside ship by the seller.
<b>FOB</b> Free On Board (named port of shipment)	Title and risk pass to buyer including payment of all transportation and insurance cost once delivered on board the ship by the seller. Free On Rail (FOR) and Free On Truck (FOT) are used when goods are carried by rail or road.
<b>CFR</b> Cost and Freight (named port of destination)	Title, risk and insurance cost pass to buyer when delivered on board the ship by seller who pays the transportation cost to the destination port.
<b>CIF</b> Cost Insurance and Freight (named port of destination)	Title and risk pass to buyer when delivered on board the ship by seller who pays transportation and insurance cost to destination port.
<b>CPT</b> Carriage Paid To (named place of destination)	Title, risk and insurance cost pass to buyer when delivered to carrier by seller who pays transportation cost to destination.
<b>CIP</b> Carriage Insurance Paid (named port of destination)	Title and risk pass to buyer when delivered to carrier by seller who pays transportation and insurance cost to destination.

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<b>DAT</b> <b>Delivered At Terminal (named place)</b>	Seller clears the goods for export and bears all risks and costs associated with delivering the goods and unloading them at the terminal at the named port or place of destination. Buyer is responsible for all costs and risks from this point forward including clearing the goods for import at the named country of destination.
<b>DAP</b> <b>Delivered at Place</b>	Seller clears the goods for export and bears all risks and costs associated with delivering the goods to the named place of destination not unloaded. Buyer is responsible for all costs and risks associated with unloading the goods and clearing customs to import the goods into the named country of destination.
<b>DDP</b> <b>Delivered Duty Paid (named place of destination)</b>	This Incoterm puts the least responsibility on the buyer. Title and risk pass to buyer when seller delivers goods to named destination point cleared for import.

Source: A Guide for Canadian Entrepreneurs - A step by step guide to importing. The Government of Canada, 2008/ Export Gov.

## STEP 4: CUSTOMS CLEARANCE

**4.1** Customs documents are the set of documents required by a customs authority to accurately and completely identify goods which are being imported. Some of the documents will come from you the supplier, others will be provided by the carrier.



**MELLOHAWK Logistics has a complete package to assist with customs clearance into Canada or any country around the world.**

**4.2 Certificates of Origin** The country of origin must be clearly indicated on the goods. Canada Border Services Agency (CBSA) uses the certificate of origin to support the tariff treatment you claim on Form B3.

Certificates of origin for NAFTA, CIFTA or CCFTA apply if you are claiming lower customs duty rates under those free trade agreements.



**MELLOHAWK Logistics helps you and your company to determine what documents are required from each country.**

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## STEP 5: GET THE PAYMENT AND THE RELEASE OF YOUR GOODS

**5.1** The Canada Border Services Agency (CBSA) processes most shipments at the border (highway border, rail border, international airport, sea port or customs mail center). The carrier reports the company's shipment to CBSA when it arrives at the international border entry point, or increasingly, prior to arrival. Your carrier reports the goods either on an approved cargo control document (CCD), or, in the case of marine and rail shipments, electronically submits the cargo information using EDI, before arrival at the Canadian border.

**5.2** The goods are "released" when you have paid the duties and taxes owing. You can choose to have CBSA release the goods at an inland office – a customs office not located at the border. For example, your shipment will arrive at Fort Erie, Ontario, but you want CBSA to release it to you in Toronto. In this case, your carrier reports the goods at Fort Erie, but must be a bonded carrier (have posted security with Customs) to carry non-duty-paid goods to one of the approved inland offices in Toronto.



**MELLOHAWK Logistics can clear any shipment electronically at any border crossing, and send you a single invoice for all charges.**

## STEP 6: STORE THE GOODS IN A WAREHOUSE

**6.1** You may also need the services of a bonded warehouse or a sufferance warehouse. If the imported goods are destined for re-export, you can store them in a *bonded warehouse*, with deferral of all duties including GST. The goods may undergo value-added alterations while in bond: labelling and marking, packaging, testing, diluting cutting or trimming, disassembly transportation purposes. *Sufferance warehouses* are licensed by Canada Revenue Agency for short-term storage and examination of imported goods pending release from Customs.



**MELLOHAWK Logistics can offer storage and warehousing services on any type of product. We have warehouses located in: Toronto, Montreal, Calgary, Edmonton and Vancouver.**





## THE HST/GST

**1.1 WHAT IS IT?** The meaning of **GST** is **Goods and Services Tax**, which is applied to most consumer goods and services in Canada.

Every import into Canada is taxed at a Federal Level, so the GST of 5% is applicable on every import depending on the commodity. GST is based on the Canadian value of the INVOICE + duties (based on the H.S. Code classification of each item imported).

Domestic shipments (air, truck, rail) will be subject to the HST if the destination of the goods is within any HST participating province and is subject to GST for destinations in the rest of Canada. For example, the shipment originates in Ontario and is destined for delivery in Alberta - only GST is collected. However, if the shipment originates in Manitoba and is destined for Ontario, then the Ontario HST rate will apply on the freight movement service fees.

The **HST** is the **Harmonized Sales Tax**, applied to the same base of property as the GST. HST is imposed in provinces that have harmonized their provincial sales tax with the GST (participating provinces in the box below).

**1.2 WHICH PROVINCE IS PARTICIPATING?** New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario & Prince Edward Island have HST.

In these provinces, there may also be a provincial sales tax or a retail sales tax in place.

Province	GST/HST after April 1, 2013
Alberta	5%
British Columbia	5%
Manitoba	5%
Northwest Territories	5%
Nunavut	5%
Quebec	5%
Saskatchewan	5%
Yukon	5%
New Brunswick	13% (5% GST + 8% PST)
Newfoundland and Labrador	13% (5% GST + 8% PST)
Nova Scotia	15% (5% GST + 10% PST)
Ontario	13% (5% GST + 8% PST)
Prince Edward Island	14% (5% GST + 9% PST)

Source: Canada Revenue Agency website



**1.3 WHO PAYS THE GST/HST?** Almost everyone has to pay the GST/HST on purchases of taxable supplies of property and services. Certain persons may not always pay, like First Nations people and certain provincial and territorial governments.

**1.4 WHO CHARGES THE GST/HST?** GST/HST registrants or businesses required to have a GST/HST registration number, must charge an account for the GST on taxable supplies of property and services made in Canada. In the participating provinces they must charge an account for the HST instead of the GST.

**1.5 WHAT SUPPLIES DOES THE GST/HST APPLY TO?** Most property and services supplied in or imported into Canada are **taxable supplies** and are subject to the GST/HST.

Some supplies of goods and services are taxable at the rate of **0% - GST/HST is charged at a rate of 0% on these supplies**. Some common examples of zero-rated supplies of property and services are: basic groceries such as milk, bread, and vegetables; agricultural products such as grain, raw wool and dried tobacco leaves; prescription drugs and drug-dispensing fees; and medical devices such as hearing aids and artificial teeth.

**A limited number of goods and services are exempt from GST/HST.** This means the GST/HST is not charged. Some common examples of exempt supplies of property and services are: long-term residential accommodation (of one month or more), and residential condominium fees; most health, medical, and dental services performed by licensed physicians or dentists for medical reasons; child-care services (day-care services for less than 24 hours a day) for children 14 years old and younger; bridge, road, and ferry tolls (ferry tolls are taxed at 0% if the ferry service is to or from a place outside Canada); legal aid services; educational services.

**So when goods are imported into Canada only GST (5%) is charged by the Canada Customs / Federal Government. Duties and taxes are in addition. Once goods are imported and sold locally or to other provinces, the seller must charge the final receiver of the goods the appropriate GST/HST as per each provincial rate.**