



Memorandum D4-3-4

Ottawa, June 2, 2015

Duty Free Shop – Operational Responsibilities

In Brief

1. This memorandum incorporates the information previously contained in Memorandum D4-3-6, *Duty Free Shop – Off-site Storage* dated May 7, 2009 and replaces Memorandum D4-3-4, *Duty Free Shop – Operational Responsibilities* dated May 5, 2009.
2. This memorandum has been revised to reflect organizational changes resulting from the restructuring of the Canada Border Services Agency (CBSA) on April 1, 2010, and to provide general updates.
3. In addition to the above, the Commercial Registration Unit (CRU) and Border Information Services contact information has been added.

This memorandum outlines the responsibilities of Duty Free Shop (DFS) licensees in the operation of a DFS in Canada.

Legislation

For the regulations governing the information in this directive, refer to the [Duty Free Shop Regulations](#).

Guidelines and General Information

1. DFS licensees are responsible for following through with all commitments as stated in their licence application. They must also comply with any other conditions of operation that may have been required by the CBSA before opening for business. They must establish and maintain appropriate operating and administrative practices and procedures to comply with the regulatory requirements of the licence. These responsibilities include the provision and maintenance of facilities and appropriate services to the public.

Facility Standards

Site Requirements

2. The site at which the DFS will be located and operated is to be physically situated so as to facilitate the direct export of goods. Where site constraints do not allow the shop to be situated to ensure direct export, a delivery system, subject to CBSA approval, must be used.

Building and Facility Requirements

3. The DFS licensee must ensure that all areas or buildings designated as part of the DFS's operations are physically secure.
4. Where the DFS is to be located within an existing building (such as a passenger terminal at an airport), the storage area may, subject to CBSA approval, be located in another part of the building or in another building that is located on the same property. The licensee may also apply to operate an off-site storage facility in addition to the storage space used in the DFS. The licensee must follow the approval process outlined in paragraphs 12 through 23 and must adhere to the requirements for establishing an off-site storage facility.

5. A licensee contemplating major site or building alterations to an existing DFS is to complete and submit Form [BSF664, Duty Free Shop Application/Amendment](#) together with detailed plans/drawings of the proposed changes to the CRU by e-mail to: Duty_Free_Shops-Boutiques_Hors_Taxes@cbsa-asfc.gc.ca for review and approval.

Access to the Site, Building or Facility

6. The licensee must control access to its facilities to ensure that their inventory is kept secure. At a land border crossing, the shop must be appropriately fenced in to prevent unauthorized access. The entrance to the site must be configured so that vehicles may enter but not leave and continue north bound, and the exit from the site must be configured so that vehicles may exit but not re-enter. Egress for travellers must be restricted to the U.S.-bound roadway only. If the port is configured so that a possible turnaround point exists between the shop egress and the point of no return, the operator will take whatever steps are necessary to prevent his or her customers from using that turnaround point without crossing the border with goods purchased in its shop.

7. At an airport, the traveller must always present a boarding pass or ticket showing a foreign destination at the time of purchase. For flights departing from Canada that are boarded on a progressive basis, duty free goods may be sold to boarding passengers at each airport of embarkation, subject to the conditions outlined in [Memorandum D2-5-5, Progressive Clearance at Airports](#).

Goods Not Exported

8. Where the traveller is unable to depart from Canada, the licensee may accept the return of goods and provide the necessary monetary or credit refunds. If the goods were opened and/or partially consumed and the licensee does not or cannot accept the returned goods, the traveller must pay the applicable duties and/or taxes to the CBSA.

Off-site Sales Outlets

9. Although a licence to operate a DFS is issued for a specific location, a licensee may establish off-site sales outlets in other locations. However, such outlets may only be used for taking orders, while the actual delivery or pick-up of the duty free goods must take place at the DFS itself. The off-site outlets cannot interfere with the primary outlets of other licensees nor should they create confusion for the travelling public. They cannot interfere with, or affect in a negative or confusing manner, traffic from other ports and should be located in a neutral area.

10. A DFS licensee must obtain prior approval from the CBSA before establishing an off-site sales outlet by submitting Form BSF664 to the CRU along with a narrative description of the proposed outlet and site and building plans.

11. All products at an off-site sales outlet must be duty and/or tax-paid goods or samples. No inventory from the DFS will be kept at an off-site sales location without prior approval from the CRU.

Off-site Storage Facility

12. A licensee wishing to establish an off-site storage facility in addition to its existing DFS operation must submit Form BSF664 together with detailed plans/ drawings of the proposed facility, to the CRU for review and approval.

13. The licensee must ensure that the facility is secure and must control the movement of inventory in and out of the off-site facility in accordance with the provisions outlined in sections 22 and 23. If the licensee wishes to store liquor in his or her off-site facility, he or she must satisfy all requirements of the appropriate provincial liquor authority, including minimum security standards to ensure the physical security of the goods. All provisions and regulations of any Act of Parliament that prohibit, control or regulate the importation or exportation of goods, or that relate to customs and excise, as well as policies and procedures that apply to the DFS, will also apply to the off-site storage facility.

14. Approval of the appropriate provincial liquor authority must be included with the submission in order for the CBSA to consider approving the storage of alcoholic beverages in the off-site facility.

15. Once approved, failure by the licensee to comply with all of the policy and procedural requirements for the operation of the off-site facility may result in suspension or cancellation of off-site storage privileges by the CBSA.

16. Only one off-site storage facility is permitted for each DFS licence.

17. The off-site storage facility must be located within the same local CBSA jurisdiction responsible for providing service to the DFS. To avoid extraneous service charges for the provision of CBSA services to the off-site facility, the off-site facility must be located within a reasonable distance from the port office that services the DFS. Due to the variance in the area of CBSA districts from port to port, local CBSA officials will be responsible for defining a reasonable distance within its jurisdiction.

18. If the off-site storage facility is to be located within an existing building that is also used for other purposes, the DFS licensee is responsible for ensuring that the area or areas designated as part of the DFS operation are physically secure. This area or areas are to be clearly marked and separated from the remainder of the warehouse area by means of a partition or other physical means satisfactory to the local CBSA office.

19. Restrictions that apply to goods that DFS licensees are permitted to stock in their DFS inventory will also apply to goods held in the off-site storage facility.

20. DFS licensees must ensure that the financial security posted for their operation includes any inventory held in the off-site storage facility.

21. Goods may be received by the licensee for initial release by the CBSA into the DFS inventory at the off-site storage facility or the DFS. Requirements for reporting the initial receipt of goods at an off-site storage facility for inclusion in the DFS inventory are identical to those that the DFS licensee or authorized agent must meet when goods are initially received at the DFS itself. For more information, refer to [Memorandum D4-3-5, *Duty Free Shop – Inventory Control and Sales Requirements*](#).

22. Goods transferred between the off-site storage facility and the DFS may only be transferred on a Form [B116, *Canada Customs Duty Free Shop Accounting Document*](#).

23. Liability for DFS goods while they are being transferred will remain with the licensee, just as it does when the goods are in the off-site storage facility or the DFS. The goods will be considered to be secured under the required DFS security posted. Any loss of inventory may be subject to an action against the DFS security unless immediately accounted for by the licensee. The CBSA has the authority to examine at any time a shipment in transit between an off-site facility and the DFS. Off-site storage privileges will be immediately suspended if any unaccounted inventory is found during such an examination until such time as the licensee is able to justify that the issue that led to the suspension has been rectified to the CBSA's satisfaction.

Additional Information

24. For more information, within Canada call the Border Information Service at **1-800-461-9999**. From outside Canada call 204-983-3500 or 506-636-5064. Long distance charges will apply. Agents are available Monday to Friday (08:00 – 16:00 local time/except holidays). TTY is also available within Canada: **1-866-335-3237**.

References	
Issuing Office	Trade and Anti-dumping Programs Directorate
Headquarters File	
Legislative References	Duty Free Shop Regulations
Other References	D2-5-5 , D4-3-5 , Forms BSF664 and B116
Superseded Memorandum D	D4-3-4 dated May 5, 2009 and D4-3-6 dated May 7, 2009