



Memorandum D4-3-2: Duty Free Shop - Licensing

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Ottawa, October 21, 2024

Plain language summary

Target audience: Licensed operators of duty free shops and those interested in applying for a duty free shop licence.

Key content: How to apply for and participate in the Canada Border Services Agency's duty free shop program.

Keywords: Duty free shop licence, application, BSF664, CARM, CCP, land border, airport, lease, financial security.

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Updates made to this D-memo

This memoranda has been updated to:

- include the use of the CBSA Assessment and Revenue Management (CARM) system and the CARM Client Portal (CCP)
- update the land border duty free shop application process, including the requirement for applicants to submit a criminal record check

Definitions

Act means the [Customs Act](#).

applicant means a person who applies for a licence.

beer means beer or malt liquor as defined in section 4 of the [Excise Act](#).

border crossing point means a place on the international border between Canada and the United States at which there is a customs office.

excisable goods means spirits, wine, beer or tobacco products.

excise warehouse has the same meaning as in section 2 of the [Excise Act, 2001](#).

intoxicating liquor has the same meaning as in the [Importation of Intoxicating Liquors Act](#).

licence means a licence issued by the Canada Border Services Agency (CBSA) to operate a duty free shop.

licensee means a person to whom a licence has been issued.

Guidelines

1. The [Customs Act](#), subsection 24(1), provides the Minister of Public Safety with discretion when considering whether to issue a Duty Free Shop (DFS) licence. When

choosing a suitable licensee, the Minister has the discretion to consider matters that are necessary or desirable to the overall intent of the program and government policy.

2. The DFS licence issued by the CBSA allows a licensee to acquire goods free of certain duties and taxes (other taxes, such as excise taxes, may be applicable) for sale to travelers who will immediately export the goods from Canada. The licence holds no monetary value and it does not express an implied guarantee of income in its own right, nor does it grant the licensee privileges in other government programs or jurisdictions that require their own licenses, permits or contracts.

3. The CBSA will strive to process applications within 90 calendar days from the deadline for application submissions.

4. Only complete application packages that have been submitted through the CARM Client Portal (CCP) and meet all of the requirements of the [Duty Free Shop Regulations](#) (DFSR) will be considered.

5. DFS applicants must login into the CCP to apply for a DFS licence. Onboarding and log in instructions for the CCP can be found on the [CBSA CARM Client Portal webpage](#).

6. Communication between the CBSA and DFS applicant will be through the CCP. Applicants are expected to monitor the CCP for notifications regarding their application to ensure there is no delay in processing.

7. Existing DFS licensees must also register through the CCP for all communications with the CBSA. Onboarding and log in instructions are on the [CBSA CARM Client Portal webpage](#).

Application and Selection Process

8. Applications are only accepted for land border and airport locations. Applications for marine and rail locations will be refused as there is no provision for these locations in the DFSR.

9. The eligibility requirements for a DFS licence vary between land border crossings and airport locations. For further details refer to the DFSR.

10. Anyone interested in establishing a DFS at a site where there is no existing DFS or where an adequate range of goods is not available at an existing DFS, shall email [Duty Free Shops-Boutiques Hors Taxes@cbsa-asfc.gc.ca](mailto:Duty-Free-Shops-Boutiques-Hors-Taxes@cbsa-asfc.gc.ca) with the location to be considered.

11. The CBSA will review the initial request to determine whether:

- a) the CBSA is able to provide service to the proposed DFS location;
- b) the establishment of a DFS will impede the flow of traffic; and

- c) an adequate range of goods and services is already provided if a DFS already exists in the proposed area.

12. The CBSA will also review traffic and passenger data to determine if there is sufficient volume to support a DFS.

Airport Location

13. For the establishment of a DFS at an airport, lease applications may be invited through a tendering process administered by the Airport Authority. Once a successful candidate has been selected, the interested party must submit through the CCP a completed airport DFS application which includes:

- a completed [Form BSF664, Duty Free Shop Application/Amendment](#), indicating their interest in operating a DFS;
- a copy of the lease from the airport authority;
- the airport layout (blueprints) indicating the location of the DFS (pre/post security);
- layouts (blueprints) of the DFS, on-site storage areas and off-site storage facility if applicable;
- a letter from the United States Customs and Border Protection (USCBP) authorizing the operation of the DFS behind the USCBP Primary Inspection Line (if necessary);
- product lines and general description of anticipated merchandise; and,
- anticipated hours of operation.

14. Ownership structure, including names, addresses, dates of birth and percentage of share owners will be provided to the CBSA by registered mail or courier due to the sensitivity of the information.

- For Canada Post, please use:
Canada Border Services Agency
Commercial Registration Unit
12th FLOOR SRS
Ottawa ON K1A 0L8
- For all other couriers, please use:
CBSA - Commercial Registration Unit

12th FLOOR SRS
2215 GLADWIN BUILDING C
Ottawa ON K1B 4K9

Land Border Location

15. If a proposed land border crossing point is deemed acceptable, the CBSA will publically communicate through a national advertisement, that applications are being accepted for the proposed DFS location. The CBSA will advise the Frontier Duty Free Association (FDFA) that a process for the establishment of a land border DFS has commenced.

Application Package – Land Border

16. An application package detailing the application requirements and process will be provided to those interested at the onset of the land border application process. For a copy, please contact [duty free shops-boutiques hors taxes@cbsa-asfc.gc.ca](mailto:duty_free_shops-boutiques_hors_taxes@cbsa-asfc.gc.ca).

17. Form BSF664 and the operational schedules contained within the application package must be completed in their entirety and submitted through the CCP for the application to be recommended for further consideration.

18. To protect the security of the information, the following documents must be submitted to CBSA by registered mail or courier to the corresponding address in paragraph 14:

- (a) Ownership structure, including names, residential addresses, dates of birth and percentage of share owners.
- (b) Proof of Canadian citizenship or permanent resident status for all owners and shareholders.
- (c) Certified Criminal Records Check(s) for each owner, partner, officer and director of the corporation.
 - Certified criminal records checks must be performed by the local police authority or an accredited third-party, within the jurisdiction of the individual's Canadian primary residence. General information on obtaining a criminal record check in Canada is on the [Royal Canadian Mounted Police website](#). As each jurisdiction may have their own process, please consult the local police authority for specific information on certified criminal record checks.
 - All fees for certified criminal records checks are the responsibility of the applicant(s).

19. Applications or additional information submitted after the closing date for receipt of applications may not be considered. Failure to comply with the application deadline or documentation requirements may impact the assessment of the application package.

20. For land border DFSs, an eligibility list will be created through an evaluation process, ranking the applications in order of their final scores. The successful applicant is determined by the Minister on the basis of highest score.

21. The CBSA will advise all applicants of the result of the selection process through the CCP. Unsuccessful applicants may request feedback through the CCP on the evaluation of their application within 90 days of receiving the result.

22. The successful applicant must provide finalized proof of lease/ownership and post financial security through the CCP, otherwise, their application will be disqualified. The successful applicant must also meet all regulatory requirements and satisfy the CBSA that administrative and operating procedures are in place for the reporting, accounting and physical security of the inventory before the licence will be issued.

Other Government Department Requirements

23. Applicants must also include a copy of the provincial liquor authorization in order to sell alcohol. The licensee cannot sell alcohol products until the authorization is received and a copy submitted to the CBSA.

24. Applicants who intend to possess and sell imported manufactured tobacco that is subject to special duty under the [Excise Act, 2001](#) must apply for a separate excise duty licence with the Canada Revenue Agency. For more information, please consult [EDM7-1-4- Duty Free Shop Operators](#).

Financial Security Requirements

25. A DFS licensee is liable for applicable taxes on its domestic goods and for duties and taxes on imported goods unless the licensee can prove that the goods have been sold for export, are still in the DFS, have been destroyed or have been lawfully removed. To protect the interests of the Crown, DFS licensees must post financial security against their inventory in order to operate. In the event the DFS licensee fails to pay duties and taxes owed, action may be taken against the security in order to recover any outstanding amounts.

26. The amount of financial security will be based on 25 percent of the highest projected value of the total inventory of the DFS and any off-site locations for the first year of operation. The amount of financial security for subsequent years will be based on 25 percent of the highest total value of inventory for the previous year. The minimum amount of security is CAN\$10,000 for each DFS licence.

27. Financial security must be posted through the CCP. General policies and procedures for posting and filing financial security are outlined in [Memorandum D1-7-1, *Posting Security for Transacting Bonded Operations*](#). For more information on financial security in CARM refer to the [CBSA website](#), and the [Financial Security \(Electronic Means\) Regulations](#).

Adjustments to Financial Security

28. DFS licensees are required to review their financial security once per year to ensure the amount is adequate to the value of the inventory on hand.

29. Changes to financial security resulting from the annual review are reported on Form BSF664, indicating yearly financial security amendment and noting the highest inventory value for the previous year. Licensees must submit the updated information through the CCP.

30. When the CBSA determines that a change to financial security is required, the CBSA will send a notice to the licensee, through the CCP, instructing them to post a bond for the amended amount.

31. A licensee can change the surety company or financial institution for its financial security at any time by submitting a replacement through the CCP. At no time may a DFS operate without coverage. Whenever the financial security posted by a licensee is to be amended, Form BSF664 is to be completed by the DFS licensee and submitted to the CBSA through the CCP.

Licence Renewal

32. The Minister, or the Minister's authorized delegate, has the sole discretion to determine whether to renew an existing licence. A DFS licence is issued for a maximum of 10 years. The DFS licensee must request renewal of their licence by submitting a completed Form BSF664 through the CCP at least 60 days prior to the expiry of their licence.

33. The licensee must provide the names, titles, telephone numbers, residential addresses, dates of birth, share allocation by percentage and citizenship of the company's board of directors and owners.

34. The licensee must confirm that they continue to hold the required provincial liquor authority/permit to sell alcohol. If this lapses, the DFS licensee cannot sell alcohol products until the authority/permit is received and a copy is submitted to the CBSA.

35. After a request for a licence renewal has been submitted, the CBSA will conduct a review of the DFS licensee's compliance history to confirm whether the licensee continues to meet all program requirements.

36. If the CBSA is satisfied with the outcome of the review, the licence will be renewed for another 10 year period or for a shorter period at the Minister's discretion. A new licence will be sent to the licensee through the CCP.

37. If a DFS licence runs its full term and is not renewed, it will be deemed to have expired and will no longer be valid.

Cancellation, Suspension or Expiration of Licences

38. Pursuant to the provisions of the DFSR, the CBSA has the discretion to cancel or suspend an existing licence. If the CBSA cancels or suspends a licence, the licensee will be advised through the CCP of the reason and the effective date of suspension or cancellation. The DFS will be locked and secured by the local CBSA office.

39. In the case of cancellation, the DFS will remain locked and sealed until the inventory has been properly disposed of. In the case of suspension, the DFS will remain locked and sealed by the local CBSA office until a decision is made by the CBSA either to reinstate or cancel the licence.

40. In the case where the DFS operator has failed to apply to renew their DFS licence before the expiry date, the DFS will be locked and sealed by local CBSA until a decision is made by the Minister either to reinstate or cancel the licence.

41. Regardless of whether a DFS licence has been cancelled, suspended or is expired, immediately after the effective date, the local CBSA office will conduct a complete audit of the DFS inventory to ensure that records are maintained and updated. The auditor will enter the results of the audit into CARM.

42. When a licensee requests the Minister to cancel their licence to operate a DFS, the notice of cancellation should include an outline of the licensee's plan to dispose of the assets. A cancellation request should be made 60 days in advance to allow CBSA processing time. A licence, once cancelled by the Minister, will not be reinstated. Refer to sections 8 through 12 of the DFSR.

Receivership or Bankruptcy

43. When it is expected that a DFS will be placed under the control of a receiver or may go bankrupt, the DFS licensee must notify the CBSA immediately by sending a notice through the CCP.

44. The trustees and the licensee may be given limited access to the DFS but no sale or movement of goods is to take place without prior approval of the local CBSA office. In the case of a receivership, the licensee may request that the receivers be allowed to continue the day-to-day operations of the shop providing they meet the requirements of the DFS program. In the case of a bankruptcy, the DFS licence is automatically cancelled, and the DFS will be locked and secured by the local CBSA.

45. In both cases, the local CBSA office will conduct a complete audit of the DFS inventory and ensure that records are up to date. The auditor will enter the results of the audit into CARM.

Licence Amendment

46. A DFS licensee must request approval and submit the required documentation to the CBSA for any impending changes to the DFS, such as:

- (a) legal or operating name;
- (b) ownership structure; or,
- (c) operation of the DFS (i.e. off-site outlets, hours of operation, expansion of operation, change in location etc.)

47. Each submission should be uploaded in the CCP using Form BSF664, outlining the reason(s) for the change. If ownership information, proof of Canadian citizenship or permanent resident status, and/or certified criminal record checks are required to support the submission, these documents must be submitted to CBSA by registered mail or courier. The CBSA must be allowed sufficient time to review the proposal before the impending change takes effect.

Change in Name or Ownership Structure

48. A change in ownership structure may involve:

- (a) contraction – where one or more of a group of shareholders decide to withdraw from the entity that holds the DFS licence;
- (b) expansion – where one or more new shareholders are added;
- (c) redistribution – where shares are transferred between existing shareholders; or,
- (d) shares up for sale – where all shareholders sell their shares to another legal entity.

49. Proposals to the ownership structure are to include the existing ownership structure and the proposed ownership structure. The proposal must also include the names, residential addresses, dates of birth and percentage of share owners. For land border DFSs, new shareholders must provide proof of Canadian citizenship or permanent resident status and a certified Criminal Records Check.

50. Proposals to change the name by which the DFS is known or to change the company name in which the licence was issued must outline the reasons for the change and be accompanied by a certified copy of the amendment to the article of corporation if applicable. Ownership information, proof of Canadian citizenship or permanent resident status, and/or certified criminal record checks must be sent to the

CBSA by registered mail or courier. All other supporting documents must be uploaded into the CCP.

51. If it is determined that the licensee would no longer qualify under the DFSR as a result of the transfer of shares, the CBSA will provide notice through the CCP that an amended licence could not be issued. Transfers without CBSA approval can result in the cancellation of the existing licence.

Death of a Sole Proprietor

52. In the event of the death of a sole proprietor, the executor of the estate must inform the CBSA immediately. The DFS is to be locked and secured by the local CBSA office.

53. The beneficiary or the executor will be granted 30 days from the date the notification is received to submit a request to amend the ownership structure in accordance with the procedures outlined in paragraphs 48-50.

54. In such an event, the local CBSA office will conduct a complete audit of the DFS upon receiving such notification and ensure all inventory records are up to date. The representative (estate) will be held responsible for all deficiencies or other discrepancies noted in the inventory audit. The beneficiary or executor will be given limited access to the DFS but no sale or movement of goods is to take place without prior approval of the CBSA.

55. If the beneficiary does not wish to make an application for the continued operation of the DFS, or the application made by the beneficiary is rejected, goods in the DFS inventory are to be disposed of in accordance with the provisions of [Memorandum D4-3-5, Duty-Free Shop – Inventory Control and Sales Requirements](#) and the DFS licence will be cancelled.

Transfer of a Licence

56. A licence to operate a DFS is not transferable. If an existing DFS licensee wishes to terminate the licence by disposing of their interests through the sale of the shop, the licensee is to submit a notice of cancellation to the CBSA through the CCP, as outlined in paragraph 42.

References

Consult these resources for further information.

- [D1-7-1: Posting Security for Transacting Bonded Operations](#)
- [D4-3-5: Duty Free Shop – Inventory and Control Sales Requirements](#)
- [BSF664, Duty Free Shop Application/Amendment](#)

Applicable legislation

- [Customs Act](#)
- [Duty Free Shop Regulations](#)
- [Excise Act, 2001](#)
- [Financial Security \(Electronic Means\) Regulations](#)

Superseded D memoranda

D4-3-2 dated October 28, 2015

Issuing office

Regulatory Trade Programs Division
Trade and Anti-dumping Programs Directorate
Commercial and Trade Branch

Contact us

[Contact border information services](#)