



Memorandum D4-3-4 : Duty Free Shop – Operational Responsibilities

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Plain language summary

Target audience: Licensed operators of duty free shops

Key content: Outlines the responsibilities of licensees operating a duty free shop in Canada

Keywords: facility or building standards, location, storage, off-site sales outlets, pre-order websites, liability for goods

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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)
- include the cash and carry model and the pre-order website process

Guidelines

1. Duty Free Shop (DFS) licensees are responsible to meet all commitments stated in their licence application. They must also comply with all conditions of operation 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. For further details on the DFS application process and the requirements for a DFS refer to [Memorandum D4-3-2: Duty Free Shop – Licensing](#).

2. DFS applicants and licensees are required to create an account in the CARM Client Portal (CCP). CARM is used by applicants to apply for new DFS licences and by existing licensees to request licence amendments or cancellation. Information on creating a CARM account can be found in the CARM onboarding documents on the Canada Border Services Agency website.

Facility standards

Site requirements

3. The site at which the DFS will be located and operated must be physically situated 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 approved by the CBSA must be used.

Building and facility requirements

4. The DFS licensee must ensure that all areas or buildings designated as part of the DFS's operations are physically secure.

5. 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.

6. 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 17 through 28 and must adhere to the requirements of an off-site storage facility.

7. A licensee contemplating major site or building alterations to an existing DFS must access the CCP to download and complete [Form BSF664: Duty Free Shop Application/Amendment](#). The completed form, alongside detailed plans/drawings of the proposed changes must be uploaded and submitted through the CCP.

Access to the site, building or facility

8. The licensee must control access to the facilities to ensure that their inventory is secure. At a land border crossing, the shop must be appropriately fenced in to prevent unauthorized access. The entrance to the DFS site must be configured so vehicles may enter but not leave. Vehicles must continue along the egress route to the U.S. and the exit from the DFS site must be configured so that vehicles must exit and 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 ensure their goods are exported. If the operator fails to prevent customers from using that turnaround point the operator must use a delivery system.

9. 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](#).

Airport options to operate within a mixed departure zone or domestic areas

10. DFSs may request approval to operate within a mixed departure zone using a gate delivery process. DFS licensees will not allow travelers to take possession of their purchases in the mixed departure zone. The DFS will deliver all DFS goods to the appropriate departure gate prior to boarding time. The purchaser will pick up their purchased goods as they board the aircraft.

11. A licensee wishing to establish an off-site storage facility to the existing DFS must complete and upload Form BSF664 and submit this through the CCP. The CBSA may approve a DFS to operate in mixed international and domestic departure areas as a cash and carry without a delivery system, if they establish and maintain the CBSA security requirements, practices and procedures. These requirements include additional signage, the use of security tamper evident bags (STEB), an accounting system to track boarding passes with the associated sale and STEB, a formal written service agreement with the Airport Authority for securing the mixed departure zone, employee training, and the monthly submission of a report of cancelled flights. For a detailed listing of requirements or for further information on the application process, please contact: duty_free_shops-boutiques_hors_taxes@cbsa-asfc.gc.ca.

Goods not exported

12. 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 will not accept the returned goods, the traveller must pay applicable duties and/or taxes to the CBSA.

Off-site sales outlets and pre-order websites

13. Although a licence to operate a DFS is issued for a specific location, a licensee may establish off-site sales outlets in other locations. A DFS licensee can also establish an online pre-order service. However, outlets and websites are only for taking orders, while the delivery or pick-up of duty free goods must take place at the DFS. A boarding pass or ticket showing a foreign destination must always be presented by the travellers at airport DFSs and the vehicle license plate verified at land border DFSs to finalize the sale. The off-site outlets cannot interfere with the primary outlets of other licensees nor can they create confusion for travellers. They cannot negatively affect traffic from other ports and should be located in a neutral area.

14. The pre-order website must adhere to the notice and language requirements in section 13 of the *Duty Free Shop Regulations* by providing service and notices in both official languages. The notices should be displayed in English and French indicating:

- i. that the goods sold in the duty free shop are for immediate exportation only and must be reported under the act if they are returned to Canada
- ii. the circumstances in which goods imported into the United States or other countries, as required, by individuals are exempt from duties
- iii. the circumstances in which goods imported into Canada by individuals are exempt from duties

15. A DFS licensee must obtain prior approval from the CBSA before establishing an off-site sales outlet or a pre-order website by completing and uploading Form BSF664 through the CCP. A written description of the proposed outlet together with site and building plans for a requested off-site sales outlet are required. Requests for pre-order websites must include a Uniform Resource Locator (URL) and a mock-up of the website.

16. 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 CBSA.

Off-site storage facility

17. A licensee wishing to establish an off-site storage facility to the existing DFS must complete and upload [Form BSF664](#) with detailed plans/drawings of the proposed facility, through the CCP for review and approval.

18. 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 27 and 28. If the licensee wishes to store liquor in the off-site facility, they must satisfy the requirements of the appropriate provincial liquor authority, including minimum security standards to ensure the physical security of the goods. All policy, regulatory and legislative conditions and procedures that apply to the DFS will also apply to the off-site storage facility.

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

20. Once approved, failure by the licensee to comply with 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.

21. Only one off-site storage facility is permitted per DFS licence.

22. The off-site storage facility must be located within the 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 between CBSA districts, local CBSA officials will be responsible for defining a reasonable distance within their jurisdiction.

23. If the off-site storage facility is to be located within an existing building 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.

24. Goods held in an off-site storage facility are subject to the same restrictions as

goods sold in a DFS.

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

26. Goods initially received in an off-site storage facility are subject to the same reporting procedures as goods initially received in a DFS. For more information, refer to [Memorandum D4-3-5: Duty Free Shop – Inventory Control and Sales Requirements](#).

27. [Form B116, Canada Border Services Agency Duty Free Shop Accounting Document](#) must be submitted and approved by the CBSA to transfer goods between the off-site storage facility and the DFS.

28. Liability for DFS goods during transfer will remain with the licensee, as when the goods are in the off-site storage facility or the DFS. The goods remain secured under the required DFS financial security posted. Any loss of inventory may be subject to a claim against the DFS financial security unless it is immediately accounted for by the licensee. At any time, the CBSA has the authority to examine 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. The suspension will remain in place until the licensee proves that the issue has been rectified to the CBSA's satisfaction.

References

Consult these resources for further information.

Applicable legislation

[Customs Act](#)
[Duty Free Shop Regulations](#)

Related D memoranda

- [D2-5-5: Progressive Clearance at Airports](#)
- [D4-3-2: Duty Free Shop – Licensing](#)
- [D4-3-5: Duty Free Shop – Inventory Control and Sales Requirements](#)

Superseded D memoranda

D4-3-4 dated June 5, 2015

Issuing office

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

Contact us

[Contact border information services](#)

Related links

- [BSF664:Duty Free Shop Application/Amendment](#)
- [B116: Canada Border Services Agency Duty Free Shop Accounting Document](#)