



# Memorandum D7-4-1: Duties Relief Program

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Ottawa, November 12, 2024

This memorandum outlines the procedures for commercial importers applying to the Duties Relief Program (DRP) and provides guidance on eligibility criteria. It details the conditions and compliance requirements for maintaining a valid DRP license when importing and exporting goods.

## Plain language summary

**Target audience:** Importers of commercial goods currently utilizing or seeking to utilize the Duties Relief Program (DRP)

**Key content:** Application and participation procedures for the Duties Relief Program as administered by the Canada Border Services Agency

**Keywords:** Duties Relief Program, DRP, commercial goods, importer, deemed exportation, CARM, CAD

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## Updates made to this D-memo

This memorandum has been updated to reflect changes implemented through the new CBSA Assessment Revenue Management (CARM) system.

## Guidelines and General Information

### Overview

1. The Duties Relief Program allows for the deferral of duties at the time of importation on imported goods that will subsequently be exported either in the same condition or after being consumed, expended or used in the processing of other goods.

### Who May Apply

2. This program is for businesses who:
- a) import goods into Canada; or
  - b) receive goods previously imported into Canada; and
  - c) subsequently export those goods from Canada, with the aim of deferring duties upon importation.
3. Goods intended for export from Canada may qualify for relief if they are designated for:
- a) further processing in Canada; or
  - b) display or demonstration in Canada;
  - c) development or production in Canada; or
  - d) exportation without having been used in Canada for any purpose other than indicated in subparagraphs (a), (b), or (c);

may qualify for relief at the time of importation. In most cases, this means there is no payment of customs duties, anti-dumping and countervailing duties, or excise taxes, other than the Goods and Services Tax/Harmonized Sales Tax (GST/HST), at the time of importation, as long as the goods are for export. Relief of the duties or taxes levied or imposed under the [Excise Act 2001](#), the [Excise Tax Act](#) or section 20 of the [Customs Tariff](#) may not be granted under duties relief on tobacco products or designated goods. The amount of relief becomes payable once the goods no longer qualify for this program (i.e., are no longer for export).

## **GST/HST Relief**

4. Although the GST/HST is not relieved under the Duties Relief Program, the GST/HST payable is reduced by the amount of duty remitted (based on the new value for tax) as outlined by the [Excise Tax Act](#).

5. Relief of GST/HST is available through two programs administered by the [Canada Revenue Agency](#) (CRA). These are the [Exporters of Processing Services Program](#) or the [Export Distribution Centre Program](#). For more information regarding these programs please visit the [CRA Web site](#) or contact the CRA Business Information Services (BIS) line at **1-800-959-8287**.

## **Application Process**

6. Participation in the Duties Relief Program requires the completion and Canada Border Services Agency (CBSA) approval of Form [K90, Duties Relief Application](#). To expedite the approval process, submit the detailed application via the CARM Client Portal (CCP) when applying for a sub-program enrollment. The information is treated confidentially by the CBSA in accordance with Section 107 of the [Customs Act](#).

7. Identify the type of records maintained on the application for duties relief. The records, including tracking of all receipts, activities and movement of the goods included under the program, must be sufficient to enable the CBSA to conduct an audit.

8. The CBSA will review the completed application and schedule a visit to the company premises to confirm adequate control records are in place to track the imported goods while they remain in Canada.

9. Anyone who has debts due or payable to the Government of Canada will not be authorized to participate under this program.

## **Program User Procedures**

10. If authorized by CBSA, a unique licence number will be issued. When importing goods under this program, the licence number must to be placed in "Special Auth Duty Relief Licence" field of the Commercial Accounting Declaration (CAD) in the CARM system.

11. When using the licence number on the CAD, the company retains responsibility for the goods until:

- a) the goods are transferred to another Duties Relief Program participant;
- b) the goods are exported from Canada;

- c) the amount relieved is paid when the goods are no longer for export;
- d) the goods are reclassified to an eligible duty-free status;
- e) the goods are transferred to another relief program; or
- f) the goods qualify for destruction under the [Refund of Duties on Obsolete or Surplus Goods Regulations](#).

12. The imported goods must be exported from Canada within four years, or within five years in the case of imported spirits used to manufacture distilled spirits, of the original release date.

13. The authorization is not retroactive. For any inventory that was duty-paid prior to the company receiving the authorization, a claim for drawback may be filed once the goods are exported from Canada. Please refer to [Memorandum D7-4-2, Duty Drawback Program](#) for further details. When duties are paid on goods after the date of issuance of the certificate/licence, they can be refunded under the program by submitting a Duty Drawback claim via the CARM Client Portal.

14. Periodic audits and/or verifications will be conducted at your premises to monitor compliance. The CBSA will send a notification in advance of the visit and may ask for an activity summary since the last audit and/or verification.

## **Certificates and Waivers**

15. When goods imported under the Duties Relief Program are sold or transferred to another program participant, the liability for the payment of any duty owing transfers to the participant who receives the goods. Transferring the duty liability is documented by means of either Form [K32A, Certificate of Importation, Sale, or Transfer](#), or other commercial documentation.

16. Commercial documentation is acceptable as a means of indicating the duty liability as well as the transfer and acceptance of responsibility. The documentation should clearly show the licence number, amount of duty relieved, contain the date of release, transaction number, quantity of goods transferred, and a complete description of the goods. The completed transfer certificate represents acknowledgement of transfer and acceptance of liabilities to the transferee. For a sample of a transfer certificate please see the Appendix.

## **Deemed Exportation**

17. Subsection 89(3) of the [Customs Tariff](#) identifies goods deemed to be exported. This means the goods may not have physically left Canada, but are considered to have been exported.

## Consumable and Expendable Goods

18. Goods, other than fuel or plant equipment, that are consumed or expended in the direct manufacture of goods that are for export from Canada are eligible for duties relief.

19. Consumables are goods that virtually disappear in the manufacturing process and do not form part of the finished product.

20. Expendables are goods that, after use, retain some physical characteristics but have become useless or devitalized and do not form part of the finished product.

## Equivalence

21. Equivalence is a term used in duties relief where both imported and domestic goods of the same class are used interchangeably in the manufacture of end products, some of which are exported. The imported goods must be in sufficient quantities to produce the goods exported and be used in production prior to the domestic goods. The imported goods must be used in the different manufacturing facilities producing the exported products. The finished product, when incorporating domestic goods, must be exported within two years of the imported goods' release date.

22. Equivalence can only be applied to goods that are further manufactured, including consumable or expendable goods.

23. In order to consider domestic and imported textile fabrics composed of different fibres equivalent for duties relief purposes, the fabrics must be made from fibres that fall within the same class, as listed in Section 10(2) of the [\*Duties Relief Regulations\*](#). Where the fabrics are composed of fibres of different classes, they will only be considered equivalent if they meet the weight requirements of the regulations.

### Examples:

#### Eligible equivalent blends or mixtures

Polyester/cotton 65/35 and 50/50

Polyester/cotton 80/20 and 50/50

Wool/viscose 70/30 and 40/60

Nylon/cotton 15/85 and 40/60

Nylon 100 per cent and nylon/acetate 96/4

#### Ineligible equivalent blends or mixtures

Polyester/cotton 45/55 and 80/20

Nylon/cotton 50/50 and 15/85

## Scrap or Waste

24. Scrap or waste resulting from a processing operation is also eligible for relief under this program when the imported goods are processed and exported. However, if the scrap or waste is dutiable at time of import and has a merchantable value after processing, it is not entitled to the relief, unless the scrap is exported. In this case, the duties applicable to the scrap must be paid. The rate of duty in effect on the date the scrap or waste was produced, is applicable.

## Non-qualifying Use Sanctions

25. When the imported goods no longer qualify for does duties relief, submit a CAD Adjustment Form in the CARM system and voluntarily pay the duties owing.

Examples of non-qualifying use include, but are not limited to:

- a) a sale in Canada; or
- b) goods that are no longer for export.

26. If the imported goods qualify for a refund, drawback or some other form of relief or remission, no duties are owing. However, the goods must be reported to the CBSA specifying how they qualify for the relief, remission, refund or drawback.

27. Payments of duties for failing to comply with a condition of the program must be received by the CBSA within 90 days from the date the goods no longer qualified.

## Sanctions

28. Instances of non-compliance with the requirements of the Duties Relief Program will result in a demand for payment of any outstanding duties owing and may result in the possible removal from the program and the assessment of a penalty under the [Administrative Monetary Penalty System](#) (AMPS).

## Canada-United States-Mexico Agreement (CUSMA)

29. Information regarding the effects of CUMSA can be found in [Memorandum D7-4-3, CUSMA Requirements for the Duty Drawback and the Duty Relief Programs..](#)

# Appendix

## Transfer Certification

**(A)**

I hereby certify that the information contained herein is correct and hereby transfer the responsibility of the duties to the purchaser.

Company Name:  
Business No.:  
Licence No.:  
Executive Officer Name:  
Phone No.:  
Title:

Signature  
Date

**(B)**

I accept responsibility for the specified duties on the goods enumerated on this document from the seller.

Company Name:  
Business No.:  
Licence No.:  
Executive Officer Name:  
Phone No.:  
Title:

Signature  
Date

## References

Consult the following resources for more information.

### Applicable legislation

[Customs Tariff](#)

[Excise Tax Act](#)

[Excise Act, 2001](#)

[Customs Act](#)

[Refund of Duties on Obsolete or Surplus Goods Regulations](#)

[Duties Relief Regulations](#)

### Related D memoranda

[D7-4-2](#), [D7-4-3](#)

### Superseded D memoranda

D7-4-1 dated January 14, 2011

### Issuing office

Trade and Anti-dumping Programs Directorate  
Trade Incentives Unit

### Contact us

For more information:

[Contact CBSA border information services](#)

For questions about the CBSA Assessment Revenue Management (CARM) system:

[CARM client support online form](#)