

2020 Issue No. 33
11 May 2020

Tax Alert – Canada

Finance Canada provides relief on imports of certain medical goods

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 6 May 2020, the Department of Finance Canada (Finance Canada) announced that it will be waiving tariffs on certain medical goods, including personal protective equipment (PPE) such as masks and gloves.¹ As PPE imported into Canada may face tariffs as high as 18% ad valorem, the waiving of tariffs will significantly reduce the cost of importing PPE into Canada. Furthermore, Finance Canada has stated that tariff relief on these goods will remain in place for as long as necessary to deal with the COVID-19 crisis.²

Requirements for remission of customs duties

Remission of customs duties for qualifying imports is granted under the *Certain Goods Remission Order (COVID-19)* (the Order).³ To qualify for remission, the following conditions must be met:⁴

- ▶ The good was imported into Canada on or after 5 May 2020 and subject to customs duties;
- ▶ No other claim for relief of the customs duties has been granted under the *Customs Tariff* in respect of the good;
- ▶ The importer files, on request, the evidence or information that the Canada Border Services Agency (CBSA) requires to determine eligibility for remission;

¹ Department of Finance Canada, *Government provides tariff relief to importers of certain medical goods*. <https://www.canada.ca/en/department-finance/news/2020/05/government-provides-tariff-relief-to-importers-of-certain-medical-goods.html>

² Department of Finance Canada, *Government provides tariff relief to importers of certain medical goods*.

³ SOR/2020-101

⁴ Customs Notice 20-19, *Certain Goods Remission Order (COVID-19)*. <https://www.cbsa-asfc.gc.ca/publications/cn-ad/cn20-19-eng.html>



Building a better
working world

- ▶ The importer agrees that it is subject, at any time, including after remission relief is provided, to review by the CBSA for the purpose of determining whether the information supplied by the importer is accurate and complete and whether the facts on which the CBSA relied or intends to rely to determine the eligibility for remission remain unchanged in all material respects; and
- ▶ At the time when the CBSA conducts a review, the CBSA must be able to conclude that the information supplied remains accurate and complete and that the facts remain unchanged in all material respects.

All claims for relief of customs duties under the Order for these goods must also include all relevant documents (e.g., a copy of the original Form B3-3, bill of lading, sales invoice, waybill, sales contract, etc.) that demonstrate that the imported good matches the list of goods in Appendix A of Customs Notice 20-19, and that the good was imported into Canada on or after 5 May 2020 and is subject to customs duties.

Customs Notice 20-19 also provides a listing of tariff items under which PPE goods may currently be imported duty free under Most-Favoured Nation (MFN) tariff treatment.⁵ However, the terms of these tariff items may require that certain end-use provisions be met for the goods to be appropriately classified as a duty-free tariff item under MFN tariff treatment.

To obtain relief of customs duties at the time of import, special authorization code 20-304 must be entered in Field 26 - Special Authority of Form B3-3. To obtain a refund of customs duties previously paid on qualifying goods imported on 5 May 2020 or later, importers must submit a refund request to the CBSA through Form B2, *Canada Customs - Adjustment Request*.

Importers also have the option to submit a Blanket B2 request for a refund of customs duties for 25 transactions or more in a calendar year. This option avoids the administrative burden of submitting individual Form B2 refund requests for multiple import transactions. However, importers must first submit a Blanket B2 Authorization Application request to the CBSA and obtain permission from the CBSA to submit Blanket B2 adjustments. There may be a significant delay in receiving authorization from the CBSA; therefore, importers with qualifying goods should prepare and apply for authorization as soon as possible.

⁵ See Appendix B of Customs Notice 20-19.

For assistance in determining whether your imports qualify for remission, and for submitting refund requests to the CBSA, please contact one of the following EY Global Trade professionals:

Toronto (Ontario, Quebec and Atlantic Canada)

Sylvain Golsse

Canadian Leader, Global Trade

+1 416 932 5165 | sylvain.golsse@ca.ey.com

Mike Cristea

+1 416 932 4432 | mihai.cristea@ca.ey.com

Calgary (Western Canada)

Shannon Baxter

+1 403 956 5703 | shannon.baxter@ca.ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

About EY's Tax Services

EY's tax professionals across Canada provide you with deep technical knowledge, both global and local, combined with practical, commercial and industry experience. We offer a range of tax-saving services backed by in-depth industry knowledge. Our talented people, consistent methodologies and unwavering commitment to quality service help you build the strong compliance and reporting foundations and sustainable tax strategies that help your business achieve its potential. It's how we make a difference.

For more information, visit ey.com/ca/tax.

About EY Law LLP

EY Law LLP is a national law firm affiliated with EY in Canada, specializing in tax law services, business immigration services and business law services.

For more information, visit eylaw.ca.

About EY Law's Tax Law Services

EY Law has one of the largest practices dedicated to tax planning and tax controversy in the country. EY Law has experience in all areas of tax, including corporate tax, human capital, international tax, transaction tax, sales tax, customs and excise.

For more information, visit <http://www.eylaw.ca/taxlaw>

© 2020 Ernst & Young LLP. All Rights Reserved.

A member firm of Ernst & Young Global Limited.

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact EY or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.