

A horizontal bar composed of five colored segments: orange, yellow, green, red, and blue, spanning the width of the slide.

Canadian Fertilizer Products Forum

October 14, 2009

About us



Over 30,000 companies trust us with their customs brokerage, consulting, freight and integrated logistics needs.

Customs Brokerage

Consulting

Integrated Logistics


Freight

Event Logistics

Managed Services

By continually investing in our people and technologies, we give businesses the edge they demand in today's highly competitive marketplace.

Today's presenters

A horizontal bar composed of five colored segments: orange, yellow, green, red, and blue.

Liz Leone
Senior Customs & Trade Advisor
Livingston Consulting

Today's agenda

Why Compliance Verification is Important

Implications of an Audit

Types of Audits

Being Prepared for an Audit

Summary and Wrap Up



Why Compliance Verification is Important



Why compliance verification is important

- Duty rates dropping – still collect \$3.2B in duty and \$28B in GST
- Since 1992, Canada's merchandise imports have risen from \$148 billion to \$406 billion in 2007 (274% increase)
- Since 2003:
 - importations have risen from \$336 billion to \$406 billion in 2007 or an average of \$18 billion annually
 - the number of importers has risen from 187,000 to more than 232,000 – an increase of 24%

Why compliance verification is important

A horizontal bar composed of five colored segments: orange, yellow, green, red, and blue.

- Ensures competitiveness of Canadian industry by maintaining a level playing field
- Ensures that target industries are protected
- Ensures the proper collection of duties and taxes and the proper application of preferential treatment
- Supports political decision-making with quality trade data
- Facilitates low-risk trade at the border by verifying compliance after the goods are released

Why compliance verification is important

A decorative horizontal bar spans the width of the slide, composed of five colored segments: orange, yellow, green, red, and blue.

Compliance is also about

- Goods declared properly
- Goods accounted accurately
- Duty and tax deferrals and remissions are appropriate
- Requirements of OGD's are met
- Ensuring international obligations related to free trade agreements are fairly administered

Why compliance verification is important



For the importer / exporter, "Compliant" means

- Complete and accurate recording of all internal processes through books and records from procurement to payment
- The adherence to Customs laws and regulations on both imports and exports

Implications of an Audit



CBSA targets for audit

- All businesses whose trade includes imports and / or exports are subject to audit
- CBSA 2009 target numbers - 2000 multi-program audits
- All industry sectors; commodities; origins; vendors
- Target commodities

CBSA 2009/2010 verification priorities

Origin verification

- Large household appliances
- Company X (cannot disclose name)
- Sport/fishing equipment
- Swimming pools
- Air-conditioners

Valuation verification

- Ski apparel
- Video (DVD) recording apparatus
- Large household appliances
- Parts of gas turbines
- Bulk shipments of ore
- Light-duty automotive goods
- Plastic household goods

2009/2010 Harmonized Tariff Classification Target List

Chapter	Description
8	Edible fruit and nuts; peel of citrus fruit or melons
9	Coffee, tea, maté and spices
24	Tobacco and manufactured tobacco substitutes
25	Salt; sulphur; earths and stone; plastering materials, lime and cement
30	Pharmaceutical products
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric
52	Cotton
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn
54	Man-made filaments; strip and the like of man-made textile materials
55	Man-made staple fibres
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use
60	Knitted or crocheted fabrics
68	Articles of stone, plaster, cement, asbestos, mica or similar materials
72	Iron and steel
74	Copper and articles thereof
91	Clocks and watches and parts thereof
93	Arms and ammunition; parts and accessories thereof

AMPS penalties

- AMPS – October 2002
- Significant impact on your profitability
- Compliance history will be taken into account
- Sanctions are graduated and match the severity and frequency of the contravention
- CBSA concentrating on “enhanced” spot audits

AMPS Penalties (2002 to 2007)

Windsor / St. Clair	10,243
Pacific	7,916
GTA	6,266
Quebec	9,236
Prairies	6,446
Niagara Falls / Fort Erie	589
Atlantic	1,371
Northern Ontario	1,805
National	2,174
Ttl # of penalties	50,079
Ttl value of penalties	\$36,104,339

AMPS Penalties (Apr – Sept 2008)

Ttl # of penalties	1,080
Ttl value of penalties	\$2,243,916

Top 10 trade contraventions

Code	Contravention
C082	Failure to correct tariff classification within 90 days
C083	Failure to correct valuation within 90 days
C350	Failure to provide corrections to origin within 90 days
C353	Failure to pay duties as a result of correction to valuation
C352	Failure to pay duties as a result of correction to classification
C070	Failure to account for goods in prescribed time and manner
C214	Failure to report non-compliance with a condition of duty relief provision or remission order
C215	Failure to pay duties within 90 with respect to relief or remission
C004	Provided info to an officer that is not true, accurate or complete
C152	Failure to provide proof of origin upon request

Reason to believe

Section 32.2 of the Customs Act

“*Reason to Believe*” occurs when the importer has specific knowledge regarding the origin, tariff classification, value for duty, or diversion of the imported good that gives them reason to believe that a declaration is incorrect.

Types of Audits



Types of audits

1. Multi-Program Audit

Two stages – “Measurement & Focused”

- measurement to determine overall compliance
- focused on National priorities

3. NAFTA Program Audit

- in-depth origin audit

2. Single Program Audit

- tariff classification
- valuation
- origin
- tariff treatment

4. Monitoring Program Audit

- desk review

Audit target areas

- Systems
- Accounting of goods
- Tariff classification & End Use
- GST
- Valuation
- Tariff Treatment (Origin)
- Duties relief
- SIMA
- Embargoed goods
- OGD
- Statistical Data Elements

Being Prepared for an Audit



Self audit

Why?

- Exercise of due diligence
- Internal controls requirements
- Deficiencies, disclosure and areas of improvement

What?

- Transactional review
- Systems review

When?

- Not a one time exercise
- Routine and scheduled
- Need closed loop corrective actions

Who?

- Internal auditors
- Third party outside auditors

Best practices

- Management commitment
- Establish compliance goals
- Develop formal policies and procedures
- Establish training programs
- Create a customs compliance team

Best practices (cont.)

- Develop compliance requirements for suppliers
- Establish a record keeping program
- Partner with your service providers
- Test your compliance level
- Conduct post entry audits

Best practices



White Paper:

How to build a great compliance program for your Canadian imports. And why you should.

Summary and Wrap Up



For more information

- Livingston's website www.livingstonintl.com
 - Tools and resources
 - Additional online seminars
- Subscribe to “Trade News” updates from Livingston's home page
- Contact us at 1-800-837-1063

Questions?



Liz Leone

Livingston Consulting

1-905-871-1606 ext 3399

lleone@livingstonintl.com



Thank You!

© Livingston International Inc.
2009 Seminar Series