



Ottawa, May 5, 2009

MEMORANDUM D4-3-3

In Brief

DUTY-FREE SHOP – SECURITY

1. This memorandum replaces Memorandum D4-3-3, dated February 20, 2009.
2. This memorandum is revised as a result of the Paper Burden Reduction Initiative. The revisions are aimed at eliminating obsolete and duplicated requirements, streamlining certain commercial processes and modifying complex policies and forms.
3. In accordance with the above, the requirements, guidelines or procedures listed below have been changed, or deleted or/and abolished.
 - (a) Repetition of security requirements
 - (b) Repetition of security amount to be deposited



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DUTY-FREE SHOP – SECURITY

This memorandum outlines and explains duty-free shop licensee responsibilities with respect to the posting of security.

LEGISLATION

For the regulations governing the guidelines and general information contained in this directive, refer to the *Duty Free Shop Regulations*.

GUIDELINES AND GENERAL INFORMATION

1. A duty-free shop licensee is liable for applicable taxes on its domestic goods and for all duties and taxes on imported goods that are received unless he or she can prove that the goods have been sold for export, are still in the shop, have been destroyed or have been lawfully removed. To protect the interests of the Crown, to which these duties and taxes are owed, duty-free shop licensees must post a security bond against their inventory. In the event that the licensee fails to pay duties and taxes owed, action may be taken against the security bond in order to recover any outstanding amounts.

Security Requirements

2. The amount of security will be based on 25 percent of the highest total projected value of the total inventory of the duty-free shop and any off-site locations for the first year of the duty-free shop's operation as indicated in the approved application for a licence. The amount of security for subsequent years will be based on 25 percent of the highest total value of inventory for the previous year.

3. In all cases, the amount of security will not be less than CAN\$10,000 for each duty-free shop licence.

Acceptable Types of Security

4. The types of security considered acceptable to operate a duty-free shop are specified in the *Duty Free Shop Regulations*. General policies and procedures for posting and piling security are outlined in Memorandum D1-7-1, *Posting Security for Transacting Bonded Operations*, which also includes a list of acceptable guarantee companies and banks approved by the Treasury Board of Canada Secretariat. When a bond of a guarantee company or bank is submitted, the licensee will provide the Canada Border Services Agency (CBSA) a completed Form D120, *Customs Bond*.

Operational Requirements

5. The original of the security bond is to be retained by the local CBSA office that services the duty-free shop. This local office must send a copy to the Duty Free Shop Program office.

Adjustments to Security

6. Security is to be reviewed by the local CBSA chief of operations no less than once a year to ensure it is adequate for the value of the inventory on hand. Whenever the security posted by a licensee is to be amended to the value of the inventory on hand, Form BSF664, *Duty Free Shop Application/Amendment*, is to be completed and submitted to the local CBSA chief of operations.

7. If it is determined that an increase in security is required, the licensee is to submit amended security to reflect the revised amount within 60 days of being advised to do so by the local CBSA office.

8. The licensee may apply to have the amount of security decreased after the initial year of operation. A request for a reduction relative to the value of the inventory on hand is to be made in writing clearly stating the reasons for the proposed amount of the adjustment. The local CBSA chief of operations will review the revised amount to ensure it is adequate before approval is given.

Change of Surety Provider

9. A licensee can voluntarily change the surety company for its duty-free shop bond at any time by submitting a replacement bond issued by another approved surety company. A copy of the notice to the previous surety company cancelling his or her bond is to be submitted to local CBSA office at the same time. At no time may a duty-free shop operate without coverage and while changing surety providers the coverage must remain continuous.

10. In instances where the surety company cancels the duty-free shop bond, the surety company must provide the CBSA with 60 days' notice by registered mail of its intention to terminate the bond. The licensee will then have 60 days to post a new security bond in a form and amount acceptable to the CBSA. Failure to post a new bond within 60 days may result in the suspension and/or the cancellation of the license. If this new bond cannot be posted within 60 days, another suitable interim security will have to be posted. The interim security measure will not exceed 90 days.

ADDITIONAL INFORMATION

11. Any inquiries regarding this memorandum should be directed to the following:

Export Process and Duty Free Shop Program
Licensing, Export and Accounting Policy Division
Border and Compliance Programs Directorate
Admissibility Branch
Canada Border Services Agency
Ottawa ON K1A 0L8

Telephone: 613-948-7117 or 613-954-7215

Fax: 613-946-0241

REFERENCES

ISSUING OFFICE – Export Process and Duty Free Shop Program Licensing, Export and Accounting Policy Division Admissibility Branch	HEADQUARTERS FILE – 7755-2
LEGISLATIVE REFERENCES – <i>Customs Act</i> <i>Duty Free Shop Regulations</i>	OTHER REFERENCES –
SUPERSEDED MEMORANDA “D” – D4-3-3 dated February 20, 2009	

Services provided by the Canada Border Services Agency are available in both official languages.

