



Ottawa, May 7, 2009

# MEMORANDUM D4-3-6

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## In Brief

### **DUTY-FREE SHOP – OFF-SITE STORAGE**

1. This memorandum replaces Memorandum D4-3-6, dated December 16, 2008.
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 and/or abolished:

Submission of

- (a) Approval must be obtained in advance



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Ottawa, May 7, 2009

# MEMORANDUM D4-3-6

## DUTY-FREE SHOP – OFF-SITE STORAGE

This memorandum sets out the policy and procedures by which duty-free licensees may store a portion of their inventory in an approved off-site storage facility.

### 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. In certain instances a duty-free shop licensee may be permitted to include an off-site storage facility as part of his or her operation. In order to do so, the licensee must follow the approval process outlined below. He or she must also conform to the requirements for establishing this facility, ensure that the facility is secure and control the movement of inventory in and out of the off-site facility in accordance with the provisions outlined below. If the licensee wishes to store liquor in his or her off-site facility, he or she must satisfy all requirements of the appropriate provincial liquor authority, including minimum security standards to ensure the physical security of the goods. All provisions and regulations of any Act of Parliament that prohibit, control or regulate the importation or exportation of goods, or that relate to customs and excise, as well as policies and procedures that apply to the duty-free shop, will also apply to the off-site storage facility.

### Approval Process

2. A licensee wishing to establish an off-site storage facility in addition to its existing duty-free shop operation must submit Form BSF664, *Duty Free Shop Licence Application/Amendment*, together with detailed plans/drawings of the proposed facility, to the local Canada Border Services Agency (CBSA) chief of operations. These documents will be reviewed and forwarded, along with local and regional comments, to the Duty Free Shop Program office for final approval.

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

4. Once approved, failure by the licensee to comply with all of the 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.

### Site Requirements

5. Only one off-site storage facility is permitted for each duty-free shop licence.

6. The off-site storage facility must be located within the same local CBSA jurisdiction responsible for providing service to the duty-free shop. 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 duty-free shop. Due to the variance in the area of CBSA districts from port to port, local CBSA officials will be responsible for defining a reasonable distance within its jurisdiction.

### Facility Standards

7. If the off-site storage facility is to be located within an existing building that is also used for other purposes, the duty-free shop licensee is responsible for ensuring that the area or areas designated as part of the duty-free 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 chief of operations.

### Operational Requirements

8. Restrictions that apply to goods that duty-free shop licensees are permitted to stock in their duty-free shop inventory will also apply to goods held in the off-site storage facility.

9. Duty-free shop licensees must ensure that the security bond posted for their operation includes any inventory held in the off-site storage facility.

### Report and Control of Inventory

10. Goods may be received by the licensee for initial release by the CBSA into the duty-free shop inventory at the off-site storage facility or the duty-free shop. Requirements for reporting the initial receipt of goods at an off-site storage facility for inclusion in the duty-free shop inventory are identical to those that the duty-free shop licensee or authorized agent must meet when goods are initially received at the duty-free shop itself. For more information, refer to Memorandum D4-3-5, *Duty-free Shop – Inventory Control and Sales Requirements*.

11. Goods transferred between the off-site storage facility and the duty free shop may only be transferred on a Form B116 *Canada Customs Duty Free Shop Accounting Document*.

12. Liability for duty-free shop goods while they are being transferred will remain with the licensee, just as it does when the goods are in the off-site storage facility or the duty-free shop. The goods will be considered to be secured under the duty-free shop security bond posted for the total inventory (see paragraph 10). Any loss of inventory may be subject to an action against the duty-free shop security bond unless immediately accounted for by the licensee. The CBSA has the authority to examine at any time a shipment in transit between an off-site facility and the duty-free shop. Off-site storage privileges will be immediately suspended if any unaccounted inventory is found during such an examination until such time as the licensee is able to justify that the issue that led to the suspension has been rectified to the CBSA's satisfaction.

#### **ADDITIONAL INFORMATION**

13. 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

<p><b>ISSUING OFFICE –</b>  Export Process and Duty Free Shop Program  Licensing, Export and Accounting Policy Division  Admissibility Branch</p>	<p><b>HEADQUARTERS FILE –</b>  7755-2</p>
<p><b>LEGISLATIVE REFERENCES –</b>  <i>Customs Act</i>  <i>Duty Free Shop Regulations</i></p>	<p><b>OTHER REFERENCES –</b></p>
<p><b>SUPERSEDED MEMORANDA “D” –</b>  D4-3-6, December 16, 2008</p>	

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

