



Ottawa, May 20, 2009

# MEMORANDUM D8-4-2

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## In Brief

### REPORTING AND SUMMARY ACCOUNTING OF VEHICLE REPAIRS BY HIGHWAY CARRIERS

This memorandum has been revised to clarify that invoices for repairs to highway vehicles performed outside Canada must be stamped at the time of importation as proof of reporting. The reference to Form K100 *Notice of Ascertained Forfeiture* has been deleted.



Printed in Canada



Ottawa, May 20, 2009

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## REPORTING AND SUMMARY ACCOUNTING OF VEHICLE REPAIRS BY HIGHWAY CARRIERS

This memorandum outlines the requirements that highway carriers must meet when reporting and accounting for repairs to their vehicles performed outside Canada.

Paragraph 12(3)(b) of the *Customs Act* requires that all repairs to vehicles performed outside Canada must be reported by the drivers to the nearest Canada Border Services Agency (CBSA) office when these vehicles are returned to Canada. Paragraph 32(1)(a) of the *Customs Act* requires highway carriers to account for repairs to their vehicles performed outside Canada when these vehicles are returned to Canada. Highway carriers can obtain authorization to account for such repairs on a quarterly basis.

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### LEGISLATION

Paragraph 101(1)(a) of the *Customs Tariff* reads as follows:

Subject to section 104, if an application is made in accordance with section 102, relief shall be granted in accordance with section 105 from payment of the portion of the duties that, but for this section, would be payable in respect of goods returned to Canada within one year or such other time as may be prescribed after their exportation in the prescribed manner if

- (a) the goods were repaired outside Canada after being exported for the declared purpose of being repaired;

Subsection 101(2) of the *Customs Tariff* reads as follows:

Subject to section 104, if an application is made in accordance with section 102, relief shall be granted from payment of the whole of the duties that, but for this section, would be payable in respect of aircraft, vehicle or vessels returned to Canada after their exportation if

- (a) the aircraft, vehicles or vessels were repaired outside Canada as a result of an unforeseen contingency that occurred outside Canada; and
- (b) the repairs were necessary to ensure the safe return to Canada of the aircraft, vehicles or vessels.

Tariff item no. 9992.00.00 reads as follows:

Goods, regardless of the country of origin or tariff treatment, other than the goods of tariff item no. 9971.00.00, returned to Canada after having been exported to the United States, Mexico, Chile, Costa Rica or Israel or another CIFTA beneficiary for repair or alteration in that country.

### GUIDELINES AND GENERAL INFORMATION

- All highway vehicles that are exported and then returned to Canada without being repaired, altered in condition or advanced in value by any process are customs duty-free when classified under tariff item no. 9813.00.00 or 9814.00.00. For more information on these tariff items, consult Memorandum D10-14-11, *Canadian Goods and Goods Once Accounted for, Exported and Returned*.
- Highway vehicles that are repaired after being exported from Canada are subject to duty and taxes, including the Goods and Services Tax (GST), on their full value for duty when they return to Canada, unless they meet the conditions of one of the following pieces of legislation:
  - (a) Paragraph 101(1)(a) of the *Customs Tariff*;
  - (b) Subsection 101(2) of the *Customs Tariff*; or
  - (c) Tariff item 9992.00.00 of the Schedule to the *Customs Tariff*.
- Under certain conditions, vehicles repaired in a non-free-trade partner country may be re-imported under paragraph 101(1)(a) of the *Customs Tariff*. The vehicle is customs duty free, but duties and taxes, including the GST, are payable on the value of the repairs performed abroad. To qualify for paragraph 101(1)(a) of the *Customs Tariff*, the carrier must be prepared to provide proof that the vehicle

was exported, was imported back into Canada within one year after leaving Canada, and the repairs performed on the vehicle could not have been done in Canada within a reasonable distance from the operating area of the carrier.

4. Subsection 101(2) of the *Customs Tariff* grants relief from duties and taxes owing, including the GST, on both the vehicle and the value of emergency repairs done outside Canada, whether or not the emergency repairs are performed in a free-trade partner country.

5. Under tariff item no. 9992.00.00, vehicles repaired in a free-trade partner country are customs duty-free. The value of the repairs is not subject to customs duties, but, unless the repairs are performed under a warranty arrangement, the value of the repairs is subject to the GST.

6. Highway carriers are required to report repairs to their vehicles at the time the vehicles are returned to Canada. They are also required to account for the repairs at the same time unless special authorization to account for these repairs on a quarterly basis has been granted by the CBSA. Reporting and accounting are two separate activities.

7. Highway carriers who wish to obtain an authorization to account on a quarterly basis should apply to the closest CBSA regional contact identified in Appendix D. Applications must include the following information:

- (a) legal name of the carrier
- (b) mailing address
- (c) contact name, title, telephone and facsimile numbers
- (d) carrier code number
- (e) customs port(s) where the carrier's fleet usually crosses into Canada
- (f) Has the carrier hired owner-operated privately owned vehicles for use in its fleet? If yes, how many?

8. CBSA offices responsible for authorizing carriers to account for repairs on a quarterly basis are required to submit copies of all letters approving or rescinding this privilege to:

Manager  
Trade Incentives and Refunds Unit  
Tariff Programs Division  
Trade Programs Directorate  
Canada Border Services Agency  
8th Floor, Killeany Place  
150 Isabella Street  
Ottawa ON K1A 0L8

9. A highway carrier cannot be authorized for summary accounting for more than five years at a time. Applications to extend an authorization must be submitted to the CBSA at least two months prior to the expiry date.

10. For the purpose of this memorandum, the term "repairs" means any adjustment to a vehicle that restores the vehicle to its original operating condition and includes the replacement or fixing of parts of the vehicle.

11. For the purpose of this memorandum, the term "emergency repairs" means unforeseen repairs that were required to ensure the safe return to Canada of the vehicle.

12. Examples of emergency repairs include, but are not limited to, broken belts, blown tires, and failed brakes. If auxiliary equipment such as a refrigeration unit fails, repairs to the equipment will qualify, as long as the cargo being carried by the vehicle is perishable.

### Reporting requirements

13. All highway carriers, regardless of whether they are authorized to account for repairs on a quarterly basis, are required to report any repairs, including emergency repairs, done abroad on their vehicles at the time these vehicles return to Canada. The border services officer must stamp the repair invoices as proof of report to the CBSA.

14. If, at the time of importation during an examination of the truck, invoices or other evidence of non-reported repairs are found, duties and taxes are to be collected immediately. This applies whether or not the carrier is authorized to present a summary accounting of vehicle repairs. If the carrier is authorized, the inspecting border services officer will inform the issuing office. The issuing office will make a decision regarding whether to revoke the carrier's authorization based on past history. If the carrier is not authorized for summary accounting, routine enforcement procedures apply. Penalties may be issued for non-compliance in addition to the carrier no longer being authorized to participate in the summary accounting program.

15. In the case of emergency repairs, the stamped invoice is also deemed to be an accounting of the repairs.

16. The repairs must be reported, whether or not the highway carrier is paying for them. For example, the repairs are performed under a warranty arrangement or paid for by an insurance company, or the vehicle is a leased vehicle and the lease includes a maintenance agreement. In this latter example, the leasing company must account for the repairs at the time of importation or, where authorized, a part of the leasing company's summary accounting. The border service officer must stamp the invoice as proof of reporting.

### Accounting requirements

17. Highway carriers must account for vehicle repairs at the time of importation unless authorized to present a summary accounting of the repairs on a quarterly basis. Where the highway carrier is not authorized, at the time of importation, the driver must account for the repairs and pay any duties and taxes owing, including the GST. Complete information on the accounting requirements for goods imported under the provisions of the legislation identified in paragraph 2 is

contained in D8-2-1, *Canadian Goods Abroad*, and D8-2-26, *Goods Re-entered After Repair or Alteration in the United States, Mexico, Chile, Israel, or Another CIFTA Beneficiary*. General accounting requirements are outlined in memorandum D17-1-10, *Coding of Customs Accounting Documents*.

18. Drivers acting on behalf of authorized highway carriers must be prepared to present a copy of the CBSA letter of authorization at the border. Failure to present the letter when requested by the inspecting CBSA officer will result in the summary accounting privileges being revoked for that importation.

19. Owner-operated privately owned vehicles hired by authorized highway carriers may be afforded the benefit of quarterly summary accounting. The driver must be prepared to present the inspecting CBSA official with a copy of the highway carrier's authorization letter and a copy of an agreement between the driver and the highway carrier confirming that the carrier will assume liability for the duties and taxes owing, including the GST, for all vehicle repairs performed outside Canada. The authorized highway carrier will account for the repairs performed on these privately owned vehicles as part of their quarterly summary accounting.

20. Care should be taken to ensure that vehicle repairs billed through national accounts are included in the summary accounting. The requirement to account applies whether or not the highway carrier is paying for the repairs. For example, the repairs are performed under a warranty arrangement or paid for by an insurance company. Any customs duties and taxes, including any GST owing, should be included in an insurance settlement. The only time highway carriers do not have to account for repairs is when the repairs are made to a leased vehicle and the lease includes a maintenance agreement. The leasing company must account for the repairs at the time of importation or, where authorized, as part of the leasing company's summary accounting.

#### **Summary accounting documentation**

21. The quarterly accounting is to be presented on a "blanket" coding form B3. Repairs accounted for under paragraph 101(1)(a) appear on two lines. The first line shows the Canadian value of the vehicles at time of export from Canada and special authorization code 98-01-0101 appears in field 26. The second line shows a value for duty equivalent to the value of the repairs. Stamped invoices for emergency repairs should be included in quarterly summary accounting of vehicle repairs. The value of any emergency repairs is also accounted for on two lines using special authorization code 98-02-0101 on the first line in field 26. Repairs accounted for under tariff item no. 9992.00.00 are reported on a single line. The value for duty is the value of the repair work done outside Canada. The number of lines on the B3 will vary depending on the legislative provisions used at the time of accounting.

22. Separate summary sheets are to be attached to the Form B3. The summary sheets are to be in the format shown in Appendices A, B and C. Only summary sheets for the legislative provisions used are required. All supporting documents including invoices and work orders, must be retained by the highway carrier for six years. They must be available for examination upon request.

23. The term "other documentation" includes proof that the repairs could not be performed in Canada within a reasonable distance from the operating area of the highway carrier as required by paragraph 101(1)(a) of the *Customs Tariff*. It includes proof that the repairs were necessary to ensure the safe return of the vehicle to Canada as required by subsection 101(2) of the *Customs Tariff*.

24. The rate of exchange used to calculate the value of the vehicle repairs, in Canadian dollars, must be the rate of exchange on the date the repairs were performed. The date on the repair invoice is to be used, not the date the vehicle returns to Canada, regardless of the length of time between the repairs and the return of the vehicle to Canada. The rate of exchange can be obtained by calling the Border Information Service at **1-800-461-9999** (English) or **1-800-959-2036** (French).

25. The Form B3 must be submitted within 45 days following the end of the quarter to the office identified as the accounting office in their highway carrier's authorization letter. The accounting office does not have to be the same office that issues the authorization letter. Highway carriers wishing to change accounting offices must apply to the office that issued their authorization letter. The authorizing office will then issue a new authorization letter and advise all of the CBSA offices involved. Highway carriers who do not file a summary accounting for four consecutive quarters may have their privileges rescinded.

26. The quarters are:

January 1 to March 31  
 April 1 to June 30  
 July 1 to September 30  
 October 1 to December 31

#### **Verification**

27. The blanket Form B3s and associated summary accounting documents may be subject to verification. Where authorized carriers import through more than one region, a CBSA official of the region that granted the summary accounting authorization will perform the review. For the purpose of verification, all supporting invoices, work orders and other documentation are to be retained by the highway carrier for at least six years and available for examination upon request.

28. If it is determined during the verification that the repairs do not qualify under paragraph 101(1)(a) or subsection 101(2) of the *Customs Tariff* or tariff item 9992.00.00 of the Schedule to the *Customs Tariff*, a Detailed Adjustment Statement (DAS) will be issued.

29. Where it is determined that repairs made abroad have not been accounted for, the highway carrier will be required to pay full duties and taxes on the value of repairs and any interest or penalties applicable. The vehicle in question may also be seized.

30. If, in the course of verifying a highway carrier's books and records, invoices for repair work performed outside Canada are identified that have not been accounted for, either at the time of importation or, where authorized, as part of the quarterly accounting, this is a contravention of subsection 32(3) of the *Customs Act*. Contravention C070 may be applied.

31. Contravention C070 should not be applied if the carrier can provide a CBSA-stamped invoice for the repair showing that the repairs were emergency repairs.

#### **Additional Information**

32. For additional information regarding reporting and summary accounting of vehicle repairs by highway carriers, please contact the closest CBSA office identified in Appendix D.

33. For more information regarding this memorandum, please contact:

Manager  
Trade Incentives and Refunds Unit  
Tariff Policy Division  
Trade Programs Directorate  
Canada Border Services Agency  
8th Floor, Killeany Place  
150 Isabella Street  
Ottawa ON, K1A 0L8

## APPENDIX A

REPAIRS TO CANADIAN GOODS ABROAD, PARAGRAPH 101(1)(A) OF THE *CUSTOMS TARIFF*

Work order or invoice no.	Date of repairs	Value of repairs (foreign currency)	Rate of exchange	Value of repairs (CANS)

## APPENDIX B

EMERGENCY REPAIRS TO CANADIAN GOODS ABROAD, SUBSECTION 101(2) OF THE *CUSTOMS TARIFF*

Work order or invoice no.	Date of repairs	Value of repairs (foreign currency)	Rate of exchange	Value of repairs (CANS)

**APPENDIX C**

**TARIFF ITEM NO. 9992.00.00 OF THE SCHEDULE TO THE *CUSTOMS TARIFF* – REPAIRS TO CANADIAN GOODS IN THE UNITED STATES, MEXICO, CHILE, COSTA RICA, ISRAEL OR OTHER CIFTA BENEFICIARY COUNTRY**

<b>Work order or invoice no.</b>	<b>Date of repairs</b>	<b>Value of repairs (foreign currency)</b>	<b>Rate of exchange</b>	<b>Value of repairs (CAN\$)</b>

## APPENDIX D

## LIST OF CBSA OFFICES

<b>Atlantic</b>			
<b>Regional Office</b>	<b>Address</b>	<b>Telephone</b>	<b>Facsimile</b>
<b>Nova Scotia</b>	Canada Border Services Agency Commercial Operations Port of Halifax 1583 Hollis Street Halifax NS B3J 1V4	902- 426-7982	902-426-8825
<b>Newfoundland and Labrador</b>	Canada Border Services Agency 6th Floor , 165 Duckworth Street, St.John's NL A1C 1G4	709-772-4335	709- 772-0241
<b>Northern New Brunswick</b>	Canada Border Services Agency Room 210, 66 St. Francis Street, Edmunston NB E3V 1E6	506-739-1835	506-739-1841
<b>Northwest New Brunswick</b>	Canada Border Services Agency 650 Main Street Woodstock NB E7M 2G9	506-328-9211	506-328-4734
<b>Southern New Brunswick and Prince Edward Island</b>	Canada Border Services Agency 65 Canterbury Street Saint John NB E2L 2C7	506-636-4501	506-636-4079
<b>Quebec</b>			
<b>Regional Office</b>	<b>Address</b>	<b>Telephone</b>	<b>Facsimile</b>
<b>Québec</b>	Canada Border Services Agency 3rd Floor, 130 Dalhousie Street Quebec City QC G1K 4C4	418-649-6492	418-649-8069
<b>Montréal</b>	Canada Border Services Agency Highway 15 Lacolle QC J0J 1J0	450-246-2145	450-246-4190
<b>Eastern Townships</b>	Canada Border Services Agency 50 Place de la Cité P.O. Box 1300 Sherbrooke QC J1H 5L8	819-573-2080	819-564-4891
<b>Montréal</b>	Canada Border Services Agency 5th Floor, 400 Place d'Youville Montréal QC H2Y 2C2	514-286-7879	514-283-2396
<b>Northern Ontario</b>			
<b>Regional Office</b>	<b>Address</b>	<b>Telephone</b>	<b>Facsimile</b>
<b>Ottawa</b>	Canada Border Services Agency 2265 St. Laurent Blvd. Ottawa ON K1G 4K3	613-991-0508	613-957-8911
<b>St. Lawrence</b>	Canada Border Services Agency 294 King Street East Kingston ON K7L 3B2	613-545-8049	613-545-8051
<b>Sault Ste-Marie</b>	Canada Border Services Agency 125 Huron Street Sault Ste-Marie ON P6A 1R3	705-941-3065	705-941-3068
<b>Thunder Bay</b>	Canada Border Services Agency 201 North May Street Thunder Bay ON P7C 3P4	807-626-1609	807-626-0117

<b>Southern Ontario</b>			
<b>Regional Office</b>	<b>Address</b>	<b>Telephone</b>	<b>Facsimile</b>
<b>Barrie</b>	Canada Border Services Agency 374 Huronia Road Barrie ON L4N 8Y9	705-739-5013	705-739-5876
<b>Kitchener</b>	Canada Border Services Agency 4881 Fountain Street Breslau ON N0B 1M01	519-648-3858	519-648-3190
<b>London</b>	Canada Border Services Agency London International Airport 1750 Crumlin Road London ON N6N 1K9	519- 451-9200	519-451-4275
<b>Greater Toronto Area</b>	Canada Border Services Agency Commercial Operations Pearson International Airport 2720 Britannia Road East, Cargo West Mississauga ON L4W 2P7	905-676-3626	905-612-7997
<b>Hamilton</b>	Canada Border Services Agency Hamilton Airport Hamilton ON L0R 1W0	905-679-6202	905- 679-6877
<b>Niagara</b>	Canada Border Services Agency 2 Peace Bridge Plaza Fort Erie ON L2A 5N7	905-994-6330	905-994-6339
<b>Windsor</b>	Canada Border Services Agency Compliance Verification and Services Tunnel Commercial Operations P.O. Box 1641 Windsor ON N9A 7K3	519-257-6552	519-257-6551
<b>Prairie</b>			
<b>Regional Office</b>	<b>Address</b>	<b>Telephone</b>	<b>Facsimile</b>
<b>Winnipeg and NT</b>	Canada Border Services Agency 1821 Wellington Avenue Unit 130 Winnipeg MB R3H 0G4	204-983-0767	204-984-3106
<b>Southern Manitoba</b>	Canada Border Services Agency Highway No. 75 Emerson MB R0A 0L0	204-373-2889	204-373-2007
<b>Saskatchewan</b>	Canada Border Services Agency 3rd Floor, 1955 Smith Street Regina SK S4P 2N9	306-780-7374	306-780-8222
<b>North Central Alberta</b>	Canada Border Services Agency 2588 27 <sup>th</sup> Street NE Calgary AB T1Y 7G1	403-292-4651	403-292-4840
<b>Southern Alberta</b>	Canada Border Services Agency P.O. Box 220 Coutts AB T0K 0N0	403- 344-2207	403-344-2334
<b>Pacific</b>			
<b>Regional Office</b>	<b>Address</b>	<b>Telephone</b>	<b>Facsimile</b>
<b>Metro Vancouver</b>	Canada Border Services Agency 503-333 Dunsmuir Street Vancouver BC V6B 5R4	604-666-6753	604- 666-2637
<b>Vancouver International Airport</b>	Canada Border Services Agency 113-5000 Miller Road Richmond BC V7B 1K6	604-666-1800	604-666-1812
<b>West Coast and Yukon</b>	Canada Border Services Agency Room 107, 816 Government Street Victoria BC V8W 1X1	250-363-3531	250-363-3179

**REFERENCES**

<b>ISSUING OFFICE –</b> Trade Incentives and Refunds Unit Tariff Programs Division Trade Programs Directorate	<b>HEADQUARTERS FILE –</b>
<b>LEGISLATIVE REFERENCES –</b> <i>Customs Tariff</i> , sections 101 to 105 Tariff item nos. 9992.00.00, 9813.00.00 and 9814.00.00	<b>OTHER REFERENCES –</b> D8-2-1, D8-2-26, D10-14-11, D17-1-10
<b>SUPERSEDED MEMORANDA “D” –</b> D8-4-2, issued on January 30, 2006	

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

