



Ottawa, April 9, 2015

Memorandum D8-2-6

The Outward Processing Remission Order (Textiles and Apparel) Program

In Brief

This document contains editing revisions which do not affect or change existing policies or procedures, including changes to the Canada Border Services Agency organizational structure.

This memorandum contains updates to the Outward Processing Remission Order (Textiles and Apparel) Program in accordance with amendments to the [Outward Processing Remission Order \(Textiles and Apparel\)](#) made through P.C. 2013-970 regarding apparel produced in certain countries and territories formerly eligible for the General Preferential Tariff. The remission order now contains a Schedule listing the eligible countries rather than referencing GPT countries.

Legislation

[Outward Processing Remission Order \(Textiles and Apparel\)](#) and [amendments](#)

Subsection 2(1) and section 13 of the [Value of Imported Goods \(GST/HST\) Regulations](#)

Sections 17 and 18 of the [Customs Tariff](#)

Sections 2 and 3 of the [Direct Shipment Of Goods Regulations](#)

Section 2 of the [Temporary Storage Period Regulations](#)

Guidelines and General Information

Background

1. The [Outward Processing Remission Order \(Textiles and Apparel\)](#) came into effect on May 1, 2008 and the amendments come into effect on January 1, 2015. This Order provides for the remission of a portion or all of the customs duties paid or payable on imported apparel produced in certain countries or territories, in whole or in part, using textiles produced in Canada. To obtain a remission, the apparel must be produced in, and shipped directly to Canada from, a country or territory that is a beneficiary of the General Preferential Tariff (GPT) before January 1, 2015 or one which is named in the Schedule after January 1, 2015. Furthermore, the apparel must be produced in whole or in part from textiles produced in Canada. The apparel in question must be produced in the same country or territory to which the textiles produced in Canada were shipped directly, without undergoing further processing outside that country or territory.
2. This Order only relieves customs duties paid or payable under the [Customs Tariff](#). It does not relieve surtaxes or temporary duties levied under the [Customs Tariff](#) or duties levied under the [Special Import Measures Act](#) or the Goods and Services Tax/Harmonized Sales Tax (GST/HST) levied under the [Excise Tax Act](#).
3. The [Outward Processing Remission Order \(Textiles and Apparel\)](#) cannot be used in conjunction with any duties relief provision found under Division 2 or 4 of Part 3 of the [Customs Tariff](#).

Definitions

4. For the purposes of this memorandum, the following terms will be interpreted as follows:

Apparel – means apparel as defined in the Order.

Textiles – means textiles as defined in the Order.

Order – means the [Outward Processing Remission Order \(Textiles and Apparel\)](#) (SOR/2008-138)

GPT country – means a country or territory that is a beneficiary of the General Preferential Tariff in the List of Countries and Applicable Tariff Treatments set out in the schedule to the [Customs Tariff](#).

Schedule – means the Schedule to the [Outward Processing Remission Order \(Textiles and Apparel\)](#) as amended and effective January 1, 2015.

Shipped directly to Canada – means the goods are conveyed to Canada from that other country on a through bill of lading to a consignee in Canada.

Shipped directly to that country or territory from Canada – means that the Canadian manufactured textile must be shipped directly to the GPT country or, after January 1, 2015, to a country or territory named in the Schedule to the Order where the apparel to be imported into Canada will be produced. Transshipment through an intermediate country is acceptable provided that certain conditions similar to those prescribed by section 18 of the [Customs Tariff](#) and the [Temporary Storage Period Regulations](#) for goods shipped to Canada are met. The conditions are as follows:

- (a) the goods remain under customs transit control in the intermediate country;
- (b) the goods do not undergo any operation in the intermediate country other than unloading, reloading or splitting up of loads, or any other operation required to keep the goods in good condition;
- (c) the goods do not enter into trade or consumption in the intermediate country; and
- (d) the goods do not remain in temporary storage in the intermediate country for a period exceeding six months.

Value of the processing – means the cost of the alteration or work done abroad, the value of any assists and the value of any transportation and associated charges incurred prior to, or at the place of, direct shipment of the good to Canada. With regard to owner-supplied materials, that are Canadian-sourced, duty-paid or duty-free, such materials are considered to be “assists” and form part of the value of the processing of the good upon its importation to Canada. The transportation and associated costs of sending the materials to a location outside Canada also form part of the value of the processing calculation.

Remission

5. Remission is granted of the customs duties paid or payable under section 3 of the Order in an amount equal to the lesser of:

- (a) the value of the textiles produced in Canada and incorporated in the imported apparel; and
- (b) the customs duties paid or payable on the imported apparel.

Example: An apparel item made in a country listed in the Schedule in part from textiles produced in Canada is imported into Canada. At time of importation, the value for duty of the item is \$100 and it is classified under a tariff item in the [Customs Tariff](#) that is subject to a Most Favoured Nation (MFN) rate of duty of 18%, thus resulting in a customs duty liability of \$18.

Scenario 1: if the value of the textiles produced in Canada that are incorporated into the imported apparel is \$15, the amount of customs duties that could be remitted would be \$15 (i.e., the value of the textiles produced in Canada that are incorporated into the imported apparel).

Scenario 2: if the value of the textiles produced in Canada that is incorporated into the imported apparel is \$30, the amount of customs duties that could be remitted would be \$18 (i.e., the entire customs duty liability on the imported apparel).

6. The amount of remission available is applicable only to the specific importation of apparel that was produced from the textile exported and does not establish any form of transferable credit to any other importation.
7. The value of Canadian produced materials or inputs other than the textiles defined in the Order does not contribute to the amount of remission available on the apparel imported. For example, slide fasteners (zippers) are classified in heading 96.07 of the Harmonized Commodity Description and Coding System (HS) so they do not qualify as a “textile” for purposes of this Order. Their incorporation into imported apparel does not qualify the apparel for remission nor does their value contribute to amount of remission available.
8. The remission is applied against the duties otherwise paid or payable. The applicant may consider claiming the most beneficial tariff treatment available in calculating the duties otherwise paid or payable. If the tariff classification has a GPT rate assigned, that rate may be the most beneficial available; however, other beneficial rates may be available under other trade agreements (e.g., Canada–Costa Rica Free Trade Agreement (CCRFTA)). Note that the rules of origin with respect to any preferential tariff treatment must be met. Additional information on Rules of Origin for preferential tariff treatments can be found in the [D11-4 Series](#) of customs memoranda. In cases where the goods do not qualify for a preferential rate, or a preferential rate is not claimed by the importer, or there is no preferential rate available for the tariff item declared, the MFN rate will apply for purposes of calculating the duties otherwise payable which will be reduced by the amount of remission available.

GST Treatment of Apparel

9. The provisions of the [Excise Tax Act](#) apply in determining the amount of GST/HST payable on the imported apparel. This order does not provide any specific remission or relief from GST/HST.
10. In some circumstances the [Value of Imported Goods \(GST/HST\) Regulations](#) may apply in respect to the calculation of the GST/HST.
11. If the conditions of section 13 of the [Value of Imported Goods \(GST/HST\) Regulations](#) are met, GST/HST is only payable on the value of the processing. Generally, this treatment is conditional on the last importation of the good:
- (a) not having been based on a reduced value;
 - (b) not having been made on a non-taxable basis; and
 - (c) not having given rise to an imported goods rebate for the tax on the importation.
12. The good must also not have been supplied prior to its re-importation without GST having applied to that supply as a result of the supply being made outside Canada or being a zero-rated supply for export. Also, the recipient of that supply must not have been entitled to a non-resident rebate in respect of the supply. The application of tax on the reduced value for tax applies when the goods are exported for processing, including adjustment, alteration, assembly, maintenance, manufacture, production, modification, overhaul, packaging, repackaging, repair or testing of the goods.
13. When section 13 of the [Value of Imported Goods \(GST/HST\) Regulations](#) applies, the regulations require the importer to present acceptable proof of export and an invoice containing a complete description of the foreign processing and the cost of the processing.
14. Questions regarding the [Value of Imported Goods \(GST/HST\) Regulations](#) should be referred to the Canada Revenue Agency contact identified in paragraph 40.

Documentation

15. The Form [B13A, Export Declaration](#) which is completed and submitted to the Canada Border Services Agency (CBSA) at the time the textile is exported must indicate the country of final destination. The Order only applies to apparel that is manufactured from textiles exported on or after May 1, 2008.
16. The importation of the apparel is to be accounted on a Form [B3-3, Canada Customs Coding Form](#).
17. As provided for under section 55 of the [Customs Act](#), the value for duty of imported goods must be computed in Canadian dollars.

18. Depending on the GST/HST treatment of the apparel, the entry may be a one line format or a two line format. In both cases the subheader information is the same. Subheader (fields 10 to 19 of the Form [B3-3](#)):

- (a) The country of origin of the apparel (field 12) must be a GPT country or, after January 1, 2015, a country named in the Schedule to the Order, and must be the same as the country of final destination identified in field 5 on the Form [B13A](#) for the textiles produced in Canada.
- (b) The tariff treatment code (field 14) should be completed with the code for the tariff treatment claimed, for example, code 09 (GPT) if the importer is claiming the benefit of General Preferential Tariff. As noted in paragraph 8, other preferential tariff treatments may be claimed if their specific rules of origin are met. In cases where no other preferential tariff treatment is claimed, tariff treatment code 02 (MFN) will be shown in field 14.

19. Where the apparel is fully taxable for the purposes of the GST/HST a single classification line is sufficient as follows:

- (a) The tariff classification of the apparel (field 27) must come under one of the chapters, headings, subheadings or tariff items found in the definition of “apparel” in section 1 of the Order.
- (b) The Special Authority code (field 26) indicates 08-0815A0000.
- (c) The value for duty (field 37) and the value for tax (field 41) of the apparel must be determined in accordance with sections 48 to 53 of the [Customs Act](#).
- (d) The amount of customs duties owing against this line is either the difference between the customs duties otherwise owing on the apparel and the value of the textiles produced in Canada (scenario 1) or zero (scenario 2). This amount must be calculated by the importer and inserted into field 38.

Examples:

Scenario 1: A knit blouse made in a country in the Schedule in part from textiles produced in Canada is imported into Canada. At the time of importation, the value of the knit blouse is \$100 and it is classified in the [Customs Tariff](#) under tariff item No. 6106.20.00 and subject to an MFN rate of duty of 18 %, resulting in a customs duty liability of \$18. The value of the textiles produced in Canada that are incorporated into the knit blouse is \$15. The amount of customs duties that could be remitted is \$15 so the amount of customs duties owing is \$3.

1st line: The majority of the fields are self-explanatory. Field 26: 08-0815A0000, field 27: 6106.20.00, field 35: 5.0%, field 37: \$100, field 38: \$3. The amount collected against this line will be \$8.15 (\$3 customs duties + \$5.15 GST [5% x (\$100+\$3)]).

Scenario 2: Identical to previous example except that the value of the textiles produced in Canada incorporated into the knit blouse is \$30. The amount of customs duties that could be remitted would be \$18.

1st line: The majority of the fields are self-explanatory. Field 26: 08-0815A0000, field 27: 6106.20.00, field 35: 5.0%, field 37: \$100, field 38: \$0. The amount collected against this line is \$5 (\$0 customs duties and \$5 GST (5% x \$100)).

20. Where the apparel is entitled to the provisions of Section 13 of the [Value of Imported Goods \(GST/HST\) Regulations](#) a two line entry format is required as follows:

1st line: The tariff classification of the apparel must come under the chapters, headings, subheadings or tariff items found in the definition of “apparel” in section 1 of the Order.

The Special Authority code (field 26) should indicate 08-0815A0000.

GST/HST Tax Status Code 50 appears as the “Rate of GST” field (field 35)

The amount of customs duties owing against this line is either the difference between the customs duties otherwise owing on the apparel and the value of the textiles produced in Canada (scenario 1) or zero (scenario 2). This amount must be calculated by the importer and inserted into field 38.

2nd line: The tariff classification of the apparel is the same as on the 1st line.

The Special Authority field (26) should indicate 08-0815B0000.

The value for duty (field 37) is the value of the processing done in the GPT country or the country in the Schedule to the Order, as applicable.

The value for tax (field 41) is the sum of the value of the processing done in the GPT country or the country in the Schedule to the Order plus the amount of customs duties collected on the 1st line.

Examples:

Scenario 1: Identical to previous example except that the apparel is entitled to the provisions of Section 13 of the [Value of Imported Goods \(GST/HST\) Regulations](#). The customs duty liability is \$18 and the value of the textiles produced in Canada that are incorporated into the knit blouse is \$15. The amount of customs duties that could be remitted is \$15 so the amount of customs duties owing is \$3.

1st line: The majority of the fields are self-explanatory. Field 26: 08-0815A0000, field 27: 6106.20.00, field 35: 50, field 37: \$100 and field 38: \$3. The amount collected against this line will be \$3.

2nd line: Field 26: 08-0815B0000, field 27: 6106.20.00, field 37: \$85 (\$100-\$15) and field 41: \$88 (\$85 + \$3). The amount collected against this line will be \$4.40 (5% of \$88).

Scenario 2: Identical to previous example except that the value of the textiles produced in Canada incorporated into the knit blouse is \$30. The amount of customs duties that could be remitted would be \$18.

1st line: The majority of the fields are self-explanatory. Field 26: 08-0815A0000, field 27: 6106.20.00, field 35: 50, field 37: \$100 and field 38: \$0. The amount collected against this line is \$0.

2nd line: Field 26: 08-0815B0000, field 27: 6106.20.00, field 37: \$70 (\$100-\$30) and field 41: \$70. The amount collected against this line is \$3.50 (5% of \$70).

21. If the remission is not claimed and the full customs duties payable under the [Customs Tariff](#) are paid at the time of accounting, remission may be obtained in the form of a refund. Form [B2, Canada Customs – Adjustment Request](#) is used to claim the refund. The authority for the refund is section 115 of the [Customs Tariff](#) with reference to the Order.

22. On the Form [B2](#), the “as accounted” line is copied from the Form [B3-3](#). The “as claimed” line(s) is (are) completed as directed in paragraphs 18-20 above.

Records and Proof

23. The [Customs Act](#) sets out obligations for importers and exporters to keep records. For more information with respect to records keeping, consult [Memorandum D17-1-21, Maintenance of Records in Canada by Importers](#), and [Memorandum D20-1-5, Maintenance of Records and Books in Canada by Exporters and Producers](#).

24. In the event of a verification, proof, satisfactory to the Minister of Public Safety and Emergency Preparedness, will be required with respect to the following:

- (a) the textiles meet the conditions set out in the Order;
- (b) the value for export of the textiles exported from Canada;
- (c) the textiles exported from Canada were shipped directly to the country where the apparel was manufactured;
- (d) the textiles produced in Canada are incorporated into the imported apparel;
- (e) the apparel did not undergo any processing outside the GPT country from which the apparel is shipped directly;
- (f) direct shipment of the apparel to Canada; and
- (g) the value for duty of the apparel imported into Canada.

Proof That the Textiles Meet the Conditions set out in the Order

25. If the textiles produced in Canada contain imported materials, there are two conditions that must be met to claim the benefits of this Order:

- (a) The imported materials must be sufficiently transformed to undergo a change in tariff classification at the 4, 6 or 8 digit level or to be considered bleached for the purpose of tariff classification, and
- (b) The value for duty of the imported materials, determined in accordance with sections 48 to 53 of the [Customs Act](#), must be less than 50% of the value of the textiles produced in Canada.

26. As per section 2 of the Order, imported fibres of headings 50.01 to 50.03, 51.01 to 51.05, 52.01 to 52.03 and 53.01 to 53.05 in the schedule to the [Customs Tariff](#) are not to be considered imported materials. The value of these imported fibres is therefore not included in calculating the percentage of imported materials that make up the value of the textiles produced in Canada.

27. The value for duty of other imported materials, including dyes and bleach, used to make textiles in Canada must be included in calculating the percentage of imported materials that make up the value of the exported textiles produced in Canada. For example, if the exporter of the textiles is a fabric finisher who has purchased, from a Canadian supplier, fabric that may have been produced using foreign yarns, the exporter must provide a written declaration from the fabric supplier regarding the Canadian content of the fabric. If the supplier declares that the value of the foreign yarns is less than 50% of the value of the unfinished fabric, the fabric will, generally, be considered “produced in Canada” for the purpose of the Order.

28. In cases where a Canadian supplier can only declare a “range” of Canadian value content (for example, due to production variances) only the lower declared Canadian value content may be used.

29. A change in tariff classification at the 4, 6 or 8 digit level is not required for an imported material considered bleached for the purpose of tariff classification. Both the imported yarns or fabrics and the bleached yarns or fabrics are classified under the same heading, which is not divided into subheadings or tariff items. Bleached yarns or fabrics are sometimes referred to as “dyed white” yarns or fabrics in the textile industry. The value for duty of the imported yarn or fabric must still make up less than 50% of the value for duty of the exported textiles produced in Canada.

30. Applicants who are not the manufacturer or exporter of the textiles are responsible for providing the necessary documentation from the manufacturer or exporter of the textiles.

Proof of Export, Value, and Direct Shipment of the Textiles

31. The only acceptable proof of export of the textiles is the Form [B13A](#). Applicants claiming the benefit of this Order are not required to submit the supporting Form(s) B13A at the time of importation to claim the benefits of this Order, but they should be prepared to make them available if requested to do so by an officer.

32. The Form [B13A](#) will generally provide acceptable proof of the free on board (FOB) value of the Canadian produced textiles that were exported. Transportation charges up to the place of exit from Canada may be included in the FOB value. Transportation charges from the place of exit from Canada to the GPT country or country listed in the Schedule where the apparel is to be manufactured are not included in the FOB value and, as such, cannot be used in the calculation of the amount of remission.

33. The Form [B13A](#) will also usually substantiate the condition of direct shipment to the country or territory where the apparel is produced. However, particularly in the case of transshipment and temporary storage of the goods, additional shipping documents such as bills of lading, insurance documentation, and documentation relating to the warehousing, storage, cartage, loading, offloading or transfer of the goods may be required to establish that the textiles were shipped directly from Canada to the GPT country or country listed in the Schedule where the apparel is produced.

Proof That the Apparel Incorporates the Textiles Produced in Canada

34. Generally, a signed declaration by the manufacturer of the apparel that the apparel incorporates the textiles produced in Canada is an acceptable proof. The signed declaration must include the address of the manufacturer of

the apparel located in a country or territory that is a beneficiary of the GPT or country listed in the Schedule, as applicable, as well as the address of any other manufacturer located in that country or territory that is involved in processing the textiles produced in Canada since their exportation from Canada.

35. The importer may consider obtaining a sample of the Canadian produced textile, properly identified and certified by the Canadian textile producer to be the textile that was exported for use in the manufacture of the apparel, for comparison purposes against the imported apparel. This may aid the importer should there be any difficulty in obtaining a declaration by the manufacturer of the apparel or where there is any dispute regarding the manufacturer's declaration.

36. In the event of verification, the conversion factors set out in Schedule 3.1.3 of Annex 300-B of the North American Free Trade Agreement (NAFTA) will be used as guidelines in assessing the relationship between the quantities of textiles exported from Canada and the units of apparel imported into Canada.

Examples: Women's and girls' cotton knit shirts and blouses, made in a GPT beneficiary or country listed in the Schedule from textiles produced in Canada, are imported into Canada. According to category 339 in Schedule 3.1.3 of NAFTA Annex 300-B, it takes 6 square metres of textile to produce one dozen cotton knit shirts and blouses. Similarly, men's and boys' man-made fibre trousers, made in a GPT beneficiary or country listed in the Schedule from textiles produced in Canada, are imported into Canada. According to category 647 in Schedule 3.1.3, 14.90 square metres of textile are needed to produce one dozen trousers.

Proof of Direct Shipment of the Apparel

37. The importer must also be prepared to provide proof of direct shipment from the GPT country or country listed in the Schedule where the apparel is manufactured to a consignee in Canada. Transshipment is accepted if it is on a through bill of lading to a consignee in Canada. Additional information regarding goods exported to Canada from any country but passing in transit through another country is found in the [Direct Shipment of Goods Regulations](#).

Proof of the Value for Duty of the Apparel Imported Into Canada

38. Commercial invoices must contain a complete description of the foreign processing, including the cost and location of the processing. As the total value shown on the invoice will include the export value of the textiles produced in Canada, the invoice must be sufficiently detailed to enable a CBSA compliance verification officer to confirm the value of processing.

Additional Information

39. Applicable HS headings, subheadings and tariff items of the Schedule to the [Customs Tariff](#):

(a) For "Apparel"

[Chapter 39 - Plastics and Articles Thereof](#)

[Chapter 40 - Rubber and Articles Thereof](#)

[Chapter 43 - Furskins and Artificial Fur; Manufactures Thereof](#)

[Chapter 61 - Articles of Apparel and Clothing Accessories, Knitted or Crocheted](#)

[Chapter 62 - Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted](#)

(b) For "Textiles"

[Chapter 50 - Silk](#)

[Chapter 51 - Wool, Fine or Coarse Animal Hair; Horsehair Yarn and Woven Fabric](#)

[Chapter 52 - Cotton](#)

[Chapter 53 - Other Vegetable Textile Fibres; Paper Yarn and Woven Fabrics of Paper Yarn](#)

Note: The reader is advised that these are not the official version of the legislation. For all purposes of interpreting and applying legislation, consult statutory instruments as registered by the Clerk of the Privy

Council and published in the [Canada Gazette](#). Updated unofficial versions of statutory instruments are also available on-line on the [Justice Laws Website](#).

40. Questions regarding the GST/HST should be directed to:

Manager
 Goods Unit
 General Operations and Border Issues Division
 Excise and GST/HST Rulings Directorate
 Legislative Policy and Regulatory Affairs Branch
 Canada Revenue Agency
 Place de Ville, Tower "A", 16th Floor
 320 Queen St.
 Ottawa ON K1A 0L5

41. For more information, within Canada call the Border Information Service at **1-800-461-9999**. From outside Canada call 204-983-3500 or 506-636-5064. Long distance charges will apply. Agents are available Monday to Friday (08:00 – 16:00 local time / except holidays). TTY is also available within Canada: **1-866-335-3237**.

References	
Issuing Office	Trade and Anti-dumping Programs Directorate
Headquarters File	EAQ 6564-2/832
Legislative References	<i>Customs Tariff</i> <i>Customs Act</i> <i>Special Import Measures Act</i> <i>Excise Tax Act</i> <i>Value of Imported Goods (GST/HST) Regulations</i> <i>Direct Shipment of Goods Regulations</i> <i>Temporary Storage Period Regulations</i> <i>Outward Processing Remission Order (Textiles and Apparel)</i>
Other References	D11-4 Series, D17-1-21 , D20-1-5 Forms B13A , B3-3 , B2
Superseded Memorandum D	D8-2-6 dated October 8, 2008