



## FOREIGN TRADE ZONE PROGRAMS

Canada allows for the tariff-free import of most machinery, equipment and inputs used in industrial manufacturing. Additionally, companies located at CentrePort Canada - the 20,000 acre inland port project in Manitoba - can take advantage of single-window access to Canada's Foreign Trade Zone (FTZ) programs. FTZ programs offer relief on duties and goods and services taxes for imported goods (generally from countries where Canada does not have a Free Trade Agreement) that are warehoused for later distribution in Canada, or for re-exportation to an international market.

Companies that meet program criteria may benefit from the following FTZ programs:

### CANADA BORDER SERVICES AGENCY

*(For the relief or deferral of import duties)*

[cbsa-asfc.gc.ca](http://cbsa-asfc.gc.ca)

**Duty Deferral Program (DDP):** Allows for the postponement or refund of duties and taxes on imported goods in certain circumstances. The DDP has three components that can be used individually or in combination:

**Duties Relief Program:** Allows qualified companies to import goods without paying duties, provided the goods are intended for export in the same condition or undergo a process to manufacture another product for export.

**Customs Bonded Warehouse Program:** Allows for the deferral of all import levies until goods enter the Canadian economy or are exported.

**Duty Drawback Program:** Duty drawback is a refund of duties paid on imported goods that are subsequently exported in the same condition or undergo a process to manufacture another product that is subsequently exported.

### CANADA REVENUE AGENCY

*(For the relief or deferral of taxes on imports)*

[canada.ca/revenue-agency](http://canada.ca/revenue-agency)

**Export Distribution Centre Program (EDCP):** EDCP allows for the GST-free importation or domestic sourcing of goods that are destined for the export market, in cases where limited value is added to the goods. To be eligible, a firm must not manufacture or produce goods, add no more than 20% total value to goods (including no more than 10% in non-basic services), and must derive 90% or more of their revenue from exports.

**Exporters of Processing Services Program (EOPS):** EOPS allows for the GST-free importation of foreign owned goods for processing within Canada.

EOPS is available to firms that supply processing (including manufacturing and producing), distribution, or storage services for goods belonging to non-residents. To be eligible, the goods being processed must not be owned by the program participant and must belong to a non-resident. Goods must subsequently be exported from Canada.



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# CUSTOMS BONDED WAREHOUSE PROGRAM

The FTZ program that is most often utilized at CentrePort is Canada Border Service Agency's Customs Bonded Warehouse program, which allows for the deferral of all import levies until goods enter the Canadian economy or are exported.

To deepen your understanding of this advantageous program, please review the fictional case study below.

## RESTAURANT SUPPLY CO.

*(Fictional example used to illustrate the Customs Bonded Warehouse Program)*

Restaurant Supply Co. (RSC) imports a number of products from Asian markets for sale in Western Canada and the Mid-West in the United States. They have a distribution and warehousing facility at CentrePort.

RSC has fenced off an area in their warehouse that qualifies as a Customs Bonded Warehouse. The space simply needs to be locked/inaccessible, and distinctly separate from the rest of the space.

Creating this space and designating it a Customs Bonded Warehouse space means that RSC can store inventory within that section and defer paying any import taxes until they are removed/sold/exported.

RSC finds this program advantageous for their large kitchen equipment products. It is more cost effective for them to order and ship in dishwashers, cooktops and ovens in quantities of 50 or more from their Chinese supplier. RSC immediately moves these products into the Customs Bonded Warehouse when they arrive, where they are stored until they are sold. Import taxes only apply when the product is removed from the Customs Bonded Warehouse for sale and delivery. This allows RSC to hold more inventory more cost-effectively.



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