How Brands Can Save Money With Import Innovations for Canada Leveraging Section 321

An eBook that Guides Brands on Using Canada for Importing, Taking Advantage of Duty Elimination Programs and Section 321

Table of Contents

Disclaimer: This ebook is solely for informational purposes and does not constitute legal advice. Programs are regulated and approved by the Canada Border Services Agency (CBSA) and U.S. Customs and Border Protection (CBP) and are subject to change.

For more information about Section 321 & ShipHero Fulfillment, **click here.**

Section 1: Overview

The Current State of the Global Supply Chain

The global supply chain has become very complex and is under significant pressure driven by consumer demand. COVID-19 variants, employee shortages, truck driver shortages, and clogged ports are just some of the challenges that many **predict** will be the new eCommerce rule, not the exception.

Inflation has also become a major concern. Many global east-west **shipping routes** have seen a significant increase in cost, some as high as 80%, making it even more expensive for brands to import goods.

There is little doubt that the demand for products is not going to decrease anytime soon. Based on growth over the past few years, it's predicted that eCommerce will top **1 trillion in worldwide sales** this year.

All of these statistics mean it's more important than ever for eCommerce brands of any size to take advantage of cost savings programs. A slight change to a supply chain could result in a savings of 10-20%. That kind of return isn't something any eCommerce brand can afford to pass up.

In this eBook, the following will be outlined:

- How U.S. and international eCommerce brands can take advantage of Canada's more generous Free Trade Agreements and Duty Elimination Programs.
- How the switch to Canada allows for the same great level of customer satisfaction.
- How eCommerce brands can also take advantage of the U.S. Section 321 De Minimis law when exporting goods from Canada.
- How these changes will save eCommerce brands money.

Section 2: Why Import Products to Canada

Canada's penchant for cooperation is a boon for U.S. and international brands. Canada has worked hard to form Free Trade Agreements with many European and Asian countries, as well as participating in the United States-Mexico-Canada agreement.

These agreements help to lower the cost of import and export fees on Canadian goods being sent to other countries, and foreign goods being imported through Canada.

Why Import Products to Canada

Duty Elimination Programs

One of Canada's largest initiatives are duty elimination programs. Duty Deferral or Duty Drawback programs allow for international goods to be imported to Canada with either no duty fee or to have the duty fee reimbursed. This initiative was developed to encourage more trade between Canada and other nations.

Most products imported to Canada qualify for a duty deferral or drawback such as exporting goods in "as-is condition". There are Custom Brokers that deal specifically with the ins and outs of filing for these programs and ensuring that companies are legally obtaining the reimbursement to which they are entitled.

Port Availability

Canada's southern border serves as the United States' northern border, running almost unbroken for more than 8,800 km (or 5,500+ mi). Ports on the east and west coasts of Canada, such as Vancouver, Montreal, and Halifax, mirror large ports in the United States, such as New York, Los Angeles, Long Beach and Miami. While Canadian ports have experienced congestion similar to U.S. ports, it is still less in terms of overall impact.

Warehouse Locations

Due to the proximity of both Vancouver and Toronto, plus Ottawa and Montreal to the U.S. border, getting products situated in warehouses close to the border is relatively easy. These border crossings deal with thousands of entries per day, and warehouses in major Canadian cities are relatively close to U.S. crossing points. This cuts down on any type of shipping delay.

Statute Section 321

This statute by the U.S. Customs and Border Protection has made it even more advantageous for U.S. brands to import their goods to Canada and then export them to the U.S.

Effective March 10, 2016, the "Trade Facilitation and Trade Enforcement Act of 2015" included a provision to raise the De Minimis entry threshold for Section 321 from $200 to $800 USD. This provision allows shipments from one foreign shipper to one buyer in the United States to be entered duty-free. Shipping $800/per day to an individual in the United States - while also getting their initial duty fees reimbursed - is an incentive many U.S. businesses should take advantage of.

Section 3: More Details About Canada's Trade Incentive Programs

Importing goods to Canada allows companies to take advantage of Trade Incentive Programs offered by Canada Border Services Agency (CBSA).

1. Duty Drawback

- **a.** You may qualify for a drawback, which is a refund of customs duties paid for imported goods.
- **b.** You may import goods without paying duties if:
  - **i.** The goods are eventually exported; in as is condition.
  - **ii.** The goods are manufactured and eventually exported.

2. Duty Deferral/Relief

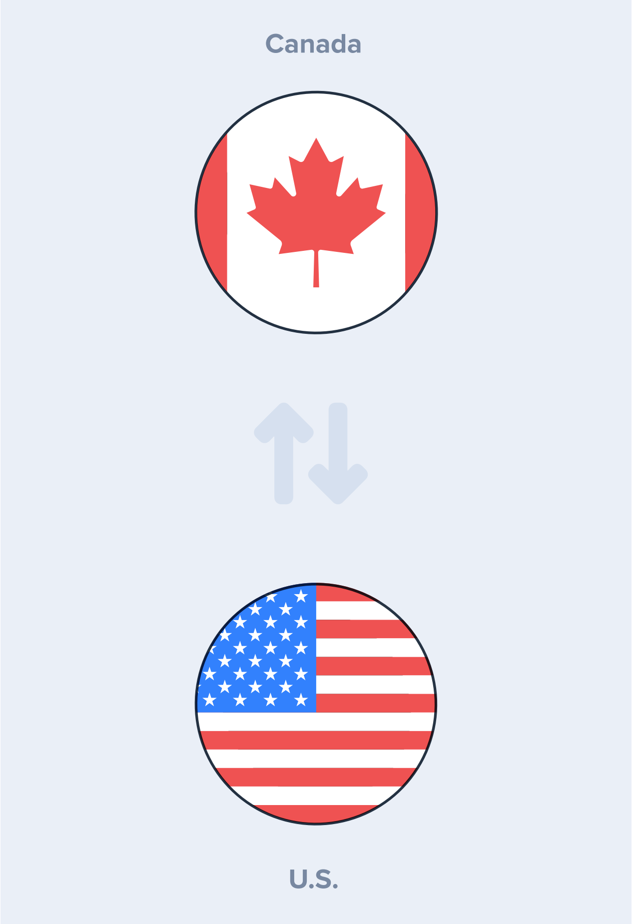
- **a.** The Duties Relief Program relieves the payment of duties, at the time of importation, on imported goods that will eventually be:
  - **i.** Exported either in the same condition; or
  - **ii.** After being consumed, expended or used in the processing of other goods.

These programs are for businesses that:

A. Import goods into Canada; or
B. Receive goods that were imported into Canada; and
C. Export those goods from Canada; and
D. Want to relieve the payment of duties at the time of importation.

Of course, the biggest concern for American companies that consider making the supply chain switch to Canada is two-fold:

1. They consider it to be a headache they don't need.
2. They have no way to manage it because they don't have warehouses in Canada.



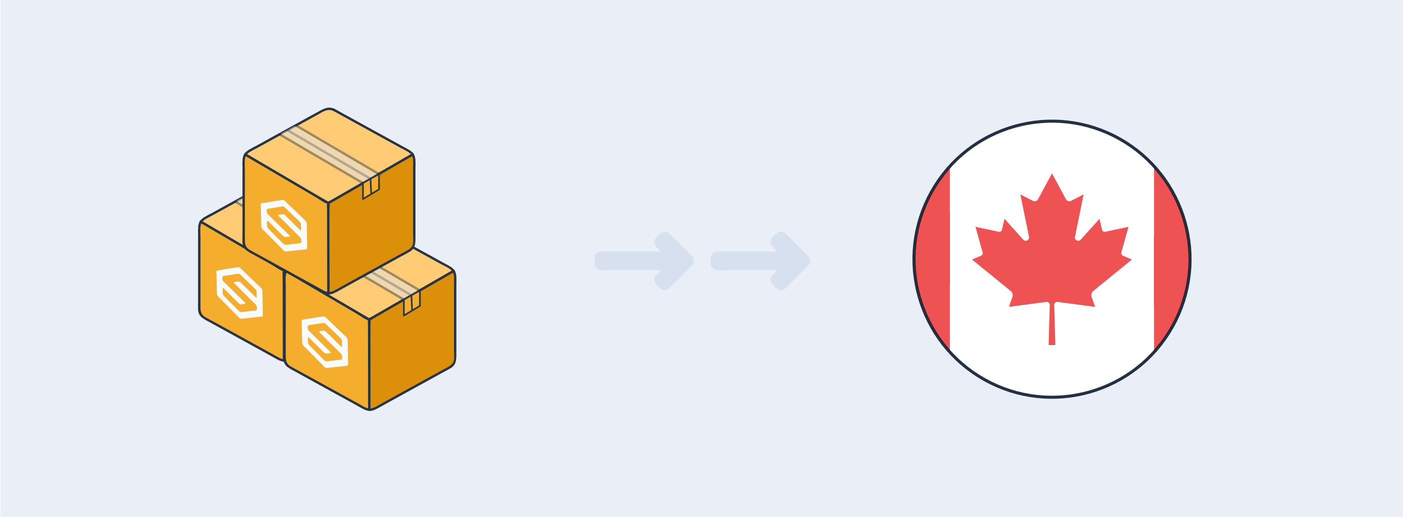
For more information about Section 321 & ShipHero Fulfillment, **click here.**

Section 4: How Section 321 Works

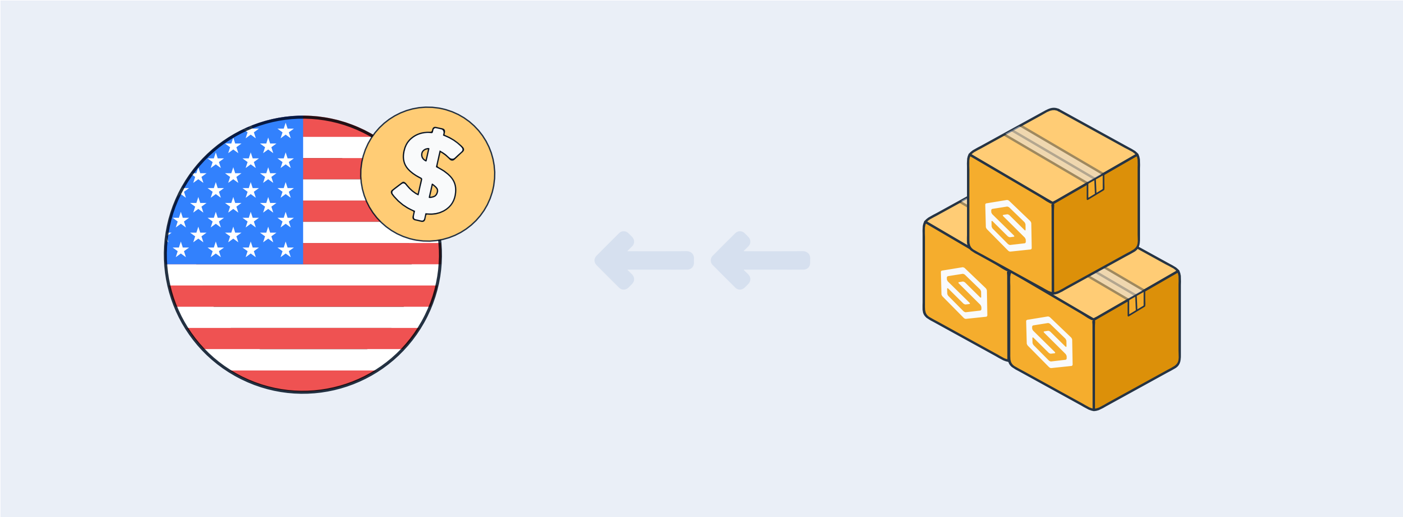
It may seem impossible to eliminate duty fees on imported goods, but it is possible.

There are two major steps:

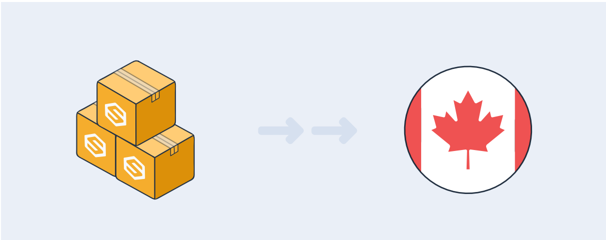
1. First, you adjust your supply chain to ship your goods to Canada. This makes you eligible for Duty Deferrals or Duty Drawback programs, as well as Canada's more generous Free Trade Agreements.



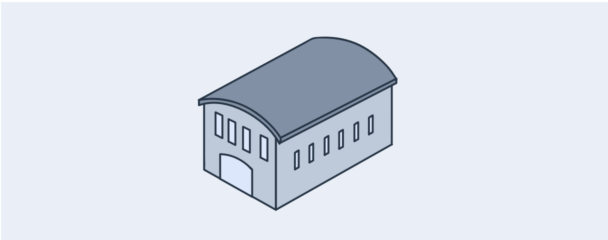
2. Second, your customers in the U.S. place an order (U.S. consumers are entitled to have up to $800 USD shipped to them daily and duty-free with Section 321). Once these orders are delivered to the U.S. customer, you can now apply for the duty drawback.



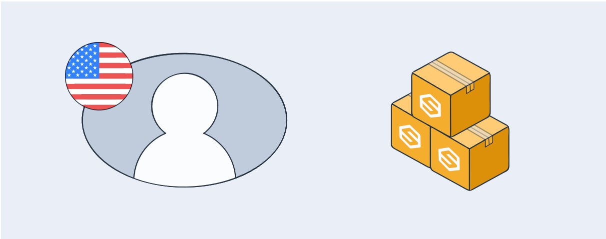
How the Process Works



1. Import your goods to Canada. This allows brands to become eligible for duty deferral or drawback programs.

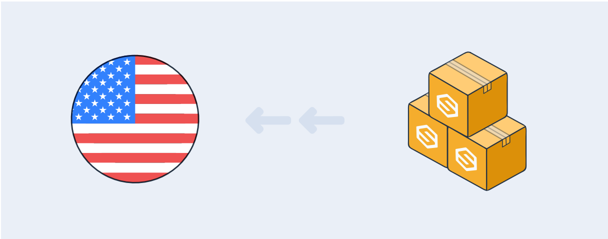


2. Goods are received and putaway in a Canada-based warehouse.



3. Customer from the U.S. places an order.

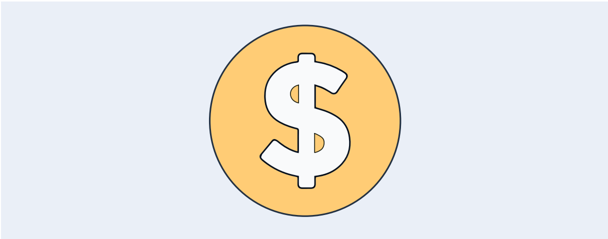
- A U.S. customer places an order (of $800 USD or less).
- Because of Section 321, U.S. customers are entitled to have up to $800 USD in goods shipped to them per day duty-free.



4. Order is sent across the border with no customs delays and delivered to domestic carrier of choice.

5. Order continues its journey and is delivered to the customer.

- Domestic carrier is responsible for the final delivery to your customer.



6. Once the order has been delivered to your customer the duty drawback can be submitted and received back to the brand.

Section 5: How Combining Canadian Supply Chain with Section 321 Can Save Brands Money

Duty fees are a variable that has to be accounted for when calculating landed costs. And different countries have different duty fees based on trade agreements that can be difficult to navigate.

However, by taking advantage of Canada's various international Free Trade Agreements and lower duty rates, eCommerce brands can either lower or even eliminate the duties through Duty Relief Programs.

Here's an example:
Import to Canada

- One pair of shoes imported from China to Canada
- Value for Duty: $12.00
- Duty Rate 18%: $2.16
- **$2.16 Savings (for just 1 pair of shoes!) through Duty Drawback or Duty Deferral**

The primary savings for any brand exporting goods from Canada to the United States and taking advantage of Canada's Duty Elimination Programs and the U.S. CBP's Section 321, is a savings of anywhere from 10-20%. This savings directly impacts the bottom line for brands of any size and can add up to significant savings.

For U.S. brands that are looking to take advantage of these savings, there are two partners they should look for to make the process easier and ensure full compliance.

1. **Canadian Fulfillment Partner:** Importing goods to Canada may be as simple as sending a ship from China to Vancouver, but once goods are in the country, they'll need to be stored in a Canadian warehouse and then picked, packed and shipped by a fulfillment partner. Unless a U.S. brand is looking to open a Canadian branch, they will need a native solution.

2. **Broker Familiar with Canadian Duty Elimination and Section 321:** Make no mistake, there is paperwork, and a lot of it, that is needed to qualify for and receive duty deferral or duty drawback. There are also specifics to Section 321 that are best handled by a broker or company with extensive experience with these parameters.

Conclusion

Deciding to adjust the supply chain to run through Canada, is not a decision that brands can take lightly. However, with programs in place like Canada's duty elimination programs and the U.S.' Section 321, it makes economic sense for brands to seriously consider it.

Finding a broker and a fulfillment partner are the first steps to truly taking advantage of these concessions and reaping the financial benefits.

Click **HERE** to schedule a call with one of our Canadian Fulfillment Experts.

Section 6: Appendix

Terms & Conditions

IMPORTANT:

Please review Section 321 restrictions. Note not all U.S.-bound shipments are covered by Section 321. These include but are not limited to: Goods needing inspection as a condition of release, regardless of value; Merchandise subject to Anti-Dumping Duty (ADD) and/or Countervailing Duty (CVD).

Products that are regulated by the following Participating Government Agencies (PGAs):
- Food and Drug Administration (FDA) with some exemptions
- Food Safety Inspection Service (FSIS)
- National Highway Transport and Safety Administration (NHTSA)
- Consumer Product Safety Commission (CPSA)
- U.S. Department of Agriculture (USDA)

CUSTOMS CLEARANCE:

1. You shall be responsible for any customs duties payable on any goods by any International customs authority, all duty, excise duty and other costs which become liable to pay are paid by you or the recipient of the goods.

2. You are also responsible to provide any relevant information to us required by any customs authorities around the world and authorize us to transmit the same to the customs authorities of the countries concerned, by the laws in force in those countries.

3. You understand and agree to waive any right to refunds for goods rejected by Customs authorities, or other governmental authorities, and you expressly agree that the rejected goods may be confiscated or destroyed without any compensation.

4. ShipHero is not liable for any issue that arises with customs, duty, tax or liabilities.

5. ShipHero is not responsible for any Duty Relief Programs or Duty Deferral.

Basic Carrier Limitations

It is acknowledged and agreed that in no circumstances will ShipHero Fulfillment carry any of the following on behalf of the Shipper:

(i) Packages over $800 dollars (USD) in value headed to the United States of America from Canada;

(ii) FDA products when sent to the United States of America without FDA prior notice submission by Shipper

(iii) Hazardous materials

(iv) Banned substances

(v) Illegal goods or weapons

(vi) Aerosol

(vii) Products involving trademark or labelling violations

(viii) Products with false health claims

(ix) Products that infringe on copyright or trade mark protections

The foregoing list shall be subject to revision by ShipHero Fulfillment from time to time, and is the sole discretion of ShipHero Fulfillment.

Fine Print

FDA regulated products do not qualify for Section 321 except the following 5 categories:

- Cosmetics;
- Dinnerware (including eating and/or cooking utensils);
- Radiation emitting, non-medical devices (e.g. microwaves, televisions, CD players, etc.);
- Biological samples for laboratory testing; and,
- Food, excluding ackees, pufferfish, raw clams, raw oysters, raw mussels, and foods packed in airtight containers intended to be stored at room temperature.

Exceptions:

- Shipments that are governed by OGA/PGA's that require an entry regardless of value unless using Type 86 entry method.
- Shipments containing merchandise that is subject to anti-dumping or countervailing duty.
- U.S. Customs & Border Protection reserves the right to require a formal Customs entry at any time, regard less of shipment value.

U.S. regulation for Section 321- 19 CFR 10.151 - Subject to the conditions in § 10.153 of this part, the port director shall pass free of duty and tax any shipment of merchandise, as defined in § 101.1 of this chapter, imported by one person on one day having a fair retail value, as evidenced by an oral declaration or the bill of lading (or other document filed as the entry) or manifest listing each bill of lading, in the country of shipment not exceeding $800, unless he has reason to believe that the shipment is one of several lots covered by a single order or contract and that it was sent separately for the express purpose of securing free entry therefore or of avoiding compliance with any pertinent law or regulation. Merchandise subject to this exemption shall be entered under the informal entry procedures.

What is Type "86" Entry?

CBP is conducting voluntary testing of the Section 321 De Minimis commercial entry process through the creation of the Type "86" allowing customs brokers and self-filers to submit the entries via the Automated Broker Interface (ABI) including those subject to PGA data requirements for clearance. So this will expand the goods allowed to enter the commerce of the U.S.

Trade users will benefit from this enhancement by being able to transmit low-valued shipment data using entry type 86 transactions, including importer and/or consignee information via the Automated Broker Interface (ABI) and receive electronic release messages from CBP for these low-value shipments.

- Entry type 86 will be available for CBP and trade users to review via ACE Reports.
- This new entry type will allow one bill per entry.
- This will allow for an entry to be filed with PGA data for a shipment of $800 or less.

Important Links

U.S. Customs and Border Protection Site:
https://www.cbp.gov/trade/basic-import-export/e-commerce

Canada-Specific Sites:
https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/tariff-elimination-droits_de_douane.aspx?lang=eng

https://www.cbsa-asfc.gc.ca/publications/dm-md/d7/d7-4-1-eng.html

https://www.cbsa-asfc.gc.ca/publications/dm-md/d7/d7-4-2-eng.html

https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4027.html

https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/index.aspx?lang=eng

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