THE NON-RESIDENT IMPORTER (NRI)

The Non-Resident Guide to Importing Goods into Canada

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1. Introduction

The following information is intended to provide United States and other international businesses with an overview of the legislative environment and processes and procedures required when planning to import goods into Canada as a Non-Resident Importer (NRI).

The Non-Resident Importer (NRI) Program is an initiative of the Canada Border Services Agency (CBSA) that allows United States/international exporters to sell products to Canadian customers directly on a delivered-price basis, without the need for a physical presence in Canada.

Registering as an NRI offers many benefits, including better control over your supply chain, an increased ability to compete in the Canadian marketplace, and opportunities to provide better service to Canadian customers.

This guide provides an overview of the benefits of becoming a Non-Resident Importer, your responsibilities as an NRI, and how to register to the NRI Program.

2. Who is a Non-Resident Importer?

A Non-Resident Importer (NRI) is a business based outside of Canada, who does not have a physical presence in Canada, but imports goods into Canada under their own name. By registering as an NRI, your company becomes the Importer of Record (IOR) into Canada.

Becoming the Importer of Record offers many benefits, but also many responsibilities. One of the biggest benefits is that, as both the exporter in your own country and the importer in Canada, you can include all the costs of shipping and customs clearance into one price to the customer. The sale resembles a domestic transaction for your Canadian customer, making it easier for them to purchase your product.

The risk of becoming the Importer of Record is that you are ultimately responsible for complying with the many rules and regulations associated with importing goods into Canada under the Customs Act and Customs Tariff Act.

We take a closer look at the benefits and responsibilities in the following sections.

3. Benefits of Becoming an NRI

Becoming an NRI offers many benefits for international businesses wishing to sell their products to Canadian consumers, including reduced costs, better control over your supply chain, and the ability to provide better service to Canadian customers.

3.1 Reduced Costs

As a Non-Resident Importer, you do not need to have a physical presence in Canada to sell directly to Canadian customers. This reduces operating and overhead expenses associated with infrastructure, operations staff, and warehousing and distribution.

Being an NRI also contributes to savings within the supply chain. As the exporter in your own country and the importer in Canada your supply chain becomes more efficient, allowing you to better estimate and control costs for all elements of shipping and import into Canada (shipping charges, customs clearance fees, duty and taxes, etc.).

By consolidating shipments, you only have to clear the goods once, contributing to lower shipping costs and creating savings for both your business and your customers.

3.2 Supply Chain Control, Accountability, and Visibility

As both the exporter and importer, you control the shipping process from door-to-door. This allows you to track the movement of the shipment and better manage potential bottlenecks along the supply chain.

Becoming an NRI also allows you to establish consistency in your import processes, reducing delays at the border and delivery times to customers.

3.3 Accessibility for Customers

NRIs have the ability to offer direct delivery to Canadian customers, removing the administrative burdens and "hidden fees" often associated with buying products internationally. Becoming the Importer of Record in Canada allows you to sell your products to customers on a Delivered Duty Paid (DDP) basis (Incoterms 2020), meaning you pay all the costs associated with delivering the goods door-to-door to your customer. For the customer, the online or invoice price is the final amount paid and the seller provides all shipment tracking.

3.4 Competitive in the Canadian Marketplace

Through reduced costs and easier access for Canadian consumers, the NRI Program allows you to compete more effectively and increase your sales and market share in Canada. Your sales resemble domestic transactions to Canadian customers, similar to purchasing the products from a Canadian company, thus making your product more accessible.

4. Responsibilities of an NRI

The largest risk of becoming a Non-Resident Importer of Record is assuming responsibility for compliance with the many customs laws and regulations related to the import of the goods. This includes, but is not limited to, submitting accurate and complete information to the CBSA, paying the applicable duty and taxes, and maintaining records related to all importations. Failure to submit the required information and payments may result in fines and penalties under the Administrative Monetary Penalty System (AMPS), confiscation of goods, or prohibition from future importations.

4.1 Submitting Correct Information

Goods imported into Canada require specific information for clearance by CBSA at the border. Requirements include:

- Correct tariff classification for the product being imported;
- A Canada Customs Invoice (CCI) or commercial invoice detailing the same information as a CCI;
- Certificate of Origin to apply preferential tariff treatment (e.g. CUSMA, CETA, etc.);
- Any additional information required for the specific product being imported (e.g. import permits).

4.1.1 Determining Tariff Classification

The Customs Tariff provides tariff classifications and rates of duty for thousands of products based on the Harmonized Commodity Description and Coding System (HS Code) – the universal coding structure used in international trade. As the Importer of Record, you are responsible for ensuring that the tariff classification for the product you are importing is correct on documentation submitted to the CBSA.

4.1.2 Canada Customs Invoice

All commercial shipments imported into Canada must include a commercial invoice providing specific information, including but not limited to the buyer and seller, country of origin, price paid or payable, quantity and description of the goods.

A Canada Customs Invoice (CCI) is required for shipments with Value for Duty of CAD $3,300 or more. For shipments valued under CAD $3,300, a commercial invoice may be used provided it details the same information as a CCI. NRIs may also submit both a CCI and commercial invoice with their shipment.

As an NRI your selling price will include duty, Goods and Services Tax (GST), customs brokerage, and freight/shipping costs. All charges must be stated on your commercial invoice so that duty and GST is calculated on the correct value. The HS Code provides for accurate calculation of duty, based on the tariff classification and country of origin.

4.1.3 Certificate of Origin

In order to take advantage of reduced or eliminated duty rates under a Free Trade Agreement, such CUSMA or CETA, a Certificate of Origin or Origin Declaration must be provided at the time of customs clearance.

NRIs benefit from CUSMA in that a "blanket" CUSMA Certificate of Origin is only required once per year, covering all imported shipments into Canada for a one-year period.

4.1.4 Import Permits

Certain goods entering Canada are controlled and/or restricted and require an Import Permit for importation. Examples of products listed on Canada's Import Control List include certain steel, dairy, textile products, as well as military goods and firearms.

4.1.5 Participating Government Agencies (PGA)

Depending on the nature of the product, your imports may be subject to Participating Government Agencies (PGA) requirements. Examples of products affected by PGA regulations include food, pharmaceuticals, plants, animals, etc. CBSA provides a list of some of the most commonly imported commodities that may require permits and/or certificates from other federal government departments and agencies.

4.2 Paying Duty & Taxes

4.2.1 Valuation

In accordance with the Customs Act, a "Value for Duty" must be declared for all goods imported to Canada. The primary method of valuation in Canada is the Transaction Value Method. Under this method, the value for duty is based on the price paid or payable for imported goods with consideration to certain adjustments.

Non-Resident Importers face challenges when applying valuation methods to their products. As both the exporter and importer it is more difficult to demonstrate an arm's length transaction and reliable invoice price. Prior to 1997, the only prerequisite for using the Transaction Value Method was the sale of goods clearly destined for Canada as a condition of the sale. Revised regulations affect NRIs and importers without a significant presence in Canada (such as a branch operation of a non-resident parent) unless the goods are purchased on market estimates, with no buyer at the time of import.

We advise NRIs or importers without substantial operations in Canada to seek further assistance from a licensed Customs Broker when considering valuation and CBSA's approach to NRI valuation methods.

4.2.2 Duty Payments

As previously described under Section 4.1.1 – Determining Tariff Classification - the Customs Tariff provides tariff classifications and rates of duty for imported commodities based on the HS Code. As the Importer of Record, you are responsible for payment of duties owed on imported goods.

4.2.3 Taxes

Federal Tax

Goods and services imported and sold in Canada are subject to a federal Goods and Services Tax (GST). NRIs carrying out business in Canada must register for the GST and may be required to post a GST security bond. GST is applied at a rate of 5% of the duty paid value of the goods upon importation. An NRI registered for GST can recover the GST paid the CBSA by claiming input tax credits (ITC).

An NRI who merely sells goods to Canadian customers on a landed, duty-paid basis is not considered to be carrying on business in Canada and is not required to register for the GST. In this scenario, the non-registered NRI is not eligible to claim the import GST paid to CBSA. Therefore, they should incorporate the GST into their selling price and transfer (or assign) the input tax credit to the Canadian customer. There is no way for the non-registered NRI to recover this money. To benefit from this option (referred to as the "flow-through mechanism") the NRI must ensure that the GST is not shown as a separate line item on the Commercial Invoice.

Provincial Tax

In addition to the GST, each Canadian province has its own provincial sales tax to which an NRI carrying on business in Canada must register. Taxes vary, with some provinces having a Provincial Sales Tax (PST), and other harmonizing their taxes into a Harmonized Sales Tax (HST). The rate of tax varies between provinces.

4.3 Maintaining Records

All companies or individuals importing or exporting to/from Canada must maintain accurate records of their activity for a period of six (6) years plus the current year.

Under authorization from the CBSA, NRIs may designate their Customs Broker to prepare, submit, and maintain all shipment-related documentation and records. The NRI must submit a request in writing to the CBSA for approval. Alternatively, NRIs may submit a letter of undertaking to CBSA for authorization to maintain records at their place of business outside of Canada.

5. How to Become an NRI in Canada

5.1 Apply for a Canadian Business Number (BN)

To become a Non-Resident Importer you must first obtain a Business Number (BN) from the Canada Revenue Agency (CRA) prior to importing into Canada. The Business Number is a unique number assigned that is used by companies in Canada to transact with governmental agencies. The BN has 15 digits: nine numbers as the unique business identifier, two letters to determine the Revenue Canada business account (corporate income tax, payroll deductions, GST/HST, and import/export), and four numbers to identify each account in a program a business may have.

As an Importer, you will require an Import/Export account. Import/Export accounts are identified by the two-letter business account 'RM'. For example, your import/export account would look like this:

123456789RM0001

Import/export account numbers must be entered on documents submitted to CBSA for customs clearance and are only used when importing or exporting. This account will expire after two (2) years if you do not participate in any importing/exporting activity but may be reactivated by contacting CBSA. Any change in status (e.g. name or address change) should also be reported to CBSA or your Customs Broker as soon as possible.

To register for a Business Number, or to add an import/export account to an existing Business Number, contact the CRA's Business Window at 1-800-959-5525, or register online using the Business Registration Online (BRO) service. You may also complete Form RC1, Request for Business Number (BN) and mail or fax it to your nearest tax service office.

5.2 Register with CBSA

Non-Resident Importers must register with the CBSA, advising of the location in which records will be kept (or submitting a letter of undertaking to request approval from CBSA to maintain records outside of Canada).

5.3 Consider Hiring a Customs Broker

The simplest way to register for the NRI program is through a Customs Broker, like PF Collins. By completing a General Agency Agreement (**downloadable PDF**), we can assist with the NRI registration and guide you through all aspects of importing to Canada, including (but not limited to):

- Obtaining a Canadian Business Number;
- Registering for GST;
- Selecting appropriate Tariff Classifications;
- Valuation for your products;
- Applying Free Trade Agreement benefits (CUSMA, CETA, etc.);

- Ensuring compliance with Participating Government Agencies (PGA) requirements;
- Assistance in preparing documents (e.g. Canada Customs Invoice);
- Maintenance of Records.

Offering a full line of integrated international trade and logistics services, PF Collins can also arrange transportation services for your imports from the U.S. or international shipping point to final destination in Canada.

To get started, the following information will be required:

- Information on products to be imported into Canada, including a full description and corresponding HS Codes (if known);
- Storage and distribution requirements (e.g. cross-dock only, pick and pack, labelling, inventory management and reporting requirements, etc.);
- Packaging characteristics of your products (e.g. carton size, weight, dimensions, etc.);
- Customs address locations in Canada;
- Transit time requirements;
- Preferred mode of transportation (truck, rail, airfreight, courier, etc.).

6. Contact PF Collins

Established in 1921, PF Collins provides safe, high quality international trade and project logistics solutions to create leaner supply chains for our clients. Our integrated services include:

- Customs Brokerage
- Customs Consulting
- Freight Forwarding
- Warehousing & Distribution
- Immigration Consulting
- Marine Agency.

We combine our expertise in import/export regulation with modern technology to expedite customs clearance and ensure your shipments arrive on time and in compliance with all applicable laws and regulations.

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