



# TaxNewsFlash

Canada

## Importers — Is There an Audit Risk for Your Goods?

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Importers should determine whether goods in their supply chain may be subject to increased scrutiny from the Canada Border Services Agency (CBSA). Recently, the CBSA released an updated list of more than 20 imported goods that it is targeting for potential audits. Affected businesses may want to review this list to ensure that they have complied with their trade obligations and paid the correct amount of duty and tax on any identified goods. Importers that have made errors related to tariff classification, valuation or the origin of these goods could be subject to penalties.

The CBSA releases an updated list of audit priorities every six months, but continues to audit importers for other goods as well. KPMG Canada's Trade and Customs professionals can help you identify affected goods in your supply chain that may be subject to increased audit activity from the CBSA, and ensure that you are meeting your trade compliance obligations on these and other imported goods.

### Background

The CBSA's list of audit priorities is divided into three separate categories based on specific errors:

- Tariff classification — Goods for which importers may have used an incorrect tariff classification
- Valuation — Goods for which importers may have assigned an improper valuation
- Origin — Goods for which importers may have incorrectly determined the proper origin (often related to tariff treatment under a trade agreement).

Where importers have made errors, they face assessments for additional duties and taxes owed as well as penalties.

The CBSA's list of audit priorities includes additional information related to each targeted good, including a short description of an identified risk (e.g., goods may be classified under the wrong tariff with a lower duty rate), the history of the review, the number of targeted companies, the percentage of non-compliance identified, and the total duty and penalty assessed to date on the targeted goods.

### CBSA's updated compliance audit priorities

The CBSA's July 2022 updated list of audit priorities, which now includes indicator panels and light-emitting diodes (LED), contains the following targeted goods:

#### Tariff classification

- Indicator panels and light-emitting diodes (LED)
- Spent fowl
- LED lamps
- Furniture for non-domestic purposes
- Batteries
- Footwear (\$30 or more per pair)
- Parts of lamps
- Pasta
- Cell phone cases
- Pickled vegetables
- Gloves
- Bags
- Other mountings and fittings, suitable for furniture
- Air heaters and hot air distributors
- Flashlights and miner's safety lamps
- Parts of machine and mechanical appliances
- Other chemical products
- Bicycle parts
- Parts for use with Machinery of Chapter 84

#### Valuation

- Apparel
- Footwear

#### KPMG observations

The CBSA audits imports of targeted goods as well as other goods, including those imported as "duty free" under trade agreements. For duty-free imported goods, importers must ensure these goods meet all the requirements under the relevant trade agreement (e.g., the rules of origin).

Note that importers who work with customs brokers are still ultimately responsible for any information reported on customs documentation and applicable duties.

### We can help

KPMG Trade and Customs professionals can help you identify imported goods in your supply chain that are subject to the CBSA's latest list of audit priorities so that you can meet your compliance obligations. Our professionals can also assist you in managing the complexity of other trade and customs rules and regulations, and provide insight on current Trade and Customs practices and benchmarks related to your industry. Specifically, we offer a wide range of services, such as:

- Identifying operational weaknesses that can create trade compliance risks
- Filing voluntary disclosures to correct issues prior to discovery in a CBSA audit to help mitigate penalties and interest
- Reviewing software solutions to automate post-entry reviews
- Identifying duty recovery opportunities
- Offering trade managed services, with flexible options to outsource all or part of your customs function.

For more information, contact your KPMG advisor or one of the following Trade and Customs professionals:

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