



TaxNewsFlash

Canada

Importers — Assess Risk with CBSA's Latest Audit List

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Importers should determine whether their imported goods may be subject to increased scrutiny from the Canada Border Services Agency (CBSA). Recently, the CBSA released an updated list of 15 specific imported goods that it is targeting for audit investigations to ensure importers are properly meeting their trade obligations. Importers and retailers of imported goods on this verification priorities list, which has been updated to include washers, dryers, freezers and other freezing equipment, should ensure they meet all related trade obligations to help verification of these imports.

KPMG's Trade and Customs professionals can help businesses identify imported goods in their supply chain that may be subject to increased verification activities (also known as audit activities) from the CBSA, and ensure that they are meeting their trade compliance obligations on these and other imported goods.

Background

The CBSA updates its list of verification priorities every six months. This list is divided into three separate categories based on specific categories of 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. In some cases, importers may be entitled to refunds if errors lead to overpaid duties and taxes.

CBSA's latest verification priorities

The CBSA's updated list for July 2023 now includes freezers and other freezing equipment, as well as washers and dryers. Although the CBSA has removed certain imported goods from its list, including gloves, bags, batteries, air heaters and hot air distributors (among other items), these imports continue to be subject to regular verification processes.

The CBSA's latest list now identifies the following targeted goods:

Tariff classification

- Freezers and other freezing equipment (New in July 2023)
- Washers and dryers (New in July 2023)
- Spent fowl
- LED lamps
- Furniture for non-domestic purposes
- Parts of lamps
- Cell phone cases
- Pickled vegetables
- Parts of machine and mechanical appliances
- Bicycle parts
- Parts for use with machinery of Chapter 84
- Indicator panels and light-emitting diodes (LED)
- Safety headgear
- Disposable and protective gloves

Valuation

- Apparel

KPMG observations

The CBSA audits targeted goods that are imported into Canada 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 and taxes.

We can help

KPMG's Trade and Customs professionals help businesses identify imported goods in their supply chain that are subject to the CBSA's latest list of audit priorities so that they can assess operational risks related to increased verification activities. Our professionals also assist 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 various industries. 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 verification 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
- Reviewing supply chains to help businesses meet the latest reporting obligations under new legislation related to fighting force labour and child labour.

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

Kenneth Jordan
Partner, Trade and Customs
416 476 2257
kejordan@kpmg.ca

Bob Sacco
GTA Trade and Customs Leader
416 777 3693
bobsacco@kpmg.ca

Joy Nott
Partner, Trade and Customs
416 228 7175
jnott@kpmg.ca

Angelos Xilinas
Partner, Trade and Customs
604 691 3479
axilinas@kpmg.ca

kpmg.ca



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