



# TaxNewsFlash

Canada

## Importers — Assess Risk with New CBSA 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 compliance areas that it is targeting for audit investigations, including three new United States Surtax Orders, import origin verification under certain trade agreements, and nine specific categories of imported goods. Importers, including manufacturers and retailers, of imported goods subject to any of the CBSA's listed compliance priorities should ensure they meet all related trade obligations to help verification of these imports.

Note that importers may have additional considerations as a result of recent global tariff measures. Specifically, importers that use surtax remission codes on their shipments at time of entry may need to justify the use of these codes in the event of CBSA compliance verification. The CBSA recently released these surtax remission codes to help qualifying importers benefit from Canada's "United States Surtax Remission Order (2025)".

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 two general sections:

- *Specific compliance priorities* — Compliance priorities related to specific quota and classification, and certain trade agreements and surtax orders.
- *Specific goods based on the following types of potential 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).

Importers that have made any of these errors may 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.

To assist with the verification process, the CBSA may use its new CARM (CBSA Assessment Revenue Management) system that was fully implemented in October 2024.

### Specific compliance priorities

The CBSA's latest list of specific compliance priorities, which is dated July 2025, adds three United States Surtax Orders and removes the "Most-Favoured-Nation (MFN) tariff treatment withdrawn from Russia and Belarus". The list identifies the following specific compliance priorities:

- Tariff rate quota and classification of supply managed goods — Verifications related to the classification of frozen desserts containing 5% of dairy products
- GST and excise duties and taxes — Verifications of the GST exemption codes and vaping products subject to excise duties and taxes
- Import origin verifications — Verifications under Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and Canada-United Kingdom Trade Continuity Agreement (CUKTCA)
- Duties Relief Program (DRP) — Verifications of licensees importing supply managed goods
- China Surtax Order (2024) — Electric vehicles
- China Surtax Order (2024) — Steel and Aluminum

- United States Surtax Order (2025-01) (NEW) – Various imported goods originating in the U.S.
- United States Surtax Order (Steel and Aluminum 2025) (NEW)
- United States Surtax Order (Motor Vehicles 2025) (NEW).

### Compliance priorities related to specific goods under three types of potential errors

Although the CBSA has removed the categories for disposable and protective gloves (under Tariff classification) and apparel (under Valuation) from its list of specific goods, importers should remember that any imports of these goods continue to be subject to regular verification processes. The CBSA's latest list, dated July 2025, identifies the following targeted goods:

#### Tariff classification

- Gloves
- Bags
- Freezers and other freezing equipment
- Washers and dryers
- Spent fowl
- LED lamps
- Furniture for non-domestic purposes
- Bicycle parts

#### Origin

- Bedding and drapery

### Importers — Have you received any of these letters?

Importers that receive correspondence from the CBSA that indicates potential non-compliance should take action quickly to assess potential risks and challenges. The CBSA uses various compliance tools, including the following types of correspondence to importers:

- Trade advisory notice (TAN) — The CBSA may issue a TAN where there is a potential for non-compliance in a particular declaration

- Compliance validation letter (CVL) — The CBSA may issue a CVL where there is suspicion of non-compliance, and importers are required to respond within 30 days
- Directed compliance letter (DCL) – The CBSA may issue a DCL with a monetary assessment where there is a known non-compliance.

#### **KPMG observations**

The CBSA audits specific compliance priorities or 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 of the requirements under the relevant trade agreement (e.g., the rules of origin). Importers should also ensure they continuously review these trade agreements for changes and updates that could potentially affect their imported goods.

Note that importers who work with customs brokers are still 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 specific compliance priorities or 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 may offer a wide range of services depending on the circumstances, such as:

- Providing data analytics with the use of the KPMG’s tariff modeler to help importers better understand the impacts of the current tariff disruption and of future tariff scenarios
- Offering solutions to help identify trade compliance risks and obligations
- Identifying operational weaknesses that can create trade compliance challenges
- Filing voluntary disclosures to correct issues prior to discovery in a CBSA verification to help mitigate penalties and interest
- Reviewing software solutions that may 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 legislation related to fighting against forced labour and child labour.

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

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