

**May 2023 Final Report to the House of Commons Standing Committee on  
Public Accounts' 14<sup>th</sup> Report, titled: *Taxation of E-Commerce***

**Recommendation 3 - On the Courier Low Value Shipment Program**

**That the Canada Border Services Agency provide the House of Commons Standing Committee on Public Accounts with two progress reports and one final report on improving the validation and collection of sales taxes under the Courier Low Value Shipment Program, including: (1) the means in place to ensure that taxes are fully reflected; (2) requests made and approvals received for regulatory changes to the program; and (3) the automation of the program with respect to receiving, processing and analyzing shipment data. Two progress reports shall be provided to the Committee no later than 31 May 2021 and 31 May 2022, respectively, and a final report shall be provided no later than 31 May 2023.**

**Final Progress Report**

**(1) Ensuring taxes are fully reflected:**

As noted in our [initial interim report](#), the issues raised by the Auditor General prompted the Canada Border Services Agency to rethink fundamental elements of the customs duty regime. This has resulted in a new vision for the future of trade compliance, the cornerstone of which is trade risking and targeted Canada Border Services Agency interventions that are enabled by the Canada Border Services Agency Assessment and Revenue Management initiative. Once fully implemented, Canada Border Services Agency Assessment and Revenue Management will streamline and automate business processes, offer online self-service tools to help the trade community do business in Canada and provide the mechanisms to ensure taxes are fully reflected.

Upon implementation, for goods released through the Courier Low Value Shipment stream, the Courier Low Value Shipment participant or Customs Broker may consolidate multiple shipments into a single Commercial Accounting Declaration. While this Commercial Accounting Declaration does not automatically calculate duties and taxes, it provides the functionality for identification of the federal and provincial taxes that are required and will be implemented with the expectation that trade chain partners calculate all duties and taxes owed, while maintaining documentation to support the claim, available to the Canada Border Services Agency upon request as per policy.

For the Provincial Portion of Sales Tax, the Provincial Sales Tax applies to all non-commercial goods imported through the commercial stream destined to a province not participating in the Harmonized Sales Tax program. Details surrounding the applicability of Provincial Sales Tax can be found in the associated policy.

Due to the variability in Provincial of Sales Tax, to account for Provincial Sales Tax in the Commercial Accounting Declaration, a trade chain partners must account for the total Provincial

Sales Tax owing in the Harmonized Sales Tax / Provincial Sales Tax field of the Commercial Accounting Declaration and identify the province of applicability in the Province of Destination field. The Goods and Services Tax for Provincial Sales Tax-relevant provinces will be calculated by the Canada Border Services Agency Assessment and Revenue Management system.

**(2) Pursuing regulatory modernization:**

The Canada Border Services Agency continues to explore regulatory changes to ensure that it has consistent access to timely and accurate advance electronic data to identify and address health, safety, security and revenue risks associated to goods imported through the Courier Low Value Shipment Program.

The Canada Border Services Agency is currently undertaking consultations with impacted stakeholders in the context of the Border Commercial Consultative Committee. Following consultations, the Canada Border Services Agency will develop a proposal for regulatory amendments to be considered by the Government. The Agency is mindful of the procedural and systems changes that may impact some trade chain partners with the implementation of Canada Border Services Agency Assessment and Revenue Management R2, and will work with the importing community to ensure that any regulatory changes related to advance electronic data are advanced in a manner that allows industry the opportunity to make the necessary adjustments.

**(3) Automating the program with respect to receiving, processing and analyzing shipment data:**

The Canada Border Services Agency is currently completing the development and moving towards implementing a technology based system to automate the Courier Low Value Shipment Program, including the ability to receive, process, and analyze customs data. The technology is anticipated to be deployed in fall 2023 as a pilot and final completion timelines are being assessed.

The new system will leverage currently available technology to allow it to process the large amounts of data associated with the Courier Low Value Shipment Program. By automatically receiving data from Courier Low Value Shipment participants, the system will apply indicators that enable it to prioritize shipments that may pose risk and require examination. The functionality will also facilitate and accelerate the processing and release of low risk shipments by the Agency. The system will also provide the Canada Border Services Agency with greater visibility into the practices of program participants and will be employed as an essential tool in the management of program integrity and compliance.

As of spring 2023, the new system has completed its initial phase of development and has recently entered into a testing phase with the Courier Low Value Shipment program participants. During this testing phase, the system will receive advance data from participants and then building upon its scalable architecture the system will continue to adapt and evolve based on feedback during the follow-on 12 month testing and validation period.

Following the testing phase, the new system will be deployed as a national solution that will provide a single, standardized, application for all Courier Low Value Shipment stakeholders, both internal and external to the Canada Border Services Agency. This single system will allow for all Canada Border Services Agency Courier Low Value Shipment ports of entry to work in a modern and digital manner within a single system environment and instantly share results, information and best practices across Canada.

In concert with the testing phase, the deployment of this new system is expected to begin, on a pilot basis, during the summer of 2023, with an increase in the number of ports and carriers onboarding after this period. The technology is anticipated to be deployed in fall 2023 as a pilot and final completion timelines are being assessed.

To manage risk and maintain border fluidity of the Courier Low Value Shipment during the pilot phase, the Canada Border Services Agency will continue to leverage its interim solution, the Courier Analytic Portal.