



Mr. John Williamson, M.P.  
Chair of the Standing Committee on Public Accounts  
House of Commons  
John.Williamson@parl.gc.ca

Dear Mr. Williamson:

Thank you for your correspondence dated October 27, 2022, requesting the progress report stemming from the government response to *Report 14 (43<sup>rd</sup> Parliament, 2<sup>nd</sup> Session)* where the committee studied *Report 3, Taxation of E-Commerce, of the 2019 Spring Reports of the Auditor General of Canada*. Please accept my apologies for the delay in returning this progress report to the committee.

Find below the information from the Canada Border Services Agency concerning recommendation 3 on the above-mentioned report.

### **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.**

**May 2022 Progress Report to the House of Commons Standing Committee on Public Accounts' 14<sup>th</sup> Report, titled: *Taxation of E-Commerce***

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

As noted in our [initial interim report](#), the issues raised by the Auditor General (AG) prompted the CBSA 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 robust trade risking and targeted CBSA interventions that are enabled by the CBSA Assessment and Revenue Management (CARM) initiative. Once fully implemented, CARM will streamline and automate business processes and offer online self-service tools to help the trade community do business in Canada. Through innovative technology, CARM's core features include improved accountability through the enhancement of accounting capabilities and internal controls, trade fraud and evasion detection, more efficient service delivery, and business simplification that seeks to reduce trade barriers and costs to importers.

CARM initiative Release 2 (R2) was originally scheduled for release in May 2022, however, due to delays the project recently received Treasury Board approval to pursue October 2023 go-live date.

Upon implementation, for goods released through the Courier Low Value Shipment (CLVS) stream, the CLVS participant or Customs Broker may consolidate multiple shipments into a single Commercial Accounting Declaration (CAD). Unlike other CAD types, the F-Type CAD does not calculate duties and taxes. Trade Chain Partners (TCPs) will be expected to calculate all duties and taxes owed, while maintaining documentation to support the claim, available to the CBSA upon request as per policy.

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

To account for PST on a commodity line of the CAD, a TCP must account for the total PST owing in the HST/PST field of the CAD and identify the province of applicability in the Province of Destination field. The GST for PST relevant provinces will be calculated by the CARM system.

## **(2) Pursuing regulatory modernization:**

The CBSA is currently discussing the mandating of electronic data, including which data elements should be mandated, with impacted stakeholders in the context of the Border Commercial Consultative Committee. Once options have been discussed with potentially impacted parties, the CBSA will develop a proposal for regulatory amendments to be considered by the Government.

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

The CBSA is currently developing a solution to automate the Courier Low Value Shipment (CLVS) program, including the ability to receive, process, and analyze customs data, by fiscal year 2023-24.

The solution under development will leverage current technology to allow it to process the large amount of data associated with the CLVS Program. It will automatically receive data, apply indicators that enable it to prioritize shipments that may pose some risk and require examination. It will also include a number of functions that facilitate and accelerate the processing and release of shipments by the Agency. It will also provide the CBSA with greater visibility into the practices of program participants, and constitutes an essential tool in the management of program compliance.

The deployment of this new solution is expected on a limited scale by Spring 2023, with an increase in the number of ports and carriers using it over the following year. Full roll out is anticipated by Spring 2024.

In the meantime, the CBSA has continued to use its interim solution, the Courier Analytic Portal (CAP). CAP receives data from couriers and processes it locally to deliver a level of automation that allows officers to apply rules to prioritize shipments, accelerating examination decisions.

A majority of couriers are now transmitting data to CAP at a majority of ports of arrival. In the last status report we mentioned that CAP has processed 1.8 million shipments in 2019-20 and approximately 10.1 million in 2020-21. As more couriers and ports are using CAP, volumes of shipments processed through this tool have further increased in 2022 to over 30 million so far.

The CBSA locations that are utilizing CAP have seen an increase in productive time for CBSA examining officers. Officers have approximately 50% more time to spend on examinations as a result of the enhanced risking capabilities within the CAP tool. Data also suggests increases in the effectiveness of examinations.

The newer solution that will replace CAP over the next year will have the same benefits as CAP with the added capacity to capture examination results through a mobile application and integration with other applications that will further save officer time. It will also be scalable beyond the current capacity of CAP and will be available as an integrated national system.

The CBSA will provide its final progress report regarding the taxation of e-commerce to the committee in May 2023. Additionally, we are working on providing the committee with our progress report regarding recommendation 4 in *Report 5 (43<sup>rd</sup> Parliament, 2<sup>nd</sup> Session)* where the committee studied *Report 1, Immigration Removals, of the 2020 Spring Reports of the Auditor General of Canada* due to the committee by December 31, 2022.

I hope that this information is of assistance.

Yours sincerely,



Ted Gallivan  
A/President of the CBSA