

CANADA BORDER SERVICES AGENCY DETAILED ACTION PLAN and STATUS UPDATE

for the OAG Audit of Taxation of e-commerce of the spring 2019 Reports of the Auditor General of Canada

OAG Recommendation	Departmental Response (to be included in the report)	Description of Final Expected Outcome/Result	OPI	Key Interim Milestones (Description/Dates)	Status	Comments
<p>As soon as possible, the Canada Border Services Agency should review the Courier Low Value Shipment Program to improve the validation and collection of GST, HST, and PST. As part of the review, it should:</p> <ul style="list-style-type: none"> -Identify the program variables that should be fully reflected in their systems and forms, such as provincial sales taxes; -Ensure it receives shipment data electronically in advance of the goods arriving at the border to facilitate compliance activities; and - Implement a comprehensive E-Commerce Strategy to make informed risk assessment and improved revenue collection and report publicly on its progress. 	<p>Agreed. The Canada Border Services Agency will review processes within the Courier Low Value Shipment (CLVS) Program to improve the validation of taxes collected. The Agency will participate in the World Customs Organization Working Group to identify revenue collection models and evaluate other countries' best practices by September 2019.</p> <p>The Agency will also further refine its E-Commerce Strategy to be finalized in 2019 and commit to securing an approved business plan before the end of 2019-20 with implementation timelines. This strategy will focus on trade facilitation, safety and security as well as revenue collection.</p> <p>In addition, the CBSA will seek authority and funding to regulate shipment data in advance and develop a reconciliation process by December 2019.</p> <p>Finally, the Agency will renew its focus on compliance activities in the CLVS program by proposing an approach on conducting statistically valid courier compliance activities based on courier data to ensure revenue-related requirements are met by March 2020 and examine options to further automate the CLVS Program including the ability to receive, process and analyze customs data by March 2023.</p>	<p>To improve the CLVS Program, the CBSA will:</p> <ul style="list-style-type: none"> • Develop a business case with the objective of obtaining incremental funds to invest in process changes and technology; • Align practices, where possible with international agreements for express operators and WCO guidelines; and • The CBSA will have effective mechanisms in place to monitor and assess Courier Low Value Shipment Program compliance. 	CTPPD	<p>The CBSA will work, in consultation with internal/external partners and stakeholders, to enhance the Courier Low Value Shipment Program by:</p> <p>1.1 Reviewing and updating the means by which goods are accounted for so as to ensure that taxes (including provincial sales taxes) are fully reflected.</p> <p>(April 1, 2022)</p>	On track	<p>The Agency has already taken steps to improve its capability to ensure that all taxes and duties are properly assessed, collected and accounted for. The CBSA conducted a series of compliance exercises. These exercises have further helped form the basis for the development of the CBSA Commercial Compliance Culpability Framework. The Agency continues to:</p> <ul style="list-style-type: none"> • Monitor compliance based on risk and address non-compliance through outreach and/or Administrative Monetary Penalties (AMPs), where applicable. • Work with the Regional Operations in dealing with current issues that arise with CLVS participants and develop national strategies for reaching compliance. • Ensure that participants are adhering to requirements for continued eligibility into the program. • Pursue the need for a centralized reporting and targeting system for CLVS Participants with CBSA interface for assessing and risking CLVS shipments prior to importation. • Continue to pursue the need for AMPs for non-compliance issues within the CLVS program that currently do not exist.
			CTPPD	<p>1.2 Developing and approving a business plan for the e-commerce strategy focusing on trade facilitation, safety and security as well as revenue collection.</p> <p>(March 31, 2020)</p>	Completed	<p>In July 2020, the CBSA approved internally an end-to-end integrated E-Commerce Customs Framework and Strategy. The Strategy highlights the Agency's plan to adapt itself to increasing volumes of low-value packages processed at the border, driven by direct-to-consumer e-commerce. The situation has been exacerbated by the Covid-19 pandemic.</p> <p>To address these challenges effectively, the Agency will advance four key pillars of the Strategy:</p> <ol style="list-style-type: none"> 1. Strengthening legal and regulatory authorities 2. Transforming the CBSA operations 3. Strategically expanding and leveraging partnerships 4. Building the Agency's capacity in the area of infrastructure and IT enhancement.
			CTPPD	<p>1.3 Participating in the World Customs Organization Working Group to identify revenue collection models and evaluate other countries best practices.</p> <p>(September 2019)</p>	Completed	<p>The CBSA will implement the E-Commerce Customs Strategy that is aligned (e.g., automation of advance data, strengthening legislative frameworks, revenue models), to the greatest extent possible, with the WCO's global standards and those of our international partners, such as the Border Five (B5) members, including the United States Customs and Border Protection.</p>

						<p>The CBSA's E-Commerce Strategy will focus on:</p> <ul style="list-style-type: none"> - Trade facilitation; - Revenue collection; and - Safety and security
			CTPPD	<p>1.4 Seeking authority and funding to regulate shipment data in advance and developing a reconciliation process.</p> <p>(December 2019)</p>	On track	<p>The E-Commerce Customs Strategy which includes key activities from FY 2020-2022, was endorsed at Executive Committee in July 2020. With the approval of the strategy, the CBSA is actively developing an implementation roadmap to support the delivery of the E-Commerce Strategy. Once the roadmap is finalized, including direction on possible future enhancements to authorities, industry partners will be further consulted.</p>
			PPMD	<p>1.5 Examining options to further automate the CLVS Program including the ability to receive, process and analyze customs data</p> <p>(Fiscal year 2022-2023)</p>	On track	<p>The CBSA stated that it would "examine options to further automate the program, including the ability to receive, process, and analyze customs data by March 2023."</p> <p>To follow-up on this response, an interim solution was introduced to automate and streamline much of the Courier Low Value Shipment (CLVS) process, allowing for more efficient processing of electronic data from couriers on a CBSA system. It is designed as a tool for the purpose of reporting, release, and targeting of CLVS shipments. It enables CLVS data to be imported, risk assessed and displayed to officers.</p>
			CPD	<p>1.6 Renewing focus on compliance activities in the CLVS program by proposing an approach on conducting statistically valid courier compliance activities based on courier data to ensure revenue and security related requirements are met.</p> <p>(March 2020)</p>	Completed	<p>The Agency, in response to the audit and the changing retail landscape, has renewed its focus on compliance activities in the CLVS Program by conducting a review of courier compliance based on courier data. An evergreen CLVS compliance framework will be maintained, balancing current program requirements with the Agency's vision for end-state compliance. A series of compliance exercises were conducted in FY 2019/2020 to review and assess compliance within the courier stream, and ensure that CLVS program participants and e-Commerce companies are compliant with CBSA legislation and regulations.</p> <p>Findings and recommendations from the compliance exercises will help inform a baseline for existing compliance levels within the CLVS program, and policy and program recommendations may be required to address any areas of concern discovered.</p>