



Ottawa, March 20, 2015

## Memorandum D8-2-25

### **Canadian Vessels Repaired or Altered in the United States, Mexico, Chile, Israel or Another CIFTA Beneficiary, Colombia, Costa Rica, Peru, Jordan, Panama, Iceland, Liechtenstein, Switzerland or Norway**

#### **In Brief**

1. This document has been updated to revise the list of countries where repairs or alterations may be done to Canadian vessels, and the vessels would be entitled to preferential tariff treatment when they are returned to Canada.
2. This document also contains editing revisions which do not affect or change existing policies or procedures.

This memorandum outlines the conditions under which vessels may be imported under tariff item No. 9971.00.00 of the [Customs Tariff](#).

#### **Guidelines and General Information**

1. Tariff item No. 9971.00.00 provides for the reimportation of certain Canadian vessels which were exported to the United States, Mexico, Chile, Israel or another CIFTA beneficiary, Colombia, Costa Rica, Peru, Jordan, Panama, Iceland, Liechtenstein, Switzerland or Norway for the purpose of being repaired or altered. The tariff item allows for the payment of duty only on the value of the work performed abroad and not on the value of the vessel itself.
2. The goods and services tax/harmonized sales tax (GST/HST) is also payable only on the value of work done abroad, and not on the value of the vessel itself.
3. For the purposes of tariff item No. 9971.00.00, the value for duty shown on the accounting document is not the value of the goods. Rather, it is the value of the repair or alteration carried out in the United States, Mexico, Chile, Israel or another CIFTA beneficiary, Colombia, Costa Rica, Peru, Jordan, Panama, Iceland, Liechtenstein, Switzerland or Norway. In determining the value of the repair, the principles of sections 47 to 55 of the [Customs Act](#) should be followed. If an acceptable price is paid or payable for the repair or alteration, the price should form the basis of the value for duty (with the appropriate adjustments that would be made under section 48 of the *Customs Act*). If no price is paid or payable, or the price paid or payable is unacceptable, the value of the repair should be determined under a method of valuation under sections 49 to 55 of the *Customs Act*.
4. Tariff item No. 9971.00.00 relates only to Canadian vessels which are exported from Canada for the purpose of being repaired or altered in the United States, Mexico, Chile, Israel or another CIFTA beneficiary, Colombia, Costa Rica, Peru, Jordan, Panama, Iceland, Liechtenstein, Switzerland or Norway. Canadian vessels which are repaired or altered during the course of the vessel's operations abroad may be eligible for a reduction or removal of customs duties under the [Vessel Duties Reduction or Removal Regulations](#). Canadian vessels which undergo emergency repairs as a result of an unforeseen contingency may be eligible for full relief of duties under subsection 101(2) of the [Customs Tariff](#). [Memoranda D8-2-1, Canadian Goods Abroad Program](#) and [D8-2-4, Canadian Goods Abroad Program – Emergency Repairs](#) should be consulted.

5. For the purposes of tariff item No. 9971.00.00, repair means the restoration of a vessel or its components to good operating condition. Alteration means any operation which alters the vessel, e.g., the addition of a crane to a cargo ship, but does not include an operation which changes the essential characteristic of the vessel, e.g., the conversion of a cruise ship to a cargo ship.
6. The provisions of tariff item No. 9971.00.00 apply to qualifying vessels, regardless of whether the repair or alteration could have been performed in Canada.
7. If the vessel is substantially transformed outside Canada from manufacturing or assembling processes that result in a new or different commercial good, including an operation or process that is part of the production or assembly of an unfinished good into a finished good, the good does not qualify for classification in tariff item No. 9971.00.00. In such cases, refer to the provisions of the Canadian Goods Abroad Program, [Memorandum D8-2-1, Canadian Goods Abroad Program](#).
8. Generally, a Form [A6, General Declaration](#), would be the proof of export required by paragraph 2(b) of [Tariff Item Nos. 9971.00.00 and 9992.00.00 Accounting Regulations](#) in the case of vessels returning to Canada after being repaired or altered in the United States, Mexico, Chile, Israel or another CIFTA beneficiary, Colombia, Costa Rica, Peru, Jordan, Panama, Iceland, Liechtenstein, Switzerland or Norway.
9. The import accounting document, Form [B3-3, Canada Customs Coding Form](#), is required to account for the goods and to pay any applicable duties. The value for duty shown on this form is the value of the repair or alteration. The GST/HST is paid on this value unless a relevant GST code relieves the tax. The goods are classified in field 27 according to the classification number in Chapter 89 of the schedule to the [Customs Tariff](#). Heading No. 9971, which relieves the customs duty, is entered in field 28. Refer to related Form B3-3 examples in [Memorandum D17-1-10, Coding of Customs Accounting Documents](#).
10. In addition, the importer must submit the documents according to the [Tariff Item Nos. 9971.00.00 and 9992.00.00 Accounting Regulations](#), including an invoice and proof of export. The invoice or written statement from the foreign processor must include the value of the repair or alteration. GST/HST is paid (except for warranty repairs) on the foreign value added based on the value for duty. The value for duty is determined based on the valuation provisions in the [Customs Act](#) and includes the price paid or payable for the work, and applicable additions under paragraph 48(5)(a) relating to transportation and associated costs up to and from the place of direct shipment of the goods to Canada.
11. If sufficient documentation to determine eligibility for importation under tariff item No. 9971.00.00 is not provided, the vessel will be classified under the appropriate tariff item of Chapter 89 of the schedule to the [Customs Tariff](#), and customs duties will be applied to the full value of the vessel.
12. Customs duty-free tariff item Nos. 9813.00.00 and 9814.00.00 refer to originating Canadian goods and goods once accounted for which were exported from Canada if the goods are returned without being advanced in value or improved in condition by any process of manufacture or other means, or combined with any other article abroad.
13. In accordance with subsection 32.2(2) of the [Customs Act](#), the importer is obligated to make a correction to declarations of tariff classification, value for duty, and origin within 90 days after the importer has reason to believe that the original declaration is incorrect. For example, if the importer realizes that the goods imported under tariff item No. 9971.00.00 actually had undergone further processing, the goods are no longer in compliance with a tariff item condition and the importer is obligated to adjust the accounting declaration for the goods correctly.
14. To correct a declaration, Form [B2, Canada Customs – Adjustment Request](#), should be submitted to the appropriate regional CBSA office and any customs duties and taxes owing paid. A correction shall be treated for the purposes of the [Customs Act](#) as if it were a re-determination under paragraph 59(1)(a) of the *Customs Act*.
15. The obligation to make a correction in respect of imported goods ends four years after the goods are accounted for under subsection 32(1), (3), or (5) of the [Customs Act](#).
16. For more information on the filing of corrections, refer to [Memorandum D11-6-6, “Reason to Believe” and Self-adjustments to Declarations of Origin, Tariff Classification, and Value for Duty](#).

## Audit, Examination, or Verification

17. If as a result of an audit, examination, or verification by the Canada Border Services Agency, goods are found to have been declared incorrectly, the goods will be subject to a re-determination or further re-determination under paragraph 59(1)(a) or (b) of the [Customs Act](#), whichever is applicable.

## Interest and Penalties

18. In accordance with subsection 33.4(1) of the [Customs Act](#), the importer is liable to pay interest against any outstanding amount owed, until the amount is paid in full. The interest will be calculated at the specified rate beginning on the first day after the date the importer became liable to pay the customs duties and taxes. For example, where it is determined that the goods imported incorrectly under tariff item No. 9971.00.00 actually had undergone further processing, the importer is obligated to pay interest on the amount owing from the day following the original date of accounting until the amount owing is paid.

19. [Memorandum D11-6-5, Interest and Penalty Provisions: Determinations/Re-determinations, Appraisals/Re-appraisals, and Duty Relief](#), provides additional information on interest and penalty provisions.

## Additional Information

20. For more information, within Canada call the Border Information Service at **1-800-461-9999**. From outside Canada call 204-983-3500 or 506-636-5064. Long distance charges will apply. Agents are available Monday to Friday (08:00 – 16:00 local time / except holidays). TTY is also available within Canada: **1-866-335-3237**.

<b>References</b>	
<b>Issuing Office</b>	Trade and Anti-dumping Programs Directorate
<b>Headquarters File</b>	
<b>Legislative References</b>	<a href="#">Customs Act</a> <a href="#">Customs Tariff</a> <a href="#">Tariff Item Nos. 9971.00.00 and 9992.00.00 Accounting Regulations</a> <a href="#">Vessel Duties Reduction or Removal Regulations</a>
<b>Other References</b>	<a href="#">D8-2-1</a> , <a href="#">D8-2-4</a> , <a href="#">D11-6-5</a> , <a href="#">D11-6-6</a> , <a href="#">D17-1-10</a> Forms <a href="#">A6</a> , <a href="#">B2</a> and <a href="#">B3-3</a>
<b>Superseded Memorandum D</b>	D8-2-25 dated June 29, 1998