



DRAFT – For Consultation – Subject to Change-Please send any comments or questions on this D-memo to

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Memorandum D17-1-8

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On this page

- [In Brief](#)
- [Legislation](#)
- [Guidelines and General Information](#)
- Appendix
- [References](#)

In Brief

1. This memorandum has been revised to include the introduction of the CBSA Assessment and Revenue Management (CARM) system.
2. This memorandum has been revised to reflect the transition to CARM and outline the procedure for importers to apply, gain and participate in the Release Prior to Payment Privilege following the implementation of CARM Release 2.

Legislation

[Customs Act](#) (sections 32, 33 and 35)

[Accounting for Imported Goods and Payment of Duties Regulations](#)

[Agents' Accounting for Imported Goods and Payment of Duties Regulations](#)

[Customs Brokers Licensing Regulations](#)

To obtain a copy of the legislation or regulations, consult the Justice Canada web site at www.justice.gc.ca.

Guidelines and General Information

Definitions

Business Number (BN9)

A nine digit numerical Canada Revenue Agency (CRA) business registration number used to uniquely identify legal entity information of a business when dealing with the federal, provincial and municipal governments (e.g., 123456789).

Business Number RM Account (RM15)

A 15 digit number made up of the 9 digit business number appended by a 6 digit alpha-numerical number used to uniquely identify the business's import/export accounts (e.g., 123456789RM0001).

CBSA Assessment and Revenue Management (CARM)

Is a duty and tax collection system developed to modernize and streamline the process of importing goods into Canada.

CARM Client Portal (CCP)

Serves as the primary hub for trade chain partners to interact with the CBSA relating to the importation of goods into Canada.

Duties

Under the Customs Act, duties include duties and taxes on imported goods under the Customs Tariff, the Excise Act, 2001, Excise Tax Act, the Special Imports Measures Act and any other Act of Parliament. However, for purposes of some sections and articles of the Customs Act, the term 'duties' does not include the taxes applied under Part IX of the Excise Tax Act (i.e., the Goods and Services Tax (GST)). This means that in the case of a request for a refund of duty, GST is not refunded. Under the Customs Tariff, duties include duties and taxes levied on imported or exported goods, except for the duties and taxes provided for in Sections 53, 55, 60, 63, 68, or 78, or the temporary duties levied under any of Sections 69 to 76.

Financial Security

An acceptable form of financial instrument provided by an importer to secure the payment of duties and taxes on imported goods in accordance with Memorandum [D1-7-1, Posting Security for Transacting Bonded Operations](#).

Licensed Customs Broker

Is an individual, partnership, or corporation, licensed by the CBSA in accordance with the [Customs Broker Licensing Regulations](#), who acts as agent to transact business with the CBSA on behalf of the importer or owner. While in most cases, any authorized agent can transact business with the CBSA, only a licensed customs broker can account for goods and pay duties and taxes subject to section 32 of the [Customs Act](#), as agent for the importer or owner, unless the person does so on a casual basis without compensation, charge or fee.

Release Prior to Payment Privilege

1. The Release Prior to Payment (RPP) Privilege is a privilege that entitles importers who have posted financial security and enrolled in the importer RPP program to:
 - (a) obtain the release of goods from the CBSA before paying duties and taxes;
 - (b) defer accounting for goods; and,
 - (c) defer payment of duties and taxes.
2. Posting security for the RPP privilege is also a requirement to submit a release on minimum documentation.
3. All commercial importers that wish to have RPP privileges must post financial security and enroll in the Importer RPP program. This includes commercial importers of Courier Low Value Shipment (CLVS) goods.
4. While importers may continue to use a licensed customs broker to transact business on their behalf, it is the importer's security that is to secure duties and taxes in the case of non-payment.
5. Customs brokers, who post financial security may enroll in the Importer RPP program as importers, to clear casual (non-commercial) goods, other than those goods being cleared in the CLVS program. The broker's security is to secure duties and taxes in the case of non-payment.

6. Couriers, who post financial security may enroll in the Importer RPP program as importers, to clear casual goods in the CLVS program. The courier's security is to secure duties and taxes in the case of non-payment.

Prerequisites for the Release Prior to Payment Privilege

7. Trade Chain Partners (TCP) that wish to obtain RPP privileges are required to:
 - (a) register with CRA to obtain a business number (BN 9) for the legal entity of your company (if not already registered).
 - (b) set up an account in the [CBSA Commercial Client Portal \(CCP\)](#) located on the CBSA website including setting up any delegation of authorities.
 - (c) Using the CCP, register for the Importer program with CBSA to obtain a business number 15 importer account (BN 15) refer to Memorandum D17-5-2, Financial Security related to the Release Prior to Payment Privilege on Registering in the CCP.
 - (d) Couriers must apply for an importer account importer (RM) account (BN 15) and enroll in the RPP importer sub-program in order to clear goods under the CLVS Program. The courier's financial security secures casual goods imported under the CLVS program.
 - (e) Customs brokers must apply for an importer account importer (RM) account (BN 15) and enroll in the RPP importer sub-program in order to clear goods. The broker's financial security secures goods imported under their account.

Release Prior to Payment CARM Transition Plan

8. The CBSA will be implementing a 180 day transition for Importers to post their new Financial Security amounts in the CARM portal.
9. Importers that register in the CCP will benefit from the 180 day transition period. Importers may register ahead of CARM Release 2 Go-Live, or during the 180 day transition to benefit from using RPP without posting security.
10. Importers must update their Financial Security amount in the CCP prior to the 180 day deadline. Importers who have not posted Financial Security before this date will face potential suspensions, penalties and/or revocation of their RPP.

Release Prior to Payment Enrollment

11. Once a TCP has set up their account and registered for their BN9 and BN15 Importer program account the TCP can enroll in the RPP importer sub-program by completing the following steps:
 - (a) Using Enroll in the RPP importer sub-program.
 - (b) the TCP has been delegated access on the CCP to act on behalf of an importer. (Note - only a licensed customs broker can be delegated to account and pay on behalf of an importer under section 32 of the Customs Act (if receiving compensation, charge or fee).
 - (c) If the application is approved, the TCP can apply for sub-programs via various subprogram enrolment processes. To enroll in a sub-program, the TCP navigates to the Program Profile page and accesses the sub-program tab.
 - (d) A separate RM is generated for each program, the RPP sub-program falls under the Importer RM.
 - (e) The CARM System calculates the required amount of financial security it estimates the TCP needs, and validates that the amount posted by the TCP equals the CARM System calculated amount.
 - (f) If CARM validates that all the information is accurate and that the TCP meets the requirements for RPP enrollment, the RPP flag in the system will be updated.
 - (g) If the CARM system calculates the TCP has not calculated and posted adequate security, the TCP can either post the security calculated by CARM or request to post the lower self-calculated amount which will be subject to CBSA approval.

Release Prior to Payment Privilege Security

12. Security can be in the form of electronic cash deposit or an Electronic bond (E-bond) issued by either a surety or financial institution as detailed in Memorandum D17-5-2, Financial Security Related to the Release Prior to Payment Privilege.
13. In exceptional circumstances only, paper-based security may be accepted. This can be in the form of cash, certified cheque, money order, transferable bond issued by the Government of Canada, and/or a [Form D120, Customs Bond](#), issued by either a surety or financial institution as detailed in Memorandum D17-5-2, Financial Security Related to the Release Prior to Payment Privilege.

14. For more detailed information please refer to Memorandum D17-5-2, Financial Security related to the Release Prior to Payment Privilege.

Calculation of Amount of Security for Release Prior to Payment Security

15. RPP security for RPP importers (both resident and non-resident) is based on 50% of their highest monthly accounts receivable (AR) owing (including GST). based on the previous 12 months, with a minimum bond of \$5,000 and a maximum of \$10 million.
16. Importers can elect instead to post security as an electronic cash deposit instead of a surety bond (no minimum requirement); however no reduction will apply and an importer is required to post 100% of their highest monthly AR.
17. New importers with no importing history, should estimate what they forecast their AR will be to determine the amount of security to post. Importers will be prompted by the CARM system to post additional security or make a payment should the amount be insufficient once they start transacting business.
18. Where an importer solely imports goods that are unconditionally free of duties, no security deposit is required. However, should the system determine that there are duties and taxes associated with the transaction, the importer will be required to post security.
19. Security (bonds, riders, endorsements, certified cheques etc.) for the RPP privilege must be submitted electronically via the CARM portal.
20. Upon acceptance of the security, the CARM system will issue a Transaction Control Number. This identifies shipments at various times throughout the customs process. The Transaction Control Number will replace the 5 digit Account Security number that is currently assigned to Customs Brokers and Importers.
21. The CARM solution will track and monitor RPP security utilization in real-time, as well as nudge importers who are approaching or beyond their financial security limit based on current AR and security posted. It is obligatory on the importer to maintain adequate security to cover their AR per the requirements stated above.
22. If the importer or the surety provider cancels the bond, the importer will be removed from the RPP privilege. Importers must have adequate financial security posted to

participate. Importers may be re-instated into the RPP privilege if they provide new financial security, subject to processing timelines of new RPP privileges.

Maintaining Security Levels for Importers and Customs Brokers

23. Importers are responsible to maintain adequate security with the CBSA to cover their accounts receivable. When additional security is required, the importer or customs broker is to submit additional security electronically (i.e., a rider, endorsement or an amendment to the [Form D120, Customs Bond](#) or other acceptable form of security to the CBSA (refer to Memorandum D17-5-2, Financial Security related to the Release Prior to Payment Privilege).
24. The review period is from July 25 of the previous year to July 24 of the current year. Increases or decreases must be submitted in the CCP prior to that date.
25. Security levels are monitored by the CBSA in the CARM system. Failure to comply with security requirements may result in the suspension or revocation of the release prior to payment privilege.

RPP Non-compliance

26. Non-compliance from the importer may include late or missed payments of their monthly accounts, or failure to provide financial security levels at the required amount.
27. Importers may be suspended after their third late payment. If an importer has RPP privileges revoked for late payment and no claim has been filed, the importer will not be eligible for the RPP program for a period of one year. If a claim against their financial security has been filed, privileges will be revoked for a period of three years. The CBSA will notify these importers of the consequences of their non-compliance.
28. The CBSA reserves the right to suspend/revoke the RPP privilege based on risk, or if it has reason to believe there could be payment issues (i.e., bankruptcy, bankruptcy protection).
29. The Administrative Monetary Penalty System (AMPS) contravention C336 applies to late payments of duties and taxes owing. Refer to [Memorandum D22-1-1, Administrative Monetary Penalty System](#), for further information.

30. Failure to maintain an adequate level of security and continued late or non-payments will impact an importer's risk rating with the CBSA, which could result in increased monitoring and suspension or revocation of privileges.

Claims against Release Prior to Payment Security

31. The CBSA may pursue a claim against the financial security, in accordance with the Financial Security Regulations, when the debtor has failed to pay an amount that they owe under the applicable legislation and/or regulation. The claim process will be initiated after reasonable attempts have been made to collect from the principal, or when the debtor has filed a bankruptcy or bankruptcy protection.
32. Customs Bonds (electronic or paper bonds): The CBSA will enforce the terms and conditions of the bond and will send the security provider a notice of claim for payment of a debt that has been incurred by the principal. The CBSA will provide relevant documentation to substantiate the claim.
33. Other forms of security (cash, money orders, certified cheque or Government of Canada Bonds): The CBSA will withhold a sufficient portion of the security to cover the amount owing.
34. The claim amount shall include all debts that were covered by financial security during its effective duration.
35. If the customs bond has been cancelled or expired, the CBSA has up to one year after the cancellation or expiry to request a claim for payment.
36. The CBSA reserves the right to suspend and/or revoke the importer's RPP privilege if and when a claim is initiated on the financial security.

Additional Information

37. 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.

References

Consult these resources for further information.

Applicable legislation

- [Customs Act, Section 33, 35, 133\(1\) & \(2\)](#)
- [Customs Tariff](#)
- [Excise Act, 2001](#)
- [Excise Tax Act](#)
- [Special Imports Measures Act](#)
- [Accounting for Imported Goods and Payment of Duties Regulations](#)
- [Agents' Accounting for Imported Goods and Payment of Duties Regulations](#)
- [Customs Brokers Licensing Regulations](#)

Other References

- *Customs Act, Section 33, 35, 133(1) & (2)*
- *D1-7-1, D1-6-1, D1-8-1, D17-5-1, D17-5-2, D22-1-1*

Superseded memoranda D

D17-1-8 dated July 11, 2014 & D17-1-8 dated August 18, 2018

Issuing office

Trade and Anti-dumping programs Directorate

Metadata table – Mandatory

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Description 1 or 2 sentences that summarizes the page	Policy that outlines how the CBSA regulates and facilitates the Release Prior to Payment Privilege, particularly enrolment
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	and compliance of Trade Chain Partners within the program.
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