



Ottawa, October 21, 2009

# MEMORANDUM D7-3-2

---

## In Brief

### EXPORTED MOTOR VEHICLES DRAWBACK

1. This memorandum has been revised in accordance with the Government of Canada's Paper Burden Reduction Initiative. This memorandum supersedes and replaces D7-3-2, dated January 1, 1991.
2. In accordance with the above, the following changes were made:
  - (a) «revisions include updates to legislative references, D memorandum, policy and procedures and reflect the new name of the Canada Border Services Agency (CBSA).
  - (b) Paragraph 9, the K32-1, *Drawback Claim*, has been deleted from the listing of official forms and the requirement to file a K32, *Drawback Claim*, in duplicate has been removed.
  - (c) The following documentation is no longer required to be submitted with the claim; copies of any invoices, a customs certified copy of Form E15, *Certificate of Destruction/Exportation* and a list in triplicate of the import accounting documents.
  - (d) Where Form K32A, *Certificate of Importation, Sale or Transfer*, or Form K32B, *Drawback Certificate for Exportation*, waivers are required to be presented, the requirement for presentation in duplicate has been removed.
  - (e) The *Exported Motor Vehicles Drawback Regulations* has been replaced by paragraph 21.
  - (f) Paragraph 22 provides a reference to Form K32, *Drawback Claim*, Form K32A, *Certificate of Importation, Sale or Transfer* and Form K32B, *Drawback Certificate of Sale for Exportation*.
  - (g) The Appendix showing a listing of drawback offices has been replaced by regional CBSA, Trade Compliance Division (TCD) offices in paragraph 23.





Ottawa, October 21, 2009

# MEMORANDUM D7-3-2

## EXPORTED MOTOR VEHICLES DRAWBACK

This memorandum outlines and explains the general conditions under which a drawback may be paid in respect of new motor vehicles purchased and used temporarily in Canada prior to exportation. This memorandum may interest those persons who are taking up residence outside of Canada and intend to purchase a new motor vehicle in Canada prior to departure. It may also be of interest to motor vehicle dealers.

## GUIDELINES AND GENERAL INFORMATION

### Qualifying Motor Vehicles

1. Not all motor vehicles qualify for drawback under the *Exported Motor Vehicles Drawback Regulations*. Only the following vehicles may be eligible for a drawback when sold to a purchaser in Canada before it is exported and it is, at the time of sale, new:

- (a) Automobiles
- (b) Motorcycles
- (c) Motor bicycles
- (d) Trucks (excluding trucks having a gross vehicle weight in excess of 4.5359 tonnes)
- (e) Motor buses or motor homes

### What is a Drawback?

2. A drawback is a refund of the duties paid on imported goods that are subsequently exported from Canada. For information on drawbacks on other imported goods please refer to Memorandum D7-4-2 *Duty Drawback Program*.

### Goods Eligible Under the *Exported Motor Vehicle Drawback Regulations*

3. A drawback may be claimed for customs duties paid on the following:

- (a) an imported motor vehicle;
- (b) imported goods including materials used in the processing in Canada of a motor vehicle; or
- (c) imported goods directly consumed or expended in the processing of a motor vehicle that is subsequently exported.

Goods not subject to drawback under the *Exported Motor Vehicles Drawback Regulations* are fuel and plant equipment.

4. New motor vehicles purchased in Canada may only be used in Canada for a specific period of time prior to export. Residents of Canada must export the vehicle within 30 days of the date of delivery from the dealer. Non-residents must export the vehicle within 12 months after the date of delivery from the dealer. In addition, the vehicle must be for the personal use by the purchaser and used only by the purchaser. The motor vehicle may not be used for any commercial purpose.

### Who Can Claim a Drawback

5. A drawback may only be claimed by the importer of the motor vehicle, the person who sold the imported motor vehicle (the dealer) to the purchaser or the processor (manufacturer or assembler) of the motor vehicle processed in Canada. Generally the dealer will be the person filing the claim. In certain cases the vehicle importer or the Canadian manufacturer files the drawback claims. In any case, the purchaser of the vehicle is not entitled to file a drawback claim under this regulation. This means that the purchaser must work closely with the dealer and/or the manufacturer or importer to ensure that all necessary documents are available to support the claim. Purchasers should be aware that the filing of a drawback claim is voluntary. The Canada Border Services Agency cannot require a dealer, manufacturer or importer to file a claim.

### NAFTA Limitations on Drawback

6. In certain cases duty cannot be refunded, or the amount of drawback refunded is reduced on imported goods that are exported to another NAFTA country. Generally, this affects the amount of drawback that may be paid on goods imported from a non-NAFTA country used in the production of another product that is subsequently exported to a NAFTA country.

7. The provision limits the amount of drawback that may be refunded, on exported non-NAFTA originating goods, to the lesser of the duties paid on imported materials, or duties paid on the end products when imported into another NAFTA country. This simply means that you may claim duties in an amount that is the lesser of the duties paid or payable on the goods upon entry into Canada and the amount of duty paid or payable on the goods (finished product) when subsequently exported and entered into the

United States or Mexico. If no duties are paid on the goods entering the other NAFTA country, then there can be no drawback of customs duty paid in Canada.

8. NAFTA does not affect drawback of customs duties paid on imported goods that are subsequently exported to non-NAFTA countries. For further information please refer to Memorandum D7-4-3 *NAFTA Requirements for Drawback and Duty Deferral*.

### **Drawback Claim Procedures**

9. To apply for drawback, a Form K32, *Drawback Claim*, is to be legible, either typed or in ink and filed together with supporting documentation, at the nearest Canada Border Services Agency office. Completion instructions are on the back of the form. A sample of the form can be found on the Canada Border Services Agency web site.

### **Documentation**

10. The drawback claim shall include supporting documentation demonstrating that the conditions under the regulations have been met. The following documentation should accompany the claim:

- (a) a copy of the offer to purchase the motor vehicle in respect of which the drawback is claimed;
- (b) a waiver on commercial documentation or the original of any *Certificate of Importation, Sale or Transfer*, (Form K32A), from any other eligible claimant;
- (c) a waiver on commercial documentation or the original of any *Drawback Certificate of Sale for Exportation*, (Form K32B), when the claimant is not the exporter;
- (d) acceptable proof of export as fully described in Memorandum D20-1-4, *Proof of Export, Canadian Ownership, and Destruction of Commercial Goods*.

11. The documents should include a complete description of the vehicle(s) involved in the transaction; a bill of lading if the vehicle is not driven out of Canada; in the case of a motor vehicle that was used in Canada, documentation demonstrating use in accordance with paragraph 5(b) of the Regulations; and when the purchaser is a non-resident, a copy of a permit issued by Citizenship and Immigration Canada establishing the non-resident status of the purchaser.

12. Claims may be supported by commercial documentation such as a foreign customs transaction and registration for licensing.

13. Failure to present conclusive proof of export may result in the denial of drawback.

### **Vehicles Exported to North American Destinations**

14. In addition to the documentation listed above, where a vehicle is exported to a North American destination, a claim for drawback must be supported by:

- (a) a copy of a valid vehicle registration for that country, and
- (b) a copy of the foreign customs entry documents for entry of the vehicle.

This documentation will not be required for vehicles shipped to non-North American destinations.

### **Drawback on Motor Vehicles Not Used in Canada**

15. In certain cases, where the motor vehicles are not used in Canada but are exported by the purchaser, or exported by the vehicle dealer, it is possible for the processor to claim drawback. A vehicle driven directly from Canada (export) by the purchaser after delivery by the dealer will not be considered to be used in Canada.

### **Who is the Exporter?**

16. For purposes of determining who the exporter is:

- (a) if the purchaser makes all the shipping arrangements (i.e. prepares freight, bill of lading, or exports the vehicle her/himself) the purchaser is the exporter;
- (b) if the person who sold the motor vehicle (dealer) makes all the shipping arrangements, including freight bills of lading, etc. the dealer is the exporter;
- (c) if the processor makes all the shipping arrangements (i.e. prepares freight, bill of lading, or exports the vehicle her/himself) the processor is the exporter.

Either the processor, the importer or the dealer may file a claim, however, supporting documentation for the claim remains the same.

### **Where to File a Drawback Claim**

17. The drawback claim may be sent directly to the nearest Canada Border Services Agency office as shown on our web site.

### **Time Limits**

18. The motor vehicle must be exported from Canada, and a drawback claim submitted to the Canada Border Services Agency within four years of the date of release of the vehicle that is imported, or within four years of the date of release of the imported goods and materials used to produce the vehicle in Canada.

### **Verification of Drawback Claims**

19. Drawback claims are subject to verification by Canada Border Services Agency officials. This means that the claimant may be contacted by letter or telephone concerning request for clarification or for further information, or may be visited by a Canada Border Services Agency officer. If there are any questions concerning the status of the claim or you disagree with a Canada Border Services Agency decision made on a claim, please contact the nearest Canada Border Services Agency's officer to discuss the matter.

### **Goods and Services Tax (GST), Harmonized Sales Tax (HST) and Provincial Sales Tax (PST)**

20. GST, HST and PST may not be claimed through the drawback claim process. For information concerning rebates of GST, HST or PST, please contact your local Canada Revenue Agency (CRA) Tax Interpretation Services Centre, or contact the provincial tax authority concerning rebates of PST.

### **Additional Information**

21. To review the *Exported Motor Vehicles Drawback Regulations* visit the Department of Justice Canada web site at <http://laws.justice.gc.ca>.

22. For copies of Forms K32, *Drawback Claim*, K32A, *Certificate of Importation, Sale or Transfer* and K32B, *Drawback Certificate of Sale for Exportation*, visit the Canada Border Services Agency web site under Forms and Publications at [www.cbsa.gc.ca](http://www.cbsa.gc.ca). Both the K32 and the K32A forms may be completed in the electronic format.

23. For a listing of the regional CBSA, Trade Compliance Division (TCD) offices visit the CBSA web site under trade and commerce at [www.cbsa.gc.ca](http://www.cbsa.gc.ca).

24. For information regarding the Canada Border Services Agency programs please visit our web site at [www.cbsa.gc.ca](http://www.cbsa.gc.ca). You may also contact your nearest Canada Border Services Agency or call the Border Information Service line at **1-800-461-9999** for service in English or **1-800-959-2036** for service in French.

## REFERENCES

<p><b>ISSUING OFFICE –</b></p> <p>Duty Deferral Unit Trade Policy Division Trade Programs Directorate Admissibility Branch</p>	<p><b>HEADQUARTERS FILE –</b></p> <p>6594-0</p>
<p><b>LEGISLATIVE REFERENCES –</b></p> <p><i>Customs Tariff</i>, section 113(1) SOR/96-34; SOR/98-62 OIC 95-2242 <i>Exported Motor Vehicles Drawback Regulations</i> (SOR96-34)</p>	<p><b>OTHER REFERENCES –</b></p> <p>D7-4-1, D7-4-2, D7-4-3, D17-1-1, D17-1-10, D20-1-4</p>
<p><b>SUPERSEDED MEMORANDA “D” –</b></p> <p>D7-3-2, January 1, 1991</p>	

Services provided by the Canada Border Services Agency are available in both official languages.

