

A man in a dark suit and white shirt is speaking to a woman in a dark blazer and glasses. They are in an office setting with large windows in the background. The man is gesturing with his hands as he speaks. The woman is holding a pen and looking at him.

## A Beginner's Guide for Non-Resident Importers into Canada

Would you be interested in opening up an English speaking market the size of California? Let Farrow show you how by becoming an NRI into Canada.

Farrow knows how complex the exporting process can be, and realizes the importance of executing a prompt and compliant customs clearance experience.

By allowing Farrow to handle your exporting needs, clients such as yourself will receive peace of mind knowing that your goods have been cleared with the highest level of service in the industry. Let the experts at Farrow take the reins by implementing our cross-Canada services, customs clearance processes, and dedicated account management so that you can realize all the possible benefits when entering a large and diverse market, acting as a Non-Resident Importer.

This beginner's guide will answer the most commonly asked questions, and help you identify the specific areas of the importing process that require assistance from the experts at Farrow.

### **What is an NRI?**

An NRI is a foreign-based company, usually from the United States, which does not have a permanent presence in Canada, but imports into Canada under its own company name while holding responsibility for customs clearance and other import-related requirements. This allows NRIs to compete in the Canadian market without capital investment in Canada. Put another way, the foreign-based company does not have a brick-and-mortar presence in Canada, but NRI status allows it to operate as if it does.

An NRI acts as the Importer of Record (IOR) for shipments into Canada. The IOR may assign a customs broker to act as their agent and transact business with the Canada Border Services Agency (CBSA) on their behalf. Agents are then required to obtain written authority from the IOR, such as an Agency Agreement or Power of Attorney, as requested by CBSA. NRIs use the services of a Canadian customs broker, such as Farrow, to clear goods into Canada.

### **The Benefits of Becoming an NRI**

By becoming an NRI, exporters are able to exercise greater control over their supply chain into Canada without having a physical presence in Canada. An NRI can provide its Canadian customers with a pre-determined landed cost of goods, including applicable taxes and duties, and can be competitive with Canadian suppliers – as if they were a domestic vendor.

By using a specific customs broker to clear all shipments to Canada, regardless of the final delivery address, an NRI is able to minimize border delays and provide consistent clearance processing.

Other benefits include enhanced ability to determine and manage the price points for the Canadian marketplace, as well as having a better advantage at establishing, increasing and protecting market share.

### **Getting Started**

Obtaining a business number (BN) is the first step to becoming an NRI. A BN is a fifteen-digit number used by the Canadian government to identify your business. Besides import/export purposes, a BN allows an importer to relay information regarding Canadian corporate income taxes and the value-added Goods and Services Tax (GST). Once confirmed as an IOR on Customs accounting documents, the individual becomes accountable for any requirements and regulations of Canada's Customs Act and Customs Tariff Act.

## What is GST/HST?

All companies that import goods into Canada (Canadian-based importers or Non-Resident Importers) are responsible to remit the Goods and Services Tax (GST) on all imported products, where applicable. The GST is a five percent (5%) federal tax collected by the Canada Revenue Agency on the sale of all goods and services supplied in Canada. GST is payable at the time of release of your products, and it is calculated on the sale value of your

shipment into Canada. Harmonized Sales Tax (HST) is the combination of the 5% GST and the applicable Provincial Sales Tax (PST). In Ontario, for example, the HST is 13%. In Alberta, there is only GST (of 5%), since there is no Provincial Sales Tax. Some provinces have elected not to “Harmonize” their PST with the federal GST, which causes the two tax types to be separate from one another. All three types can be viewed in the chart below.

## CURRENT CANADIAN TAX RATES BY PROVINCE

PROVINCE	RATE TYPE (HST, GST, PST)	PROVINCIAL RATE	FEDERAL RATE	TOTAL
Alberta	GST	0%	5%	5%
British Columbia (BC)	GST+PST	7%	5%	12%
Manitoba	GST+PST	8%	5%	13%
New Brunswick	HST	10%	5%	15%
Newfoundland & Labrador	HST	10%	5%	15%
Northwest Territories	GST	0%	5%	5%
Nova Scotia	HST	10%	5%	15%
Nunavut	GST	0%	5%	5%
Ontario	HST	8%	5%	13%
Prince Edward Island (PEI)	HST	10%	5%	15%
Québec	GST + QST	9.975%	5%	14.975%
Saskatchewan	GST + PST	6%	5%	11%
Yukon	GST	0%	5%	5%

## **GST/HST Number**

While registration for a GST/HST number is mandatory if annual sales in Canada exceed \$30,000 (Canadian dollars), it is suggested that you contact the Canada Revenue Agency office to determine if you should register for GST/HST. Regardless, Farrow recommends registering voluntarily if you intend to import on a regular basis.

## **Can I apply for a GST refund?**

Yes, GST that is paid by a GST-registered NRI is refundable upon filing the necessary GST returns with the Canadian Government. GST refunds can be obtained monthly, quarterly or annually depending on your reporting frequency.

## **NRI Record Keeping Requirements**

Non-Resident Importers must maintain records relating to their Canadian import transactions for a period of seven years. This is often referred to in the industry as "six years plus current." NRIs may maintain these records in Canada by an appointed agent or outside Canada on the non-resident's premises by establishing a letter of undertaking with the Canada Revenue Agency.

## **Voluntary GST/HST Registration**

If an NRI is not required to register for the GST/HST, they can choose to register voluntarily. This can be done at any time while conducting business outside of Canada. If an NRI does decide to register voluntarily, they must remain registered for a minimum of one year.

### **NRI Checklist:**

- Business Number (BN) application
- Agency Agreement (required to appoint a customs broker)
- Documentation requirements for customs clearance
- Valuation methodology
- Tariff Classification (Harmonized System – HS)
- Certificates of Origin
- Recordkeeping requirements
- Registration for GST/HST

**Becoming a Non-Resident Importer may provide advantages to you as a supplier in the Canadian market-place.** Farrow is able to help clients decide whether becoming an NRI fits into their company's overall strategy, and can provide step-by-step guidance throughout the overall process. By selecting Farrow as your customs broker, we become your one-stop-shop for all logistic needs.