



CARM Q&A

CARM IS COMING. ARE YOU PREPARED?

Everything You Need To Know, Including Important Next Steps

(March 1, 2021)

1. What is CARM?

The Canada Border Services Agency Assessment and Revenue Management (CARM) initiative will offer significant benefits to the trade community. CARM is a large multi-year project that began in 2016 with the implementation of the Accounts Receivable Ledger (ARL). Once completely implemented CARM is intended to:

- Simplify the overall importing process
- Provide a modern interface for importing into Canada
- Give importers self-service access to their own information
- Improve consistency in trade rules and decisions
- Strengthen compliance verification and fraud detection

2. CARM Client Portal: What does it do?

The CARM Client Portal provides trade chain partners the ability to perform self-service functions such as viewing information about their accounts, making payments, submitting, viewing the status of or changing declarations. It is intended to replace paper and manual processes and to provide more transparency to trade chain partners.

3. Will it be mandatory to create an account in the CARM Client Portal?

Yes. All clients that conduct commercial business with the CBSA will be required to create an account in the CARM Client Portal.

4. How do I access the CARM Client Portal?

Login information for the CARM Client Portal will be communicated at a later date, including detailed guidance (i.e. information/educational products) on how to create your portal user account, how to link to your business account, and how to establish delegated access if required.

5. How can I obtain a Business Number before go-live?

You can obtain a business number through the Canada Revenue Agency. For more information see: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/registering-your-business/register.html>

6. There will be two Portal Releases. What happens at Release 1 and Release 2?

At Release 1, (May 2021), the CARM Client Portal will be accessible to importers, customs brokers and trade consultants who currently submit rulings on behalf of importers. Users will be able to:

- view transactions posted to their accounts
- make payments by credit card or set up pre-authorized debit
- delegate portal access to employees and third parties (such as customs brokers and/or trade consultants) to manage commercial imports activities
- request and track the progress of rulings electronically
- classify goods and estimate duties and taxes

At Release 2, (date TBD) the CARM Client Portal will be available to all trade chain partners. Users will be able to:

- acquire a Business Number (BN9) and program account (RM account and/or Program ID)
- submit, correct and adjust a Commercial and Accounting Declaration (CAD), which will replace the current customs coding form (B3) and request for adjustment form (B2), also available via Electronic Data Interchange
- post and monitor security to participate in the Release Prior to Payment (RPP) program as an importer

7. When can an importer delegate authority?

Release 1 will allow importers to delegate portal access to employees and third-party service providers, including customs brokers and trade consultants, allowing you to manage commercial import accounting activity on their behalf. More details will be available soon. We will keep our customers advised.

8. How does CARM affect financial security? Am I now responsible for the bond?

Yes. With CARM Release 2 the responsibility for Release Prior to Payment (RPP) changes to the importer. All Importers will be required to post security to participate in the Release Prior to Payment (RPP) program. You will no longer be able to use your customs broker's RPP security to clear shipments and receive release prior to payment privileges.

9. What are the three options for posting security?

Security may be posted in the form of a cash bond, a (continual) surety bond, or a one-time single entry bond. Without RPP security, an importer will be required to pay in advance on the CARM Client Portal (CCP), or pay a CBSA cashier at the time of clearance, in order for the goods to be released.

The posted financial security will secure all accounts payable, including duties and taxes (GST), as well as interest, adjustments, ascertained forfeitures, and SIMA fees. The bond will secure any penalty fees, however, penalties are not used in the calculation of the amount of bond required to cover the account.

10. How are a cash bond and continual surety bond calculated?

The calculations are different for each bond.

- a cash security requires 100% of the highest monthly accounts receivable
- a surety bond requires 50% of the highest monthly accounts receivable with a minimum bond of \$25,000

How do I identify the highest month of accounts receivable?

Identify the highest monthly accounts receivable period for the 12-month period between July 25 of the previous year to June 24 of the current year. An estimate will be permitted for importers who wish to post a bond, but do not have a 12-month history of accounts receivable.

A FIRM Report can be requested by the importer, or through your customs broker, on behalf of the importer. This report will help importers understand all of the transactions, especially if there are multiple brokers in place. One division may not be aware of what the other division is doing. It will also include transactions cleared by a courier. This is needed to determine the entire outlay.

Sample Calculation Posting A Continual Surety Bond

The amount of the security required for non-cash bonds must be equal to or greater than 50% of the importer's highest monthly accounts payable to the CBSA within the most recent 12-month period from July 25th to July 24th. Importers without 12 months of history will need to estimate the amount of duties and taxes.

The bond amount is also subject to a \$25K minimum and \$10M maximum. For example: If the highest monthly total was \$40,000, then 50% would be \$20,000, but you would need to secure a \$25,000 bond to respect the minimum.

Sample Calculation Posting A One-Time Single Entry Bond

Details have been requested from CBSA. This information will be updated when it becomes available. Willson will keep you advised.

11. How do I obtain a Surety Bond?

Surety bonds must be obtained from an acceptable surety company either directly from the surety company or as arranged through your customs broker. Surety companies will be registered on the CARM Client Portal (CCP) and they can choose to establish an API connection with the CBSA or not. The CBSA will receive the surety bonds one of two ways:

Option 1: The importer will obtain a bond with a surety company either directly or through a customs broker, and CARM will receive the bond via an API connection set up between the CBSA and the surety company, or;

Option 2: The importer obtains a bond directly from the surety company, or through a customs broker, and the importer or customs broker with delegated authority enters the bond information directly on the portal. The surety company will then be contacted by the CBSA to have the bond information validated.

12. What if I have Zero (\$0) Accounts Payable?

No bond will be required if an importer's highest monthly accounts payable is zero (\$0) within the most recent 12-month period. If an importer starts to import goods which results in a payable, or if the importer is issued an AMP or adjustment, the CARM system will monitor and measure the security utilization and nudge you to provide increased security.

If an importer who does not normally have dutiable/taxable goods does have a shipment coming in with duties and taxes payable, you can choose to apply for a onetime single entry bond or make an interim payment for those duties and taxes. You do not necessarily have to obtain a continual bond. It is incumbent on the

importer to maintain adequate security to cover their accounts payable per the requirement.

13. What is the payment due date?

The payment due date will be 10 weekdays (defined as Monday to Friday, inclusive of holidays) after the 17th of the calendar month.

14. What details will the Portal provide importers, and/or their delegated customs broker(s)?

The Portal will provide the amount of security posted on the account, including any RPP bonds, and will send proactive notifications to either increase the amount of security or post payment if the account balance approaches the limit of security on account.

At the time of release, the CBSA will only be validating that the BN used for release has a valid RPP security bond, cash bond, or one-time single entry bond posted to the account.

It will also post the Commercial and Accounting Declaration (CAD), after the CBSA has calculated the duties and taxes on the shipment.

It's important to note that if an importer is NOT registered on the CARM portal, you do NOT exist to the CBSA. This includes non-resident importers (NRIs) who are responsible for posting security and registering their business account on the CARM portal.

15. If I register and I supply the bond, where does my customs broker fit in now?

Nothing changes for importers except that the government has mandated that you register for CARM and provide the security. By delegating to your broker, they can continue to perform all the services they currently provide. In addition, your broker will be trained on CARM and will be able to answer your questions, and guide you through every element of the transition, including registering,

delegating, where to obtain a bond, and how to calculate the correct value of the bond.

16. What are the most important next steps?

- **Prepare to delegate authority** to a third party- an employee, your customs broker or trade consultant at Release 1.
- **Calculate and obtain the required bond amount prior to Release 2.** The RPP security is mandatory as of the first day of Release 2, so if you are not registered your shipment WILL NOT be released without full payment in advance.
- Reach out to carminfo@willsonintl.com to register and initiate the process of getting your bond.



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