

2024 Issue No. 43  
21 August 2024

# Tax Alert – Canada

## CBSA announces transition period and a new process for pre-CARM customs adjustments

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 2 August 2024, the Canada Border Services Agency (CBSA) announced in Customs Notice 24-25<sup>1</sup> that a transition period for submitting adjustments to commercial import transactions will be in effect from 1 September 2024 to 20 October 2024. During this period, importers and trade chain partners are asked to refrain from submitting single Form B2 adjustments, blanket B2 adjustments and voluntary disclosure requests. Processing of submissions during this time period will be delayed as the CBSA will be transitioning to Release 3 of the CBSA Assessment and Revenue Management (CARM R3) system, which is currently scheduled for 21 October 2024.

In addition, the CBSA has provided draft guidance on the post-CARM R3 process for submitting adjustments to commercial imports accounted for prior to the CARM R3 go-live date in draft [Memorandum D17-2-4: Preparation and Presentation of Pre-CARM Adjustments](#).

In this Tax Alert, we provide a brief overview of the latest information released by the CBSA with respect to the CARM R3 system.

<sup>1</sup> [Customs Notice 24-25: Submission and Processing of Single B2 and Blanket B2 Adjustments, or Voluntary Disclosure Program Requests on or After September 1, 2024 \(cbsa-asfc.gc.ca\).](#)

## Background

The CARM R3 system is scheduled to become the official system of record that importers and other trade chain partners (TCPs) will use to account for commercially imported goods and to pay any duties and taxes owing to the CBSA. Once the CARM R3 system is implemented, Form B2, *Canada Customs - Adjustment Request* (Form B2), will be discontinued. Instead, adjustments will be submitted against a Commercial Accounting Declaration (CAD) directly via the CARM Client Portal (CCP).

## Pre-CARM R3 transition period

During the pre-CARM R3 transition period, the CBSA will accept single B2 adjustments, blanket B2 adjustments and voluntary disclosure requests submitted on or after 1 September 2024, but they are unlikely to be processed before 21 October 2024. During this period, the CBSA will still require blanket B2 requests to contain both a B2 blanket authorization application and a completed Form B2 adjustment request. To avoid additional delays, the CBSA encourages submission of adjustments via the CARM system instead of using Form B2.

Any Form B2s that are not processed by the CBSA before the CARM R3 system is live will be manually entered in CARM starting 21 October 2024. The CBSA advises TCPs that although the CBSA's service standard of 90 days to process an adjustment will not change before (or after) the CARM implementation, processing delays may be encountered during this transition period. To minimize the accrual of interest, TCPs are encouraged to submit Form B2s with payments for amounts owed to the Receiver General. Any payment processed after the CARM R3 system is live will be posted to the importer's account and not allocated to the adjustment specifically; account-based accounting will offset any credit according to the clearing order.

## Post-CARM R3 adjustment procedures for pre-CARM transactions

Starting 21 October 2024, for any commercial imports accounted for prior to the implementation of the CARM R3 system that require adjustments, TCPs must first submit an "As Declared" CAD before an adjustment to the transaction can be filed. The "As Declared" CAD must reflect the values declared on the original Form B3-3, *Canada Customs Coding Form* (Form B3), and include any adjustments that were made.

The CBSA will not accept any Form B2s on or after 21 October 2024.

For single adjustments of pre-CARM transactions:

- ▶ A pre-CARM "As Declared" CAD must be generated for the transaction to be adjusted.
- ▶ An adjustment request must be submitted using the CCP, Electronic Data Interchange (EDI) or Web Service (API).

For pre-CARM Courier/Low Value Shipment transactions (Type F transactions):

- ▶ A pre-CARM “As Declared” CAD must be generated for each shipment.
- ▶ The unique shipment number must be used as the transaction number on the pre-CARM “As Declared” CAD, and the consolidated Form B3 Type F transaction number must be used in the previous transaction number field.
- ▶ Once the above steps are completed, an adjustment or mass adjustment can be submitted.

For blanket adjustments of pre-CARM transactions:

- ▶ If an adjustment is required for 100 or more Form B3 transaction lines within a 12-month period and a pre-CARM “As Declared” CAD has not been generated for the B3 transactions to be adjusted, the CBSA will permit TCPs to submit a pre-CARM blanket request.
- ▶ Pre-CARM blanket requests can only be submitted via the CCP; the CBSA will not accept submissions made by EDI, API, mail or email.
- ▶ The procedure to submit a pre-CARM blanket request is as follows:
  - ▶ The TCP must create a mass adjustment case number in the CCP.
  - ▶ The TCP must upload a pre-CARM Blanket Request Form, as well as an electronic workbook with a worksheet detailing all accounting data originally submitted on the B3 lines and the requested changes.
  - ▶ The request form and workbook must be clearly labelled as a Pre-CARM Blanket Form and include the importer’s name and mass adjustment case number (similar to the current blanket B2 request process).

For purposes of meeting the 90-day reason to believe timeframe in section 32.2 of the *Customs Act*, the filing date of a pre-CARM blanket request is the date the request is submitted via the CCP. If the request is rejected, the 90-day timeframe will restart from the date of the CBSA’s rejection.

## Next steps

Importers are strongly encouraged to set up a CCP in CARM as soon as possible and invest time to familiarize themselves with the CCP’s functionalities as the CARM R3 system implementation date is rapidly approaching.

In particular, it is recommended that importers develop separate procedures for filing amendments to pre-CARM R3 transactions and post-CARM R3 transactions. Pre-CARM R3 adjustment procedures will apply for transactions accounted for up to four years leading up to the CARM R3 go-live date, and there are important procedural differences between the CBSA’s policy for processing pre-CARM and post-CARM adjustments.

Lastly, it is important to note that although the CBSA is requesting that importers avoid submitting Form B2 adjustments, blanket B2 adjustments and voluntary disclosure requests during the CARM R3 transition period, importers are still expected to meet the 90-day reason to believe obligation under section 32.2 of the *Customs Act*. Should an importer's reason to believe timeframe come due during the CARM R3 transition period, the CBSA has indicated that it will use its discretion in applying penalties and prescribed interest on adjustments.

## **Learn more**

For more information, please contact one of the following EY Global Trade professionals:

**Sylvain Golsse**

+1 416 932 5165 | [sylvain.golsse@ca.ey.com](mailto:sylvain.golsse@ca.ey.com)

**Kristian Kot**

+1 250 294 8384 | [kristian.kot@ca.ey.com](mailto:kristian.kot@ca.ey.com)

**Joanna Liang**

+1 416 943 5512 | [joanna.liang1@ca.ey.com](mailto:joanna.liang1@ca.ey.com)

**Traci Tohn**

+1 514 879 2698 | [traci.tohn@ca.ey.com](mailto:traci.tohn@ca.ey.com)

**Denis Chrissikos**

+1 514 879 8153 | [denis.chrissikos@ca.ey.com](mailto:denis.chrissikos@ca.ey.com)

**Jocelyn Mao**

+1 416 943 2212 | [jocelyn.mao@ca.ey.com](mailto:jocelyn.mao@ca.ey.com)

## **EY | Building a better working world**

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via [ey.com/privacy](https://ey.com/privacy). For more information about our organization, please visit [ey.com](https://ey.com).

### **About EY's Tax Services**

EY's tax professionals across Canada provide you with deep technical knowledge, both global and local, combined with practical, commercial and industry experience. We offer a range of tax-saving services backed by in-depth industry knowledge. Our talented people, consistent methodologies and unwavering commitment to quality service help you build the strong compliance and reporting foundations and sustainable tax strategies that help your business achieve its potential. It's how we make a difference.

For more information, visit [ey.com/ca/tax](https://ey.com/ca/tax).

### **About EY Law LLP**

EY Law LLP is a national law firm affiliated with EY in Canada, specializing in tax law services, business immigration services and business law services.

For more information, visit [eylaw.ca](https://eylaw.ca).

### **About EY Law's Tax Law Services**

EY Law has one of the largest practices dedicated to tax planning and tax controversy in the country. EY Law has experience in all areas of tax, including corporate tax, human capital, international tax, transaction tax, sales tax, customs and excise.

For more information, visit <http://www.eylaw.ca/taxlaw>

© 2024 Ernst & Young LLP. All Rights Reserved.

A member firm of Ernst & Young Global Limited.

*This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact EY or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.*

[ey.com/ca](https://ey.com/ca)