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Tax Alert – Canada

CBSA issues its July 2026 trade compliance verification list update

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The Canada Border Services Agency (CBSA) released the July 2026 update of its trade compliance verification priorities list, emphasizing continued efforts to ensure proper compliance with Canadian trade laws.[1]

The CBSA continues to focus on tariff classification, valuation and origin as key areas of compliance verification, with changes in product categories introduced in this update.

Background

To maintain trade compliance, the CBSA requires importers to:

- Classify commercial goods under the appropriate tariff classification;
- Accurately declare the origin and value of goods; and
- Pay the appropriate duties and taxes on imported goods.

The CBSA conducts trade compliance verifications to assess adherence to customs legislation and ensure accurate reporting.

[1] Trade compliance verification (cbsa-asfc.gc.ca).

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Verification and compliance priorities

The CBSA uses a risk-based, evergreen process to determine verification priorities, introducing new targets throughout the year while retaining some from previous cycles.

Compliance priorities (updated to July 2026)

Imports of supply-managed goods continue to be part of the CBSA's compliance agenda. Targeted issues include:

- Verifications of licensees importing supply-managed goods under the Duties Relief Program; and
- Tariff rate quota and classification of supply-managed goods, including:
    - Frozen desserts containing 5% dairy; and
    - Spent fowl products.

Compliance with obligations for payment of GST and excise duties and taxes at the border continue to be prioritized, specifically with respect to:

- GST exemption codes;
- Vaping products subject to excise duties and taxes; and
- Precious metals.

The CBSA is also prioritizing origin verifications under the following key free trade agreements:

- The Canada-United States-Mexico Agreement (CUSMA) with respect to the automotive industry;
- The Canada-European Union Comprehensive Economic and Trade Agreement (CETA);
- The Canada-United Kingdom Trade Continuity Agreement (CUKTCA); and
- The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) with respect to a short supply list of products.

This year's priorities address recently imposed tariffs in accordance with the following Surtax Orders:

- China Surtax Orders for electric vehicles, steel products and aluminum products;
- United States Surtax Order (2025-1);

- United States Surtax Orders for motor vehicles, steel products and aluminum products;
- Order Imposing a Surtax on the Importation of Certain Steel Goods;
- Steel Goods and Aluminum Goods Surtax Order; and
- Steel Derivative Goods Surtax Order.

Energy commodities and final accounting, including verifications on electricity imports under Chapter 27 of the *Customs Tariff*, are also a compliance priority for 2026.

Verification priority: tariff classification

Tariff misclassification risks

- **Gloves (Round 3):** Classification under Harmonized System (HS) Headings 39.26 and 42.03 instead of Chapters 61 or 62 of the *Customs Tariff*.
- **Bags (Round 3):** Classification under HS Heading 42.02 instead of elsewhere in the same heading.
- **Spent fowl:** Classification under HS Headings 02.07, 16.01 and 16.02 instead of classification under tariff items subject to tariff rate quotas (TRQs) within the same chapters.
- **LED lamps (Round 2):** Classification under HS Heading 85.39 instead of 94.05.
- **Frozen desserts:** Classification under tariff item 2105.00.10 instead of tariff item 2105.00.92.

Application of surtaxes

- **China Surtax Order (2024) – Electric vehicles:** Surtax of 100% applies to certain Chinese-made electric vehicles.
- **China Surtax Order (2024) – Steel and aluminum:** Surtax of 25% applies to steel/aluminum goods from China.
- **Steel Goods and Aluminum Goods Surtax Order:** Surtax of 25% applies to imports of certain steel goods containing steel melted and poured in China or to imports of certain aluminum goods containing aluminum smelted and cast in China.
- **United States Surtax Order (2025-1):** Surtax of 25% applies to certain US-origin goods.
- **United States Surtax Order (Steel and Aluminum 2025):** Surtax of 25% applies to certain steel/aluminum/other imports of US origin.
- **Order Imposing a Surtax on the Importation of Certain Steel Goods:** Surtax of 50% applies to certain steel goods that are subject to TRQs where import volumes exceed quota.

Verification priority: valuation

The CBSA has identified a risk that importers of goods classified as electrical energy under HS Heading 27.16 are failing to comply with the accounting provisions of the *Customs Act* and that those goods might not have been accounted for in the prescribed manner.

CARM as a compliance tool

The CBSA continues to leverage the CBSA Assessment Revenue Management (CARM) system to validate duties and taxes, address non-compliance and modernize enforcement through targeted and timely interventions.

Other CBSA compliance tools

In addition to trade verifications, the CBSA continues to use its compliance intervention tools:

- **Trade advisory notices (TAN):** Notices prompting importers to review declarations for potential non-compliance; no monetary assessment is issued as a result of a TAN.
- **Compliance validation letters (CVL):** Letters requesting further information within 30 days of the CBSA request where non-compliance is suspected. Monetary assessment may follow as a result of a CVL.
- **Directed compliance letters:** Formal notifications of non-compliance with monetary assessments.

While traditional verifications are comprehensive and labour-intensive, intervention tools are intended by the CBSA to provide a more efficient, targeted approach to promote voluntary compliance by enabling early corrections of errors and reducing non-compliance costs where recurring importations repeat undetected errors.

Takeaways for importers

Importers should ensure proactive compliance strategies are in place, including proper documentation and ongoing review of classification, valuation and origin data.

CBSA verifications can be time-consuming and costly for importers. Companies must be proactive and adopt an informed compliance mindset. Best practices for companies include implementing programs, frameworks and methodologies to help maintain and continuously improve their customs and trade compliance management profile.

Learn more

For additional information with respect to this Tax Alert, please contact the following EY Global Trade professionals:

Sylvain Golsse, Partner
+1 416 932 5165 | sylvain.golsse@ca.ey.com

Kristian Kot
+1 250 294 8384 | kristian.kot@ca.ey.com

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