

# Indirect Tax Alert

## Global Trade: WCO, Canada and US updates on COVID-19 actions

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This Alert is an update of trade actions taken related to the novel Coronavirus disease (COVID-19) during week ending of 27 March 2020. It specifically addresses actions by the World Customs Organization (WCO), Canada and the United States (US).

### WCO publishes HS classification reference list for COVID-19 medical supplies

In response to the continuing COVID-19 pandemic, the WCO published a Harmonized System (HS) classification reference for COVID-19-related medical supplies.<sup>1</sup> The WCO notes that the reference list does not have legal status, rather, it is provided as a reference list to assist importers with determining appropriate HS classification of likely high-volume imports.

The list is delineated into six categories, each containing product names, product information and the corresponding HS code within each category. Examples are provided in the below chart.

Category	Product name	Brief information	HS classification
COVID-19 test kits/Instruments and apparatus used in diagnostic test	COVID-19 test kits	Diagnostic reagents based on polymerase chain reaction (PCR) nucleic acid test	3822.00
Protective garments and the like	Face and eye protection	Plastic face shields (covering more than the eye area)	3926.20
Thermometers	Liquid-filled thermometer for direct reading	Includes standard "Mercury-in-glass" clinical thermometer	9025.11
Disinfectants/ sterilization products	Hand sanitizer	A liquid or gel generally used to decrease infectious agents on the hands, alcohol-based type	3808.94
Other medical devices	Medical ventilators (artificial respiration apparatus)	Provides mechanical ventilation by moving breathable air into and out of the lungs.	9019.20
Medical consumables	Intubation kits		9018.90

## Canada announces deferral of customs duties and import GST payments

During a press conference on 27 March 2020, Canadian Prime Minister Justin Trudeau announced that month-end payments of customs duties and Goods and Services Tax (GST) on imported goods will be deferred until 30 June 2020.<sup>2</sup>

Under the authority of Section 33.7(1) of the *Customs Act*, the Minister of Public Safety and Emergency Preparedness has exercised his authority to extend the payment deadlines to 30 June 2020 for all Canada Border Services Agency (CBSA) monthly statements of account for March, April and May 2020.

The Federal Government has described these measures as the equivalent of providing CA\$30 billion in interest free loans to Canadian businesses and as a form of payroll support by easing cash-flow challenges, and that it hopes that these measures help businesses better face the employee retention challenges occasioned by the COVID-19 outbreak and related economic disruption.

Administrative guidance issued in Customs Notice 20-11<sup>3</sup> confirms that CBSA will apply this extension to the payment of customs duties and import GST owed on regular import activity, as well as to the payment of amounts owed as a result of CBSA re-assessments and penalties. The notice specifically indicates that the extension covers all such charges on the statement of account of March, normally due 1 April 2020. Only the date of payment is deferred, and importers should be aware that the accounting timeframes prescribed by the *Accounting for Imported Goods and Payment of Duties Regulations* remain unchanged.

## US CBP issues CSMS halting requests for duty delays

As discussed in EY Global Tax Alert, [US extends deadline for payment of duties and taxes, provides guidance on ruling requests and issues a statement regarding COVID-19](#), dated 23 March 2020, US Customs and Border Protection (CBP) initially announced, on 20 March, via the Cargo Systems Messaging Service (CSMS) that CBP would approve additional days in payment of customs duties, taxes and fees in response to the developing COVID-19 emergency.<sup>4</sup> In the message, CBP noted that the approvals would be approved on a case-by-case basis.

The announcement provided importers with a mechanism to manage cash flow impacts from imports during the disruption of COVID-19.

On 26 March 2020, in a subsequent CSMS, CBP announced that no new requests for delays in customs duty, taxes or fee payments would be accepted.<sup>5</sup> In the same announcement however, CBP noted that they retain the right to allow additional days for payment in specified instances, such as a physical inability to file entries or payments, technology outages or port closures.

One day later, on 27 March 2020, CBP issued a third CSMS regarding delay in payment of customs duties, taxes and fees, with additional language clarifying the message from the prior day.<sup>6</sup> In this announcement, CBP noted that all payments of estimated duties, taxes and fees, whether they be single, daily, or periodic monthly, that should have been tendered from 20 March 2020 through 26 March 2020, must have been initiated for payment on 27 March 2020, including those that had been deferred based upon the 20 March 2020 payment deferral guidance. Further, the CSMS instructs that all payments due to CBP on or after 27 March 2020 should be made in accordance with normal business practices.

### US Congress approves CARES Act, includes exemption of excise tax on alcohol

On 27 March 2020, the US Congress passed *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (the Act),<sup>7</sup> with President Donald Trump signing the Act into law on the same day. The CARES Act is a US\$2 trillion stimulus bill implemented by the US Government in response to the mounting COVID-19 pandemic.

The Act covers a wide array of relief options for individuals, businesses, and state and local government, further detailed in EY Tax Alert, [What to expect in Washington | Coronavirus response](#), dated 30 March 2020.

The Act also includes the temporary suspension of excise tax on alcohol used to produce hand sanitizer for tax year 2020.

### Actions for businesses

Companies involved in the importation of medical supplies are encouraged to review the WCO HS reference list for determining certainty around the classification of goods and to speed the import clearance process.

Companies that have operations in Canada should review the announcement on deferrals of customs duty and GST payments and consider impacts on their organization.

Those companies that had received CBP approval for suspended payments of US customs duties and taxes in response to CBP's initial guidance of accepting delays in payment requests should confirm they are in good standing with past and current payments with respect to the latest guidance issued by CBP and remain vigilant with following additional updates.

Lastly, any companies currently involved, or contemplating future involvement, with the importation of alcohol used in the production of hand sanitizer should consider the impact of the temporary exemption of excise taxes may have on their business and operations.

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## Endnotes

1. Full reference list can be found here: [http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid\\_19/hs-classification-reference\\_en.pdf?la=en](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid_19/hs-classification-reference_en.pdf?la=en).
2. Prime Minister announces support for small businesses facing impacts of COVID-19. Prime Minister's Office Press Release 27 March 2020, <https://pm.gc.ca/en/news/news-releases/2020/03/27/prime-minister-announces-support-small-businesses-facing-impacts>.
3. Customs Notice 20-11, *Extension of Timeframes for Payment of Customs Duties and GST (COVID-19)*, 27 March 2020. <https://www.cbsa-asfc.gc.ca/publications/cn-ad/cn20-11-eng.html>.
4. See CSMS #42097586 - Additional Days for Payments due to COVID-19.
5. See CSMS #42161666 - Additional Guidance for Entry Summary Payments Impacted by COVID-19.
6. See CSMS #42179313 - Additional Guidance for Entry Summary Payments Impacted by COVID-19, 27 March 2020.
7. S. 3548: CARES Act.

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