



Customs Optimization Can Add Efficiency and Reduce Cross-Border Shipping Costs



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Introduction

Customs compliance is an unavoidable part of international trade. Every item crossing a border, regardless of size, purpose or cost, is required to meet specific compliance requirements. Sometimes the process is very straightforward. Consumers making low-value online purchases, for example, are often able to avoid duties and documentation requirements. But for commercial shippers, the process can be very time consuming, confusing, and costly. So complicated, in fact, that [Ernst & Young](#) reports that among their European business clients, nine out of ten pay more in duties than they actually owe.

Similarly, an [audit](#) of the Canada Border Services Agency (CBSA), the agency responsible for managing that country's customs process, found roughly 20% of shipments arrived at the border with an improper tariff classification code assigned. This resulted in incorrect duty rate assessments. Sometimes too much duty was paid, and sometimes too little.

Tariff classification is one of many things that can go wrong in the customs process. Other common mistakes include misidentifying a product's value, or country of origin. Errors can also occur when businesses fail to take advantage of programs and processes designed to facilitate the customs process. A business may be dismayed to learn, for example, that its recently imported products could have benefitted from use of a foreign trade zone; or that the goods were eligible for free trade agreement benefits that would have yielded significant cost savings; or that a shipment was delayed at the border because a certain government agency had not signed off.

Businesses can ensure a smooth customs process by including a customs optimization component in their cross-border strategies.

Customs optimization refers to a series of techniques that can be used to facilitate the clearance process and often, reduce costs. Optimization techniques may include the strategic use of shipping terms (known as Incoterms), application of free trade agreement benefits, or the use of "in-bond" shipment status for products that must cross multiple borders.

roughly



20%

of shipments arrived at the border with an improper tariff classification code assigned.

Optimization can also mean an extra level of scrutiny to ensure all documentation is accurate and complete.

Taking advantage of opportunities to streamline the customs process can have several important benefits:



The risk of delay is minimized.



Businesses pay only what they owe in duties and taxes.

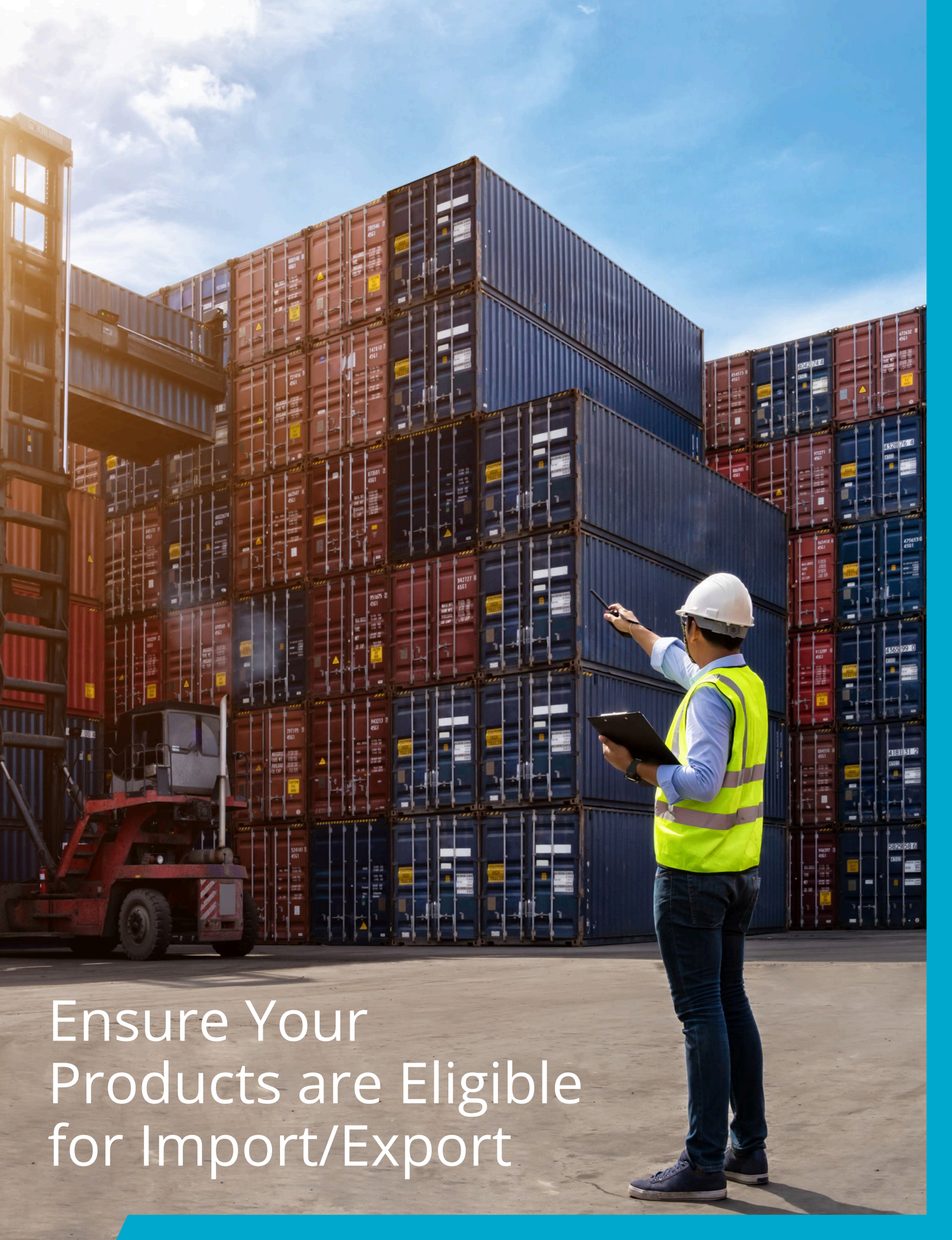


Businesses can improve their competitiveness in international markets by minimizing obstacles inherent to the customs process.

Customs optimization services are generally offered by licensed customs brokers, trade professionals, or experienced logistics providers including Purolator. Purolator customers can avail themselves of expertise offered by [Livingston International](#), a global trade services firm that was acquired by Purolator in early 2025. Customers can rely on Livingston for guidance in ensuring shipments are in full compliance with all customs requirements, and for insight about opportunities to minimize duty requirements.

Following is discussion about several opportunities available to businesses for adding efficiency to the customs process. An experienced customs professional can work with you to identify appropriate options for your business, and to implement an optimization strategy.





Ensure Your
Products are Eligible
for Import/Export

In some instances, a business may go through the hard work of identifying an international customer only to learn that a certain product is ineligible for import or export. This could be because a certain country restricts or bans imports of a certain product, or because a product is subject to an import quota. Whatever the reason, a customs optimization process can identify any potential roadblocks and prevent a business from wasting time and resources. A few situations which may limit a product's export/import admissibility include:



Anti-Dumping and Countervailing Duties (AD/CVD)

According to [U.S. Customs and Border Protection \(CBP\)](#), dumping occurs when a foreign manufacturer sells goods at a price that is below fair market value, thereby causing injury to the domestic industry.

Anti-dumping cases are company specific, and if a foreign company is found to have committed dumping, duties will be "calculated to bridge the gap back to a fair market value."

Countervailing duties cases occur when a foreign government provides assistance and subsidies, such as tax breaks, to manufacturers that export goods that are sold cheaper than domestically produced goods.

In Canada, products currently restricted due to charges of dumping include gypsum board from the United States; copper pipe fittings from China, South Korea, India and the United States; and dry wheat pasta from Turkey. A complete list can be accessed through [CBSA](#).

A similar list of products restricted from import to the United States can be accessed through the [U.S. International Trade Commission](#).

Interestingly, the United States and Canada have been engaged in a decades-long dispute regarding softwood lumber. The United States has long claimed that its domestic softwood lumber industry has been harmed by unfairly subsidized Canadian exports, a claim that Canada strongly disputes. The issue has been subject to multiple legal rulings and diplomatic agreements, yet the dispute continues. Most recently, the U.S. government [announced](#) that in October 2025, tariffs on Canadian lumber imports would increase to 34.45%, an action that was met with [strong opposition](#) by the Canadian government.

Quotas

In some instances, a government may limit the volume of products allowed for import during any given year. Canadian [pet food producers](#), for example, may be surprised to learn that the European Union has a quota in place for imports of Canadian-made products.

The U.S. enforces strict limits on [sugar imports](#), with the Department of Agriculture setting quota levels on an annual basis.

A quota may be established by legislation, an executive order, or via a free trade agreement.



National Security Restrictions

Products considered to be related to national security may be ineligible for export or required to obtain multiple permits from various government agencies. This may affect products including guns, software, technology systems, and aerospace parts. Sales of any product remotely tied to national security are subject to multiple laws and regulations. In the United States this includes the [International Traffic in Arms Regulations \(ITAR\)](#), the [Arms Export Control Act \(ACEA\)](#), and the [Export Administration Regulations \(EAR\)](#), among other controlling entities. Restricted products are included on the [Commerce Control List \(CCL\)](#), or the [U.S. Munitions List](#).

Similarly, the government of Canada places [tight controls](#) over exports of products with national security implications. Canadian businesses are subject to the [Export and Import Permits Act](#), with affected products included on the [Export Control List](#). Although most products will not raise any national security concerns, those with products with even a remote chance of triggering an export restriction must be aware of regulations and any potential implications. It is not always obvious which products might be considered "sensitive" by the U.S. or Canadian government and therefore affected by export controls.



Other Government Departments and Partner Government Agencies

Many products, ranging from cosmetics to tires to children's toys, require specific approval from various government agencies as part of the customs clearance process. In Canada, CBSA supports more than a dozen [Other Government Departments \(OGDs\)](#), while in the United States, CBP helps enforce import requirements on behalf of roughly 50 [Partner Government Agencies \(PGAs\)](#). An importer is responsible for determining if a product is subject to review by a PGA/OGD, and for ensuring full compliance with all applicable requirements. Failure to satisfy all PGA/OGD mandates will delay a shipment's customs clearance, possibly result in fines and, in some cases, a shipment being denied entry.



See our [whitepaper on PGAs for more information](#).



Customs Duties and Fees – Don't Pay More Than You Owe



Customs fees come in many forms and are an unavoidable part of cross-border shipping. And for the governments that collect them, they are big business. Consider, for example, that the Canada Border Services Agency (CBSA) collects an estimated CAD\$40 billion in duties and taxes each year, making it the country's [second largest](#) revenue collector behind the Canada Revenue Agency. Similarly, U.S. Customs and Border Protection (CBP) took in [more than \\$92.3 billion](#) in duties, taxes, and fees during FY 2023, second only to the Internal Revenue Service in revenue collection.

Duty and tax collections are in addition to many other customs-related fees imposed on businesses and individuals engaged in cross-border commerce. Another example from Canada is CBSA's annual ["Fees Report"](#) which, for 2023-2024, detailed the agency's collection of C\$20.6 million in administrative fees collected on services ranging from customs broker licensing to trusted trader programs to customs warehouses.

While customs fees and duties are an important source of government revenue, they impose a significant cost on the businesses that must pay them and complicate the already-confusing customs compliance process. A comprehensive customs optimization process though, can help ensure shippers pay only the fees and duties they rightfully owe, and not a penny more.



Ensure Accuracy of Shipment Information

The first step is to ensure that all information provided to customs is complete and accurate. This may sound obvious, but incorrect or missing information is a top reason shipments are delayed at the border, and shippers assessed incorrect duty and tax amounts. This is especially true in identifying correct values for tariff classification, product valuation, and country of origin.

Tariff Classification

Every product crossing an international border must have a tariff classification code assigned. The tariff code identifies the product, determines the proper rate of duty, and establishes eligibility for free trade agreement benefits. It's easy to see then, why it's so important to assign the correct code. But identifying the proper classification code can be quite tricky.

Tariff classification codes are rooted in the internationally recognized [Harmonized System \(HS\)](#), which is developed and managed by the Brussels-based [World Customs Organization](#). HS codes are six-digits and contained within an extensive catalogue-type listing. More than 200 countries utilize the HS, which helps add uniformity to international trade practices.

Each country uses the HS as the basis of its own classification system but has the option to capture additional product information.





In **Canada**, for example, tariff classification codes are eight digits long as listed in the [Customs Tariff](#) system. The first six digits are from the HS, and the final two digits are unique to Canada.



Similarly, the **U.S. International Trade Commission** maintains the [Harmonized Tariff Schedule](#), which is also a listing of codes unique to the United States.

A shipper is responsible for determining the tariff classification code that best describes each product. But with slight variations between codes, the process can be complicated.

As an example, a 2022 [CBP webinar](#) discussed the many factors affecting proper tariff classification for blouses. “We need to know the fiber content, whether the fabric is knit, and the type of knit fabrics,” the CBP presenter noted. “Stitch count, neckline opening, loose fit, and garment length are other determining factors.”

Many variations for similar products, with each assigned a different classification code. And since different codes carry different rates of duty, it's important to assign the correct rate.

Customs agents pay close attention to a product's assigned classification code and will make a final determination regarding the classification that is ultimately assigned. [Improper classification codes](#) can have significant consequences that include:

- **Paying a higher rate** of duty than is required.
- **Duty underpayment** which, when discovered by customs, could result in hefty fines and interest.
- **Missing out** on free trade agreement benefits.
- **Increased risk** of being targeted for a customs audit.



Use Our Purolator Trade Assistance Tool To Confirm The Correct HS Code Prior To Shipping.

A customs optimization review can improve the likelihood that the correct tariff classification code will be assigned. A few insights an experienced professional can offer include:

- **In-depth knowledge of the tariff coding process.** “Experts spend years learning how to properly classify an item,” notes [CBP](#), and can easily navigate voluminous and confusing tariff schedules. This allows critical insight that most companies don’t have, especially when products seem to fall into several categories.

“Classification,” notes analysis by [PricewaterhouseCoopers \(PwC\)](#), “is not always unambiguous.” Many times, a product will have attributes that fall into different categories. “This opens the possibility for savings on customs duties by using a tariff code with a lower duty rate,” the analysis notes.

- **Collaboration.** Employees with extensive knowledge about a product (e.g. engineers) tend not to have expertise about classification. And those with classification expertise generally lack technical product knowledge. An ideal approach, notes PwC, would be to optimize the process by combining areas of expertise, thus ensuring classification accuracy.
- **Advance rulings.** Customs agencies, including [CBP](#) and [CBSA](#), allow shippers to seek a determination about a product’s tariff classification, prior to a shipment’s arrival at the border. This guidance is called an advance ruling, and allows shippers to know with confidence, how much duty will be assessed and whether a product is eligible for free trade agreement benefits. Advance rulings require submission of detailed information about each product, including samples and supporting marketing and sales information.

The rulings are binding, which means a shipper cannot appeal the agency’s decision.

An experienced trade professional will know how to navigate the process and supply required information. In addition, a trade professional may be able to avoid seeking an “official” binding ruling by reviewing prior decisions and identifying CBP or CBSA determinations for similar products.



Proper Tariff Classification Is More Important Than Ever! Review Our Webinar For Information About 2025 U.S.-Canada Tariff Policies.

Product Valuation

Every product arriving at an international border must be assigned a monetary value. However, determining the correct valuation can be complicated, since many factors need to be considered. In general, according to [CBP](#), shipments must list the price a buyer has paid for a product (and not the amount for which it will be sold). This is called the product’s transaction value, and should also reflect money paid for commissions, assists, royalties, production costs and packaging, and these items should be included on the commercial invoice. Important to note, transaction value should not include transportation or insurance costs, or any taxes paid on the item.

In some situations, it is not possible to assign a transaction value. In those situations, alternate processes are available to determine value.

Failure to provide an accurate valuation is regarded as “undervaluing” the goods and may result in penalties.

Country of Origin

Importers are also required to identify a product's country of origin. For situations in which a product is 100 percent grown or produced in a single country, and proof of that origin is easily proven, compliance with customs requirements is not difficult. Unfortunately, this is not usually the case.

As guidance from the [International Trade Administration \(ITA\)](#) explains, since many imported

goods consist of materials from more than one country, or are manufactured in processes performed in multiple countries, complex “rules” have been established to determine the country of origin. Importers are expected to exercise “reasonable care” in determining country of origin, and according to [Pacific Customs Brokers](#), “an incorrectly listed country of origin could cause the importer to face penalties from customs such as delays in clearance, and increased chances of audits and fines.”

Once a business successfully identifies a product's tariff classification, valuation, and country of origin, a trade expert can look for opportunities to reduce duty obligations and facilitate the clearance process.





Opportunities to Reduce, Even Eliminate Duty Obligations

Free Trade Agreements

U.S. and Canadian businesses are likely familiar with the [United States-Mexico-Canada Agreement \(USMCA\)](#), the free trade agreement (FTA) that sets conditions for the countries' extensive trade relationship. But both the U.S. and Canada have additional agreements in place that offer additional trade opportunities with other countries.

Canada currently has [15 FTAs](#) that provide access to 1.5 billion consumers worldwide, and more than 60% of the world's GDP. The United States has [14 FTAs](#) in force that affect trade with 20 countries. While the specific details of each agreement vary, FTAs offer important benefits including duty-free status for eligible products, elimination of trade barriers, and incentives for designated industries. The North American Free Trade Agreement (NAFTA), for example, which [preceded the USMCA](#) and was in force from 1994 until 2017, is credited with fostering creation of the North American auto industry, which is now the world's third largest auto-producing region.

Each country also maintains "tariff preference" programs with developing countries that establish favorable trade conditions. In the United States, the [Generalized System of Preferences \(GSP\)](#) eliminates duties on eligible products imported from any of the 119 designated countries and territories. Similarly, Canada's [General Preferential Tariff \(GPT\)](#) program extends tariff preferences to imports from 106 developing countries.

A business may be able to reduce duty obligations by identifying suppliers located in countries with favorable trade agreements in place.

However, as lucrative as FTAs can be, they often go unused. In the United States, CBP reported an [overall utilization rate](#) of 25.97% during Fiscal Year 2022. Participation ranged from a high of 95% for products imported from Chile to almost 75% for products eligible under the USMCA, to a rate of just 6.7% for products imported from GSP countries.

In Canada, 62.5% of products exported to the United States, but just 3.6% of Mexico-bound products took advantage of USMCA benefits. A few other examples, according to the Canadian government's [2022 State of Trade report](#), include a utilization rate of 1.9% for Canadian exports to Malta, and 86.5% for exports to Denmark.



“Even for large and trade-oriented EU member states,” the analysis notes, utilization rates are not as high as expected.” Exports to Germany, for example, had a utilization rate of 40.7%, while imports from Germany utilized free trade benefits at a rate of 32.8%. Failure to take advantage of free trade agreement benefits essentially leaves money on the table. There are many reasons for this lack of participation, which can be addressed through an expertly administered customs optimization review. Often cited reasons include:

- **Unawareness.** A business may simply be unaware that a free trade agreement is in force and, since benefits are not automatically applied, don’t know enough to request duty-free status or other incentives.
- **Complexity of Rules of Origin.** Each FTA includes a complex set of “rules of origin” which set out specific conditions for determining benefit eligibility. This includes, for example, precise country of origin and domestic content requirements for each product. Since products routinely include components and parts sourced from multiple countries, it can be difficult to provide an accurate accounting of a product’s precise makeup. The [Canadian Chamber of Commerce](#) refers to the “intimidating complexity” of rules of origin, which often results in shippers missing out on benefits.
- **Costs associated with compliance.** Businesses must expend time and resources to determine eligibility, gather required documentation, and apply for benefits.

None of these reasons though, is insurmountable. Assistance is available to help navigate the process, including qualified trade professionals as well as [technology-based systems](#) that automate recordkeeping and compliance requirements.



Duty Deferral Programs

Businesses may also be eligible for opportunities to manage, sometimes even eliminate, duty obligations. [Duty deferral programs](#), according to the Canadian government, can allow businesses to “waive, postpone, or refund duties and taxes you usually have to pay on imported goods.”

A number of programs, described below, fall under the duty deferral umbrella. Not surprisingly, businesses taking advantage of a duty deferral program can expect scrutiny from government officials. That's because deferral programs are considered a "privilege," rather than a right, and result in less revenue taken in by the government.

- [Foreign Trade Zones](#)

In the United States, foreign-trade zones (FTZs) are secure designated areas that, while located within U.S. borders, generally fall outside its scope of jurisdiction with regard to duty assessments and other customs entry procedures. This allows a business to delay paying duties on certain products until they enter the domestic marketplace.

According to [Sandler, Travis & Rosenberg](#): "Goods imported into a FTZ and subject to specific operations (e.g., assembly, manufacture, processing, repackaging, repair, storage, destruction) are not subject to duty unless they leave the zone for domestic consumption...."

Depending on a business's specific circumstance, a FTZ can offer significant benefits. According to the [National Association of Free Trade Zones](#), key opportunities include:

Duty deferral benefits. Instead of paying duty when a shipment crosses a border, duty payment is deferred until the goods are actually transferred from a FTZ into the local market.

Elimination of duties. Since no duty is paid on merchandise exported from an FTZ, duty is effectively eliminated on foreign merchandise admitted to a zone that is eventually exported from an FTZ. Duties are also eliminated on merchandise that is scrapped, destroyed, or consumed in a zone.

Reduced customs fees. In the U.S., a [merchandise processing fee \(MPF\)](#) is assessed on shipments valued at more than \$2,500. Shipments entering a FTZ though, can delay paying the tax, and reduce total obligations.

State and local taxes. Products held in a FTZ may qualify for exemptions from state and local tax exemptions.

Streamlined Logistics. FTZ users can take advantage of direct delivery whereby imported goods move directly from the port of unloading to the distribution center, thereby eliminating certain customs-related delays. For companies moving products from the west coast to east coast, direct delivery can save days.



Watch our [webinar](#) to learn how international shippers are finding relief from trade uncertainty.

- [Duty Relief Program \(Canada\)](#)

Canada also offers access to FTZs. According to [GHY International](#), the [Duties Relief Program](#) is Canada's primary FTZ program, with provisions similar to those available in the United States. "Through the Duties Relief Program," [GHY](#) analysis notes, "importers are relieved of paying duties on imported goods that are stored, processed or used in the manufacture of other products, as long as these goods are subsequently exported."

- Customs Bonded Warehouses

A customs bonded warehouse, according to [CBP](#), “is a building or other secured area in which imported dutiable merchandise may be stored, manipulated, or undergo manufacturing operations without payment of duty for up to five years from the date of importation.” In Canada, goods can be stored in a bonded warehouse for up to [four years](#).

Benefits of a Customs bonded warehouse include:



Duty deferral. Duties can be delayed, reduced, and in some instances eliminated, providing a significant boost to a business’s cash flow.



Re-exportation opportunities. Products can be re-exported without entering the domestic market. This allows businesses streamlined and cost-efficient access to global markets.



Inventory management. Businesses can store inventory in strategically beneficial locations without the worry of duty liabilities.

Bonded warehouses are similar to foreign trade zones, but there are differences that may make one option more advantageous.

According to [Thomson Reuters](#) tax consultants, key differences include applicable customs regulations and operating procedures.

“Businesses should consider various factors to make the best choice,” the analysis advises. Key factors include business objectives, location, industry-specific activities, customs compliance capability, time restrictions, cost analysis, security measures, and potential trade policy changes.” Businesses are advised to consult a trade professional to determine the best course for their particular situation.

- In-Bond Shipments

The [in-bond process](#) allows a shipment to pass through a country without having to undergo a formal customs review or pay duties and taxes. This can be helpful in improving transit time since shipments are not delayed by an additional customs stopover.

The process also eliminates the need to pay duties and taxes in the “pass through” country. In-bond shipments require a [Transportation and Export \(T&E\)](#) bond and can only be transported by a bonded carrier. An example of in-bond transit includes goods originating in Mexico that are destined for Canada. According to [Pacific Customs Brokers](#), these goods can move, “literally, freely through the U.S. on a T&E bond without having to pay import duties or taxes.

- Duty Drawback

Drawback allows a business to obtain a refund for import duties paid on products that are subsequently exported or destroyed. Depending on a business’s specific circumstances, drawback can result in significant amounts of recouped revenue. However, navigating the drawback process can be quite difficult.

Eligibility requirements are exacting, and documentation recordkeeping requirements are extensive. As a result, most businesses fail to apply, missing out on an opportunity to recoup significant revenue.

According to [Comstock/C.J. Holt](#) duty drawback specialists, 70% of duty drawback refunds go unclaimed and are ultimately lost. During FY 2021, this amounted to an estimated [\\$5 billion](#) to which businesses were legally entitled.

In general, according to [CBSA](#), a business may qualify for drawback under circumstances that include:

- Goods are imported that are later exported, as-is.
- Goods are imported and used to produce other goods that are subsequently exported; or
- Goods are imported that are subsequently destroyed, or are obsolete or surplus, or are manufactured into an item that is obsolete or surplus.

[U.S. CBP](#) refers to drawback as “the most complex commercial program U.S. Customs and Border Protection (CBP) administers because it involves every aspect of the Customs business, including both imports and exports.”

Another important consideration – goods moving between the United States, Mexico, and Canada may be subject to drawback-related restrictions included in the USMCA.

Although the drawback application process may be complicated and time-consuming, the benefits can often justify the aggravation. Trade professionals are available to help businesses determine eligibility, and to manage the application process on their behalf.

• Temporary Imports

Sometimes a product will cross an international border on a temporary basis, for a specific purpose, with the full understanding that once that purpose is satisfied the product will return to its original country. Such instances are referred to as “temporary imports,” and may include products in need of repair or alteration, trade show materials (but not giveaways), and theatre props, among other situations. According to [Livingston International](#) customs brokers, temporary imports may be exempt from paying duties for a period of one year. A shipper must obtain a [Temporary Import Bond \(TIB\)](#) from customs, which is canceled once the goods are exported.



Low Value Shipments/De Minimis Exemptions

Shippers may also be able to reduce their duty obligations through use of an exemption called the de minimis value. This is the monetary threshold that triggers imposition of duties and/or taxes. Products with a valuation that falls below the de minimis threshold are generally eligible for the exemption. Each country sets its own de minimis value.

Within North America, the [United States-Canada-Mexico Agreement \(USMCA\)](#) addressed each country's de minimis threshold as a way to encourage cross-border e-commerce between the three signatories. Current thresholds include:

Canada	United States	Mexico
<p>Prior to the USMCA, Canada maintained a de minimis threshold of CAD \$20 for both tax and duty-free liability. Going forward, Canada agreed to increase its de minimis threshold as follows:</p> <ul style="list-style-type: none">• De minimis threshold increased to CAD \$40 for sales tax liability.• De minimis threshold increased to CAD \$150 for duty-free liability.	<p>The U.S. de minimis threshold is set at US\$800, which is among the highest in the world. This allows goods valued at US\$800 or less to enter the U.S. duty-free.</p>	<p>Under the USMCA, Mexico agreed to increase its de minimis for duty-free eligibility from US\$50 to the equivalent level of US\$117. For tax-free eligibility, the de minis value was kept at its existing level of US\$50.</p>

Important to note, the [USMCA de minimis provisions](#) only apply to shipments that are transported via an express service provider, such as Purolator. Shipments transported by non-express providers, such as the postal service, are not eligible for the duty and tax exemptions.

Tariff Engineering

Tariff engineering refers to instances in which a business changes its sourcing or production practices so that a product can qualify for a reduced rate of tariff. According to [Sandler, Travis & Rosenberg](#) public accounting firm, the practice is legal, although the strategy “is subject to close federal scrutiny.”

Athletic shoe manufacturer Converse is often cited as a company that successfully uses tariff engineering. According to [Clearit USA](#), the company “adds an extra layer of felt to the bottom of their sneakers to qualify for a lower duty rate.” This added step allows the company to pay a 3% rate of duty instead of a rate as high as 48%.

Another example is Columbia Sportswear’s practice of adding a “[pocket below the waist](#)” to certain women’s garments as a way to reduce the applicable tariff rate. The lower pocket, which the company refers to as a “nurse’s pocket” or “chapstick pocket,” reduces the tariff rate from 26.9% to 16.0%.

Although the use of tariff engineering can be quite lucrative, it is not without risk. In 2024 the [U.S. Department of Justice](#) announced a \$365 million fine against the Ford Motor Company to resolve allegations that it “devised a scheme to avoid higher duties by misclassifying cargo vans.” According to the complaint, Ford imported cargo vans from Turkey and “represented them to U.S. Customs and Border Protection with sham rear seats and other temporary features to make the vans appear to be passenger vehicles.”

This allowed the company to qualify for a duty rate of 2.5%, rather than the 25% applicable to cargo vans. However, the Justice Department claimed, the rear seats were removed from the vehicles after customs clearance, and the vehicles “returned to [their] original identity as two-seat cargo vans.”

As this expensive example makes clear, a business must be sure to follow the letter of the law and not take any questionable risks. Tariff engineering is an acceptable practice available to shippers but, as [Pacific Customs Brokers](#) points out, any questionable practice “can jeopardize your relationship with US Customs and have you pay duties, taxes, and penalties on top of that.”



Ensure Your Logistics Strategy is Customs- Optimized!



As the preceding discussion makes clear, international shippers have several options at their disposal to help facilitate the customs process and reduce tax and duty liabilities. Most of these benefits are achieved through government-administered programs and require careful and complete adherence with application procedures. In many cases, a customs professional is best positioned to offer this insight and ensure shipments receive all applicable benefits. This includes international trade services firm [Livingston International](#), which was acquired by Purolator in early 2025. Livingston International offers unmatched expertise in global customs brokerage, including insight into optimization opportunities. There are also opportunities though, to add efficiency through the logistics process.

Shippers rely on their logistics partner to safely manage their supply chains and ensure on-time deliveries. But an experienced logistics professional can do much more.

An experienced provider will have a detailed understanding of how shipping practices can affect customs efficiency. Should you pay duties and taxes, for example, or have your customer assume responsibility for them? Is there a customs-related benefit to using a courier or express carrier? And what about opportunities for facilitating the clearance process.

Certain logistics providers, including Purolator International, offer customs-related expertise as a matter of course when developing a customer's shipping strategy. Purolator offers comprehensive services for cross-border shipments moving within and between the United States and Canada.

The company maintains a team of internal trade specialists who are deeply knowledgeable about all customs-related issues. Team members evaluate each business's unique circumstances and identify opportunities for adding efficiency – and reducing costs -- to the shipping process. Highly effective recommendations may include:



Low Value Shipments/ Expedited Clearance

As discussed above, shipments valued at less than the de minimis threshold can avoid paying customs duties and/or taxes, depending on the country to which the goods are being imported. But they may also be eligible for an expedited clearance.

U.S. Section 321 Shipments

Qualified shipments valued at less than US\$800 are referred to as "[Section 321](#)" shipments. This refers to the statute that authorizes de minimis. Eligible shipments are exempt from duties, but they also benefit from an informal entry process, which facilitates the customs review process. Shipments entering the U.S. as informal entries require minimal paperwork and documentation, and do not have to post a bond.

Shipments that require OGD/PGA approvals are excluded under Section 321. Instead, such shipments may need to file through a provision called Entry Type 86.

Canada – Courier Low Value Shipment Program. CBSA maintains the [Courier Low Value Shipment Program](#), which provides informal entry for express shipments valued at less than CAD \$3,300.

Terms of Shipping/Incoterms®

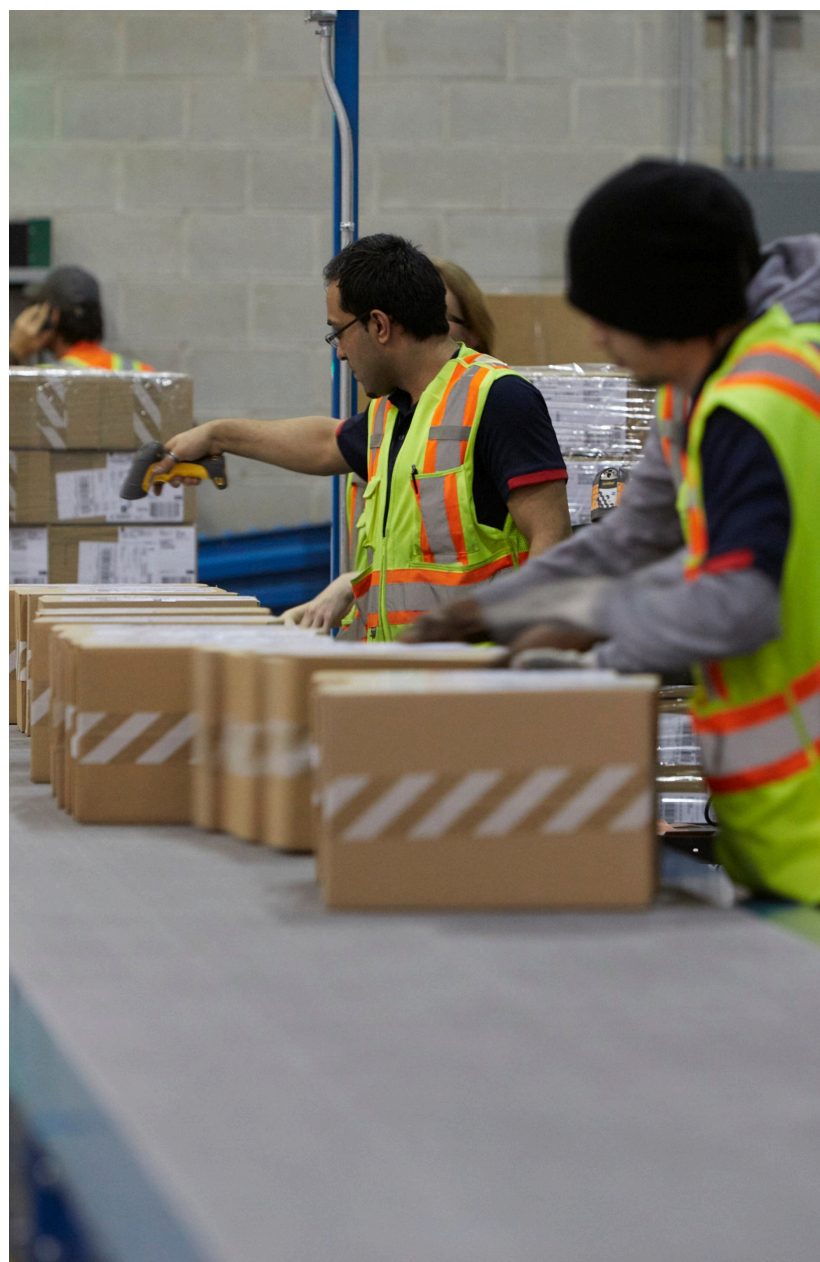
Businesses can also add efficiency to the cross-border process by ensuring the right terms of shipping are in effect to guide the shipping process. This is done through the use of internationally recognized terms of shipping, known as [Incoterms®](#).

The U.S. [International Trade Administration](#) defines Incoterms® as a "set of rules which define the responsibilities of sellers and buyers for the delivery of goods under sales contracts." Because of Incoterms®, buyers and sellers have a clear understanding of what constitutes "delivery" for example, and which party is responsible for unloading a vehicle, and who is liable for certain payments. This avoids costly mistakes and misunderstandings.

Incoterms® are developed and managed by the Paris-based [International Chamber of Commerce](#). There are currently 11 different Incoterms®, divided into four categories based on the mode of transport. Only one, the [Delivered Duty Paid \(DDP\)](#) option, assigns responsibility for duties, taxes, and customs obligations to the seller.

All other Incoterms® assign this responsibility to the buyer. A U.S. retailer would likely want to avoid having its Canadian customers presented with unexpected invoices for duties and taxes at time of delivery, or have their online purchases held at a local customs office until they appear to satisfy all outstanding claims. This can be avoided by selecting the DDP Incoterm when contracting with a logistics provider.

However, a business must be sure it is positioned to accept this responsibility. The DDP option obligates the seller to satisfy all tax liabilities, including local taxes, in the buyer's country. The seller also has responsibility for compliance with all customs requirements, which means a business must have confidence in its ability to successfully manage the customs compliance process. Otherwise, as [USA Customs Clearance](#) points out, "a seller that does not follow the customs regulations of the buyer's country will make the shipping process a disaster for both parties."



Shipment Consolidation

Combining smaller shipments into a single, larger unit – a process called consolidation – can help businesses reduce costs, improve transit time, and facilitate the customs clearance process. Purolator is among the special category of logistics providers that has the resources necessary to offer consolidation services. Benefits typically include:



Cost savings that result from combining freight and parcel shipments.



Cost savings that result from combining consolidated shipments with other Canada-bound shipments.



Improved transit time that results from direct linehaul service to the border.



Prioritization of shipment integrity, with pallets remaining intact, and a reduced risk of theft or damage.



Customs efficiencies: A consolidated shipment will clear customs as a single unit. This is especially helpful since a consolidated shipment might consist of dozens – perhaps hundreds – of smaller shipments. Left on their own, every one of those shipments might need to have separate documentation and paperwork filed with customs. Instead, as a consolidated shipment, all parts are accounted for in a single entry and pass through customs as one unit.

Strategic Border Clearance

Another option is to add efficiency through a border crossing strategy. This includes strategic thought about where a shipment crosses the border as a way to avoid wasted miles and ensure direct, seamless entry into the Canadian market.

Shipments entering Canada by truck tend to favor border crossings located in Detroit, MI, Buffalo, NY, and Port Huron, MI. The busiest entry point is the Ambassador Bridge, which connects Detroit with the city of Windsor, Ontario. According to [Bloomberg](#), this single crossing accounts for almost 30% of total U.S.-Canada trade.

Ideally, a shipment should cross the border at a location that makes sense based on its ultimate destination. Automotive shipments, for example, typically use the Detroit-Windsor crossing since Canada's automotive industry is [largely concentrated](#) in the Detroit area.

Similarly, much of Canada's technology sector is located in the [Toronto-Waterloo Corridor](#), and could benefit from using a western New York Crossing such as the Peace Bridge or the Lewiston-Queenston Bridge. This is especially true for tech-based shipments that originate in the eastern United States.

There are times though, when a shipment might be better served by one of the [dozens of other land crossings](#) located along the U.S.-Canadian border.



[We Share More About Cross-Border Shipment Consolidation Here](#)

Another option is to have shipments enter Canada at more than one clearance point. A “dual induction strategy” can be an ideal approach for e-commerce retailers and other businesses with customers located in multiple provinces and territories.

In this scenario, U.S.-based shipments would be sorted based on their Canadian destinations and enter Canada via geographically aligned linehauls. Shipments destined for western Canada might cross the border near Vancouver, with shipments headed to the eastern part of the country crossing in Detroit/Windsor. That way, shipments enter Canada at a geographic location that makes sense. Otherwise, all shipments would cross the border at the same location, often hundreds of miles off-course, only to have to spend precious time getting back on track.

Many logistics companies require shipments to cross the border at a location that is convenient to their distribution centers or network hubs.

[Purolator](#) is different though. With processing centers and other resources strategically located along the border, Purolator has the flexibility to offer solutions that allow clearance at an entry point that makes sense for the shipper. Another “Purolator difference,” is the company’s affiliation with [Livingston International](#) global trade services company. Livingston trade experts ensure all shipments are in full compliance with customs mandates, and also identify opportunities for customs efficiency, and cost savings.



Conclusion



Customs compliance is an unavoidable part of cross-border shipping, but it doesn't have to be a drain on a business's time or resources. Instead, resources are available to ensure that shipments clear the border as efficiently as possible and take advantage of all opportunities to minimize cost.

Businesses are increasingly realizing the value in not just ensuring compliance with customs mandates, but in going beyond to identify savings and efficiencies. Networks of professionals – customs brokers, trade analysts, logistics experts – spend their days delving into the nuances of customs requirements and are well-positioned to identify customs optimization opportunities.

A business might be pleasantly surprised to find that a few adjustments to its cross-border strategy could result in significant bottom line savings. The opportunities were there all along, but sometimes it just takes an expert to find them.

Maybe it's time for your business to ask an expert to have a look at your business's current customs procedures?



[Learn More About How Purolator Can Help Ensure Customs Efficiency](#)





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