"Reason to Believe" applies in respect to a CBSA penalty when the Canada Border Services Agency (CBSA) determines that an importer had sufficient information to recognize that their customs declaration or documentation contained an error, omission, or non-compliance issue but failed to take corrective action. This concept is integral to CBSA’s enforcement of compliance and is often linked to the penalties outlined under the **Administrative Monetary Penalty System (AMPS)**.

Key situations where "Reason to Believe" may apply include:

1. **Documentation Received by the Importer**: If an importer has received documentation (such as supplier invoices, origin certificates, or tariff classification rulings) that indicates discrepancies, the importer is deemed to have a "Reason to Believe" that corrections are needed.
2. **Trade Advisories or Regulatory Updates**: When CBSA issues notices, guidance, or policy changes that directly impact an importer’s operations, the importer is expected to review and align their practices accordingly.
3. **Customs Decisions or Audits**: If an importer has undergone a CBSA audit or received a decision or ruling that identifies an error, they are obligated to correct similar issues for other transactions.
4. **Accessible Industry Standards**: Importers are expected to be aware of common industry practices and public information related to tariff classifications, valuation, and origin. Lack of awareness does not absolve them of compliance responsibility.

Failure to act on a "Reason to Believe" within the specified **90-day self-correction window** under Section 32.2 of the Customs Act can result in monetary penalties. The penalties will depend on the type and severity of the non-compliance and whether it is a repeated offense.

**1. Conduct Regular Internal Audits**

Perform periodic reviews of your customs documentation, including:

* **Tariff Classification**: Verify the accuracy of classifications for your products.
* **Valuation**: Ensure proper declaration of transaction value, including adjustments for freight, insurance, and additional costs.
* **Origin Declarations**: Confirm the accuracy and validity of certificates of origin, especially for trade agreements like CUSMA.

**2. Stay Informed on Regulatory Changes**

CBSA frequently updates its policies and guidelines.

* Awareness of changes to tariff schedules, origin rules, and valuation standards minimizes the risk of non-compliance.

**3. Establish a Compliance Framework**

* Written procedures for classifying goods, declaring values, and verifying origin.
* Designation of a compliance officer or team responsible for customs oversight.
* Use of a customs compliance checklist for every shipment.

**5. Maintain Comprehensive Documentation**

Keep organized and complete records for all imports, including:

* Purchase orders, commercial invoices, and shipping documents.
* Certificates of origin and rulings issued by CBSA.

**6. Seek Professional Guidance from Frontier**

Engage customs brokers or consultants for complex issues:

* Obtain advance rulings from CBSA on tariff classification, valuation, or origin to avoid disputes.
* Consult with our compliance experts for audits or appeals

**Common AMPS Penalty Provisions for Tariff Classification Errors**

1. **C082** – Failure to Correctly Classify Goods:
This applies when an importer fails to declare the correct tariff classification on their customs documents.
	* **1st Offense**: $150 or 5% of the value for duty of the goods, whichever is greater.
	* **2nd Offense**: $225 or 10% of the value for duty, whichever is greater.
	* **3rd and Subsequent Offenses**: $450 or 20% of the value for duty, whichever is greater.
2. **C353** – Failure to Provide Accurate Information:
This is triggered when inaccurate information regarding tariff classification leads to improper duty assessment.
	* **1st Offense**: $500.
	* **2nd Offense**: $750.
	* **3rd and Subsequent Offenses**: $1,000

**How to Mitigate Risks**

1. **Leverage Frontier:** To ensure accurate classifications.
2. **Have Frontier conduct Pre-Import Classification Audits**: Verify tariff classifications before filing declarations.
3. **Request Advance Rulings**: Obtain CBSA rulings for clarity on complex classifications.
4. **Train Staff**: Ensure employees are familiar with the Harmonized System (HS) and CBSA guidelines.