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How to Get Started with Section 321:

The Process & Benefits of Section 321 for D2C Brands

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What is Section 321?

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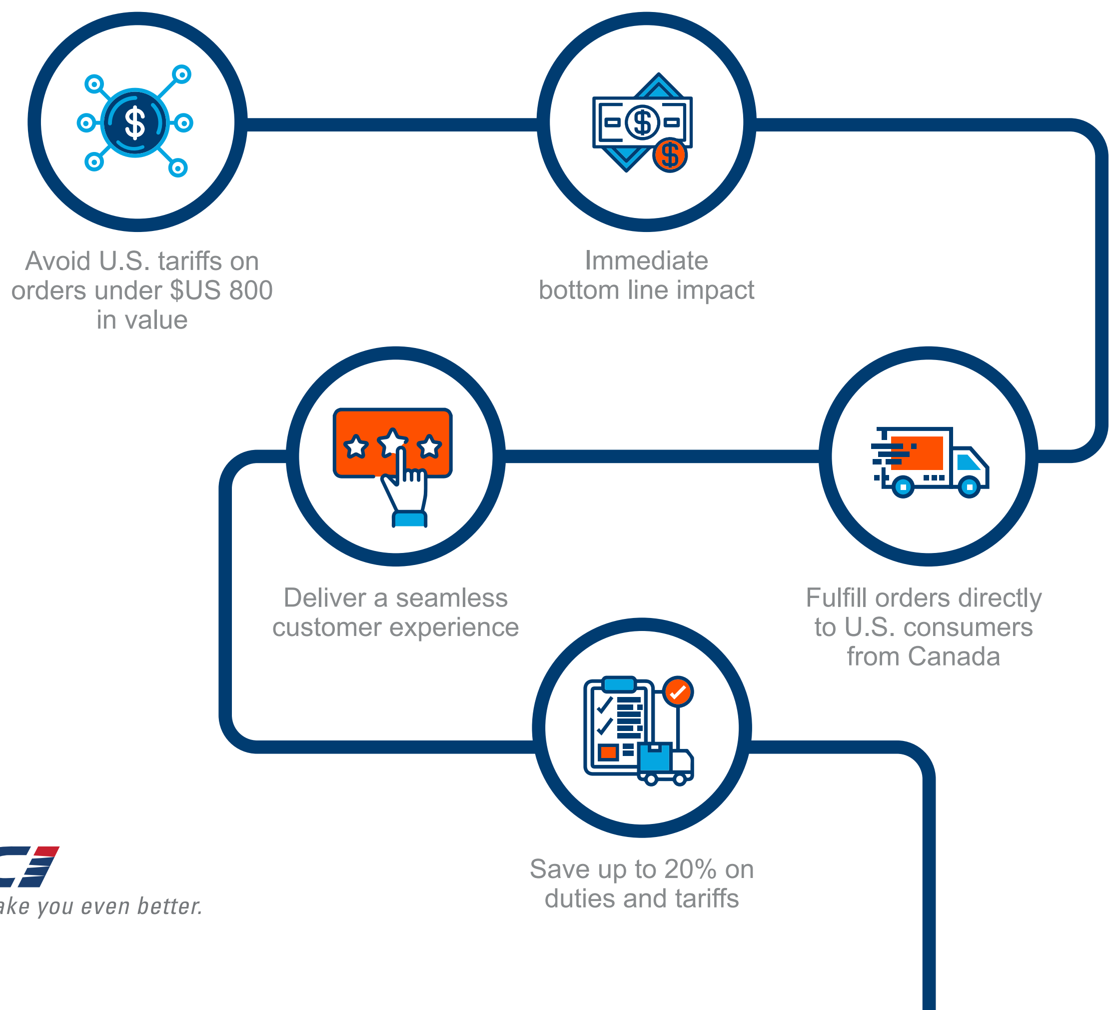
Section 321 is the U.S. legislation that describes de minimis, which are regulations for importing low-value goods into the country.

Under the Canada-United States-Mexico Agreement, a de minimis shipment, or Section 321 shipment, is one that allows for goods valued at $800 USD or less and weighing under 22.6kg (50lbs) to be imported into the United States from Canada or Mexico free of duties or tariffs.

For direct-to-consumer retailers, this offers an opportunity to save as much as 20% on waived or refunded duties on items that enter Canada or Mexico bound for U.S. recipients.

The process also involves minimal paperwork, which allows for faster customs processing.

Section 321 Benefits:



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The Competitive Advantage of Using Section 321

Fast Clearance and Delivery Times

Orders can be picked, packed, and shipped from fulfillment centers the same day they were placed online.

Using Section 321 reduces the amount of paperwork required to import products into the U.S. and clear them across the border. This speeds up the shipping process and eliminates the risk of delays caused by shipments being held up at customs.

Most cross-border fulfillment providers use the U.S. Customs and Border Protection (CBP) Automated Commercial Environment (ACE) platform to reduce manual processes and paper submissions, which in turn speeds up the delivery process. The ACE Secure Data Portal allows trade companies, government agencies, and CBP to communicate, and you can use it to access customs reports.

This free platform enables Section 321 shipments to be processed faster and more efficiently, so brands can get their goods into the hands of consumers just as fast as if the products were fulfilled domestically in the U.S.

Lower cost per unit

By saving up to 20% on duties and tariffs, this lowers the cost per unit of a retailer's product, which can be invested elsewhere in your company, or the savings can be passed on to the consumer.

International Expansion

For U.S. based brands, adding inventory to fulfillment centers in Canada offers the opportunity to expand distribution into a new market of 36+ million Canadian consumers. This approach allows brands to test international growth in a smaller but similar market. Plus, by localizing in Canada your brand can deliver your products faster to Canadians with fewer shipping costs.

For Canadian brands looking to sell to the U.S. market, Section 321 provides a tremendous opportunity to reach U.S. consumers. In addition to saving money on duties and tariffs, you can also save on operations and inventory holding costs by not setting up fulfilment in the United States.

A Seamless Customer Experience

For consumers receiving packages that are shipped using Section 321, there is no difference in the experience compared to if it was shipped domestically. The packages are labelled with a U.S. shipper address, so customers are unaware the goods started their journey in Canada.

For each package the duties are prepaid, delivery times are as expected by consumers, and returns can be processed the same as if the goods came from within the United States.

In addition, by setting up localized fulfillment hubs in Canada, you can improve the buying experience for Canadian consumers with faster delivery and lower shipping costs compared to if you were shipping from the U.S.

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How the Section 321 Process Works

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1

Goods made outside North America are shipped to Canada. Duty and GST/VAT is paid on entry to Canada. The importer registers for GST/VAT and is refunded the GST/VAT portion on a later filing.

2

Goods are cleared through customs into a 3PL warehouse close to the U.S. border. The 3PL receives the stock, and inbound goods are inspected and added to inventory.

3

When an order is placed by a U.S. consumer, the order management system transmits the data to the warehouse that is closest to the customer. The 3PL picks the orders and the client's customs partner manifests the data.

How the Section 321 Process Works

4

The driver crosses the border with the manifest for the load, and commercial invoices totalling less than $800 USD. A commercial invoice is a document which provides information to the customs border protection unit (CBP) detailing country of origin, HTS codes and product description including quantity, value of shipment, receiver's information, and the signature of the exporter.

5

To reduce transit delays, orders are consolidated and shipped by truck to a local induction point in the United States, and the goods enter the U.S. duty free. SCI has fulfillment centers near the U.S. border in Vancouver, and Toronto, Canada. Common induction points into the U.S. from these cities include Blaine (WA), Fife (WA), Buffalo (NY), Newark (NY), and Akron (OH). Consolidated shipments are delivered straight to carriers such as FedEx, UPS, USPS or DHL. This allows for fast delivery times and no change in the customer experience.

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The client's customs broker files monthly drawback of duty paid in Step 1, linking the inbound and outbound entries. The goods are now in the hands of the U.S. consumer, duty free.

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Rules and Regulations You Should Know About Section 321

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Rules and Regulations You Should Know About Section 321

Prohibited Items

There are some goods that cannot be released using Section 321. Prohibited items include:

- Goods requiring inspection (Chemicals or Hazardous Materials)
- Goods regulated by the FDA, FSIS, NTSA or USDA
- Alcohol and tobacco

Who Qualifies

- You source finished goods outside of North America
- Orders weigh less than 50lbs (22Kg)
- Orders are bound for U.S. consumers
- Individual orders are valued at less than $US800

One Shipment Per Day

A Section 321 shipment must not be a part of lots from a larger order and there is also a one shipment per person (the company) per day limit. This means you cannot split a larger shipment into smaller ones to circumvent the $800 de minimis or else you can face penalties.

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Consult with our Southbound E-commerce Fulfillment Team

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Using Section 321 to save money for your direct-to-consumer brand can be a complicated process. It involves understanding compliance, commercial invoices, manifests, restrictions to Section 321, receiving Section 321 shipments, duty filings, draw-backs & VAT/GST taxes. SCI can introduce you to Section 321 consultants who can assist with these requirements.

Our team has worked with apparel, sporting goods, housewares, consumer wellness, and other large-volume DTC retailers to implement fast, efficient, and compliant processes for southbound shipping that aligns to Section 321 requirements.

SCI has in-depth knowledge of the U.S. and Canadian supply chain industry, and relationships with top US carriers to help you develop a streamlined cross-border strategy. Our dedicated team supports you from start to finish with strategic planning and consultation to maximize your southbound fulfillment operations.

Disclaimer: This guide is solely for informational purposes and does not constitute legal advice. Programs are regulated and approved by the Canada Border Services Agency (CBSA) and U.S. Customs and Border Protection (CBP) and are subject to change.

Talk to our southbound e-commerce fulfillment advisor today.

Dwayne Johnson

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