



Changes to Coasting Trade: Repositioning Empty Containers in Canadian Waters

As part of Transportation 2030, the Government of Canada made changes to laws through the *Transportation Modernization Act* that will improve the transportation system. This included changes to the [Coasting Trade Act](#).

As of December 10, 2018, any vessel owner may use their vessel to reposition, without consideration, their owned or leased empty containers within Canada. This includes equipment that's necessary to ensure the safety, security, containment and preservation of the goods that may be carried in those containers in the future. A coasting trade licence isn't required.

As well, vessels sailing into and out of Canada are now entitled to reposition (without consideration) empty containers (owned or leased by the vessel owner) as part of their international voyage, without payment of customs duties and taxes: <https://www.cbsa-asfc.gc.ca/publications/dm-md/d3/d3-1-5-eng.html>.

We expect that these changes will help to address the current shortage of containers available for export, while increasing logistical flexibility for vessel owners and operators.

The Coasting Trade Act

Coasting trade refers to any commercial marine activity within Canadian waters. Above the continental shelf of Canada, these activities must be related to the transport, exploration or exploitation of the minerals and non-living natural resources of the continental shelf.

The *Coasting Trade Act* supports Canadian marine interests by reserving the coasting trade of Canada to Canadian-registered and duty-paid vessels. The legislation provides a process to temporarily import a foreign or non-duty paid vessel under a coasting trade licence when a suitable Canadian-registered duty paid vessel isn't available. A coasting trade licence can be valid for up to one year.

Requirements for repositioning empty containers in Canadian waters

A coasting trade licence is no longer required for a vessel owner to reposition (without consideration) their owned or leased empty containers within Canada. The following requirements must be met:

- Ownership - The owner of the vessel must own or be leasing the empty containers.
- Lack of consideration - The entity repositioning the empty containers may not receive anything in exchange for repositioning those containers. Consideration includes both monetary payments and payment in kind. 'Without consideration' means without receiving something in exchange.

These changes don't affect existing regulatory requirements that may apply to foreign vessels operating in Canadian waters. Transport Canada's safety and environmental protection regime under the [Canada Shipping Act, 2001](#) continues to apply to all foreign-registered vessels.

Duties

Foreign vessels that reposition (without consideration) empty containers (owned or leased by the vessel owner) as part of an international voyage, don't have to pay duty under the *Customs Tariff*. This activity is duty-free.

Foreign-registered vessels that reposition empty containers between Canadian ports are generally considered to be engaged primarily in international transportation. For this reason, the vessel should follow a route that is similar and consistent with the moving goods as part of an international commercial transportation.

Repositioning of empty containers must happen immediately before or after the vessel is used for international commercial transportation. As such, a foreign-registered vessel is restricted to one point-to-point movement immediately before or after it's used for international commercial transportation.

[Information about customs for repositioning empty containers in Canadian waters](#)

For questions about vessel duties and taxes under the *Coasting Trade Act* please contact the Canada Border Services Agency: coastingtrade-cabotage@cbsa-asfc.gc.ca.

Crew

For international voyages, while foreign nationals working on a vessel in Canadian waters are deemed to meet the definition of 'working in Canada', they don't usually need a work permit, because they're a [member of a crew](#). Foreign nationals may be exempt from requiring a work permit if:

- they're working on a foreign-owned (not registered in Canada) vessel that is engaged primarily in international transportation; and
- the work is related to the operation or maintenance of the means of transportation or the provision of services to passengers.

Most foreign nationals entering Canada on a vessel that meets the above criteria don't need a work permit when the vessel repositions empty containers, without consideration, within Canada.

European Union (EU) entities

Repositioning of empty containers was first opened up to eligible EU entities under the CETA. The *Transportation Modernization Act* and changes to the *Coasting Trade Act* allow all vessel owners using vessels of any registry to reposition their owned or leased empty containers. Previous advance notice requirements for this specific activity no longer apply.

Vessel-sharing agreements

Partners in a vessel-sharing agreement can reposition (without consideration) their partners' empty containers. At the time the empty containers are moved, the owner/lessee of the containers must have the rights of the owner of the vessel in respect to the possession and use of all or part of the vessel, in accordance with the agreement.

The *Coasting Trade Act* defines an owner, in relation to a vessel, as "the person having for the time being, either by law or by contract, the rights of the owner of the ship with respect to its possession and use".

Repositioning empty containers with consideration

For a foreign vessel whose main activity is repositioning its owned or leased empty containers, a coasting trade licence may be required. In such cases, in addition to marine safety and pollution prevention regulations, other regulations may apply. These include:

- A [Labour Market Impact Assessment](#) from Employment and Social Development Canada; and,
- A [work permit](#) from Immigration, Refugees and Citizenship Canada.
- *Vessel Duties and Taxes* – Goods imported into Canada are subject to applicable customs duties as per the rates set out in Canada's [Customs Tariff](#). For vessels temporarily imported to provide services

permitted under the *Coasting Trade Act*, duty reductions are calculated as per the [*Vessel Duties Reduction or Removal Regulations*](#).

Questions?

If you have questions about changes to coasting trade, please contact Transport Canada's Domestic Marine Policy Group: tc.coastingtrade-cabotage.tc@tc.gc.ca.