



Red Tape
Awareness Week™



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2024

RED TAPE AWARENESS WEEK
2024
• 15 YEARS •

Worst of the Worst: All trick and no treat for costume shops

Recipient: Canada Border Services Agency

A small costume shop has been hit with a wardrobe full of paperwork and fees all because of two small word changes from the Canada Border Services Agency (CBSA). Meet The Costume Shoppe, a 25-year veteran of Calgary's costume scene, whose import of themed costumes took an unexpected nosedive right before their busiest time of the year.

The business was previously permitted to import themed costumes with zero duty fees because they were classified as “festive wear” under Chapter 95 of the *Canadian Customs Tariff*. This all changed in 2022 right before the Halloween and holiday seasons when the CBSA notified the shop that its costumes were now considered “fancy dress” under chapters 61 and 62, making them subject to 18% duty fees plus applicable taxes. The federal agency directed the shop's owner to submit an extensive report detailing the quality of the costume materials, failed to verify the costumes in person, never explained the reasoning for their decisions, and required the “voluntary” payment of taxes retroactively back to 2016.

The CBSA's decision is also creating an unlevel playing field between big and small businesses. Holiday-themed clothing and accessories are not meant for everyday use, regardless of their cost and quality. The Canadian International Trade Tribunal was of the same opinion when in its 2011 ruling it determined that Halloween costumes imported by Loblaws Canada were exempt from chapters 61 and 62.

The fix: The CBSA should revert to classifying themed costumes sold by small businesses as “festive wear”.

Honouree: Too many unhealthy changes for natural health products

Recipient: Health Canada

Businesses in the natural health products industry will soon have a tough pill to swallow if Health Canada proceeds with its plan to implement a burdensome cost recovery process with paperwork challenges and hefty fees to get a natural health product into the Canadian market.

One small business owner who imports about 800 different types of traditional Chinese medicine estimates that under the new cost recovery process, it would cost his business \$500,000 more every year to sell his ginseng in Canada.

Adding an extra layer of complexity, new firms (as of June 2025) and businesses licensed before June 2025 (as of June 2028) will have to navigate a standardized Product Facts Table and various other new, technical labelling requirements (e.g., a minimum type size, font types, and contrast), on top of existing labelling rules.

If that's not enough, as of July 21, 2022, new supplemented foods coming into the market must comply with the “Supplemented Foods Framework”, adding another level of bureaucratic rules for businesses.

These changes will be costly and could force many small- to medium-sized businesses to shut down Canadian operations, increase their prices, or remove their products from the Canadian market.

The fixes: Health Canada should stop simultaneously piling multiple changes on the natural health products industry; work closely with industry to create fair and reasonable fees that consider the challenges small businesses face; keep existing labelling requirements in the short term; and work closely with industry to modernize labelling in the long term.

Honouree: Payroll services businesses stuck with unintended consequences

Recipient: Finance Canada

A regulatory change from Finance Canada is imposing an additional level of duplicative and burdensome paperwork on businesses using payroll services.

Up until February 2022, payroll services were exempted as a “money services business” from Canada’s Anti-Money Laundering (AML) regime. That’s when Finance Canada put in place a change that removed this long-standing exemption, making these services subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA).

Time is money for small businesses. Under the change, any business using payroll services must provide extensive and detailed paperwork that often cannot be easily produced or transmitted. Businesses must also provide physical verification of items such as partnership agreements. This additional paperwork is burdensome, costly, and duplicates existing AML controls used by banks.

What makes matters worse is that the requirement for physical documentation is discouraging small businesses from adopting digital payroll solutions that make firms more productive.

On top of all this, the change was made without any consultation, and no consideration was given to potential unintended consequences impacting businesses.

The fix: Stop these unintended consequences by reinstating the payroll services exemption under Canada’s AML regime and making it clear that the PCMLTFA does not apply to payroll services.

