

Excise Duty Notice

Under the *Excise Act*

June 2006

Excise Duty Rate Changes Impact on Beer Inventories

This notice sets out the impact on beer inventories as a result of the change in excise duty rates that come into effect on July 1, 2006 (new rates). These rate changes result from amendments to the *Excise Act* that received Royal Assent on June 22, 2006. For further information on the new rates, please refer to Excise Duty Notice EDN 9, *Excise Duty Rate Changes – July 1, 2006*, published in May 2006 and available on the Canada Revenue Agency website at www.cra-arc.gc.ca/menu/EXAN-e.html.

The application of the new rates of excise duty to existing inventories of beer will depend on the point at which the duty is imposed, levied or payable, and whether the particular commodity was in bulk or packaged state at the beginning of July 1, 2006.

Excise duty is imposed on beer under subsection 170(1) of the *Excise Act*. It is required to be charged and computed on the quantities of beer produced during each production day. “Produced beer” is deemed to be beer that has been put into packages by the licensed brewer and includes bulk beer that is shipped from the licensed brewer.

For beer packaged prior to July 1, 2006, the excise duty rates that were in effect under Part II of the schedule to the *Excise Act* before that date will apply. Beer that is packaged or shipped in bulk from a brewery on or after July 1, 2006 will be subject to the rates under the new Part II.1 of the schedule to the *Excise Act*. The new rates are also shown in EDN 9.

Imported beer, which is subject to additional duty equal to excise duty under section 21.3 of the *Customs Tariff*, will be subject to the increased rates of duty if imported into Canada on or after July 1, 2006. The reduced rates of duty that are proposed to be included in the *Excise Act* are not applicable to imported beer.

Books and Records

Licensed brewers must maintain adequate books and records to provide sufficient documentary evidence to support the rates of excise duty applied to their excisable goods.

EDBN 7

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Canada Revenue
Agency

Agence du revenu
du Canada

La version française de ce document est intitulée
*Modifications aux taux des droits d'accise –
Répercussions sur les inventaires de bière.*

Canada

Refunds or Drawbacks of Duty – Transitional Rules

All refunds and drawbacks of excise duty must be appropriately supported by documentation. The rate of excise duty to be used in claiming a refund or drawback will be the rate supported by that documentation.

In any situation where a licensed brewer cannot provide sufficient evidence that the higher rate of excise duty was used, the following rules may apply:

- a) For excise duty-paid beer that is returned to process stock within 15 calendar days following an increase in the excise duty rates, the brewer will be allowed a credit at the lower rate in effect prior to July 1, 2006.
- b) For duty-paid kegged beer returned to the brewery for rework or destruction within 30 calendar days following the July 1, 2006 excise duty rate increases will result in a credit to the brewer at the previous lower rates.
- c) For duty-paid bottled or canned beer that is returned to the brewer within 90 calendar days following July 1, 2006, a credit of the duty paid will be granted at the lower rates in effect before that date.

Other duty-paid beer, such as beer shipped in bulk by a brewer, or duty-paid kegged, bottled, or canned beer entered for export, ships' stores, or delivery to duty-free shops, will be allowed a credit based on the actual rate of duty paid.

This Excise Duty notice does not replace the law found in the *Excise Act* or its regulations. It is provided for convenience and reference purposes only. Since it may not completely address your particular operation, you may wish to refer to the relevant act or regulations or contact your regional excise duty office for additional information.