

Excise Duty Notice

Under the *Excise Act, 2001*

June 2006

Additional Information Relating to the Excise Duty Exemption on 100% Canadian Wine

This Notice is further to our Excise Duty Notice EDN 11, *Excise Duty Exemption on 100% Canadian Wine*, published May 2006 and available on the CRA website at www.cra-arc.gc.ca/menu/EXAN-e.html.

The exemption will be available to **all** wine licensees on wine, as defined in section 2 of the *Excise Act, 2001* (including cider, wine coolers, fruit wines and sake), that is packaged on or after July 1, 2006. The responsible wine licensee claiming this exemption must have sufficient evidence to confirm that the wine put into the package was wholly composed of Canadian-grown agricultural products.

Wine packaged prior to July 1, 2006

Wine that was packaged prior to July 1, 2006 is not eligible for this exemption; that wine will continue to attract the excise duty rate imposed at the time it was packaged. For additional information on the excise duty rate changes and their impact on inventories, see Excise Duty Notice EDN 14, *Excise Duty Rate Changes – Impact on Spirits and Wine Inventories* available on the CRA website at www.cra-arc.gc.ca/menu/EXAN-e.html.

Exemption qualifications for wine

In order to qualify for this exemption, wine that is packaged must be made from 100% Canadian-grown agricultural products. This means that all of the primary ingredient that is fermented (e.g., grapes, berries, other fruit, honey, dandelions and rice) must have been grown in Canada.

If a wine licensee produces wine from purchased juice, then all of the raw material used to make that juice (e.g., grapes, berries) must have been grown in Canada.

Fortified wines must have been fortified with spirits that have been made by spirits licensees wholly from grains, fruits, and other agricultural products that have been grown in Canada.

The 100% Canadian rule will apply to any juice added in the winemaking process, but will not apply to incidental agricultural-based ingredients that are added in the winemaking process (e.g., sugar).

If a licensee blends wine, then the final blended wine that is packaged must be made wholly from Canadian agricultural products in order to qualify for the exemption.

EDN 15

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Canada Revenue
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La version française de ce document est intitulée
*Renseignements supplémentaires sur l'exonération des
droits d'accise sur le vin entièrement canadien*

Canada

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Example

A wine licensee produces or purchases two wines made wholly from grapes or other fruit grown in Canada (wine No.1 and wine No.2); that wine licensee also produces or purchases a wine made from grapes or other fruit grown outside Canada (wine No.3). Wine No.1 and wine No.2 qualifies for the exemption and wine No.3 does not.

If the licensee blends wine No.1 with wine No.2, then the resultant blend qualifies for the exemption. If the wine licensee blends wine No.1 or wine No.2 with wine No.3, the resultant blended wine does **not** qualify for the exemption.

Warehousing

When a wine licensee packages wine that qualifies for this exemption, the responsible licensee will not enter that wine into the inventory of an excise warehouse. This wine inventory would be recorded separately from the duty-deferred inventory held in an excise warehouse.

Books and records

Excise duty is imposed on wine at the time of packaging, and is payable by the responsible wine licensee. The responsible wine licensee claiming this exemption must maintain adequate books and records to support the claim. If a wine licensee is unable to support its claim, it would be subject to an assessment or re-assessment of the duty that would have been payable.

Records may include, but are not limited to, maintaining production records sufficient to trace the raw materials and resultant wine to the package (e.g., blend sheets, transfer sheets), maintaining inventory records of exempt and dutiable products, and maintaining records of transactions between the wine licensee and its raw material source(s) and other wine licensees (e.g., shipping documents, invoices).

Filing returns and reporting

All wine licensees are required to file a monthly B265, *Excise Duty Return – Wine Licensee*.

For the reporting period beginning July 1, 2006, wine licensees will report bulk wine that is entitled to this exemption and removed from inventory for packaging on the line "Packaged – Exempt 100% Canadian" of their return. This will include marked special containers of wine qualifying for this exemption.

The current monthly return will be amended to read as set out below. The related Excise Duty Memorandum 10.1.6, *Completing an Excise Duty Return – Wine Licensee* will also be amended to reflect this change.

Packaging activities	Packaged
	Packaged - Exempt 100% Canadian
	Marked special container

This Excise Duty notice does not replace the law found in the *Excise Act, 2001* or their 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.