

Excise Duty Memoranda Series

10.1.4 Completing an Excise Duty Return – Licensed User

August 2003

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| Overview | This memorandum provides line-by-line instructions on how to complete form B263, <i>Excise Duty Return – Licensed User</i> , required to be filed monthly by licensed users under the <i>Excise Act, 2001</i> (the “Act”). It also provides information on when and where to file the return. |
| Disclaimer | The information in this memorandum does not replace the law found in the Act and its Regulations. It is provided for your reference. As it may not completely address your situation, you may wish to refer to the Act or its Regulations, or contact any Canada Customs and Revenue Agency (CCRA) tax services office for additional information. |
| [Proposed amendments] | This memorandum reflects the proposed amendments to the <i>Excise Act, 2001</i> , which the Minister of Finance announced on June 24, 2003. [Where information reflects proposed amendments, the information is enclosed in square brackets.] Any commentary in this memorandum should not be taken as a statement by the CCRA that such amendments will in fact be enacted in their current form. |

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General

Licensed users 14

1. A user’s licence authorizes a person (i.e., a licensed user) to possess and use bulk alcohol, non-duty-paid packaged alcohol, [or a restricted formulation] for specific purposes. The responsibilities of a licensed user are discussed in detail in Excise Duty Memorandum 3.1.2, *Licensed Users*.

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Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

Canada

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When is excise duty payable?

2. In many cases licensed users will have no liability to pay excise duty, since they generally use spirits and wine for purposes for which excise duty is not payable. However, there are some situations where a licensed user will have to pay excise duty, notably:

- where spirits or wine in the possession of the licensed user are unaccounted for;
- where spirits or wine in the possession of the licensed user are taken for use;
- where less than 0.5 kilograms of acetic acid per litre of absolute ethyl alcohol (LAA) is produced in the process of producing vinegar from spirits or wine by the licensed user. In such cases, a portion of the alcohol is deemed to be taken for use; or
- where packaged alcohol imported by the licensed user is released from Customs without the payment of excise duty.

Rates of excise duty – spirits
Schedules 4 and 5
s 122 and 123

3. The following rates are used to calculate the amount of excise duty payable on spirits:

- \$11.066 per LAA (spirits containing more than 7% of absolute ethyl alcohol by volume); and
- \$0.2459 per litre of spirits containing not more than 7% of absolute ethyl alcohol by volume.

Rates of excise duty – wine
Schedule 6
s 134 and 135

4. The following rates are used to calculate the amount of excise duty payable on wine:

- \$0.0205 per litre of wine containing not more than 1.2% of absolute ethyl alcohol by volume;
- \$0.2459 per litre of wine containing more than 1.2% but not more than 7% of absolute ethyl alcohol by volume; and
- \$0.5122 per litre of wine containing more than 7% of absolute ethyl alcohol by volume.

Possession vs. responsibility

5. Inventories are reported based on the possession of the product, regardless of who is responsible. There may be situations where a licensed user is responsible for the spirits or wine, but does not have them in their possession, or vice versa. The licensed user's books and records should reflect these situations for verification during audit and compliance reviews.

6. Include on this excise duty return only information that applies to the fiscal month for which you are filing, and only complete the lines of the return that apply to you. Indicate NIL on the lines that do not apply to you.

7. Additional information with respect to the filing of monthly returns, remitting excise duty, and paying the correct amount of excise duty is provided in Excise Duty Memorandum 10.1.1, *Returns and Payments*.

Line-by-line instructions

PAGE 1

Identification of licensee

- Identification** 8. The top left portion of all three pages of the return is used to identify the licensed user. A licensed user must complete this section on all pages by entering the complete legal name, trading name (if different from the legal name), and mailing address.
- Field 1 – Business Number** 9. Enter your 9-digit Business Number (BN), 2-letter (RD) program identifier, and 4-digit program account number.
- Field 2 – Period covered** 10. Enter the fiscal month covered by the return. The dates should be entered in the order year / month / day.
- Field 3 – Due date of return** 11. The due date for an excise duty return is the last day of the fiscal month following each fiscal month of a licensee. Enter this date for the fiscal month for which you are filing. The due date should be entered in the order year / month / day.

Description – add any missing descriptions

- Line 4 – Spirits >7% (LAA)** 12. Under the heading “Quantity”, enter the total LAA of spirits containing more than 7% absolute ethyl alcohol by volume on which excise duty is payable. Calculate the amount of excise duty payable and enter the result under “Duty payable” on line 4.
- Line 5 – Spirits ≤ 7% (L)** 13. Under the heading “Quantity”, enter the total litres of spirits containing 7% or less of absolute ethyl alcohol by volume on which excise duty is payable. Calculate the amount of excise duty payable and enter the result under “Duty payable” on line 5.
- Line 6 – Wine > 7% (L)** 14. Under the heading “Quantity”, enter the total litres of wine containing more than 7% of absolute ethyl alcohol by volume on which excise duty is payable. Calculate the amount of excise duty payable and enter the result under “Duty payable” on line 6.
- Line 7 – Wine > 1.2% but not > 7% (L)** 15. Under the heading “Quantity”, enter the total litres of wine containing more than 1.2% but not more than 7% of absolute ethyl alcohol by volume on which excise duty is payable. Calculate the amount of excise duty payable and enter the result under “Duty payable” on line 7.

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Line 8 –
Wine \leq 1.2% (L) 16. Under the heading “Quantity”, enter the total litres of wine containing 1.2 % or less of absolute ethyl alcohol by volume on which excise duty is payable. Calculate the amount of excise duty payable and enter the result under “Duty payable” on line 8.

Line 9 –
Total (lines 4 to 8) 17. Add the amounts of “Duty payable” from lines 4 to 8 and enter the total amount on line 9.

Authorized deductions / refunds

Lines 10 to 14 18. There are different ways to claim an excise duty refund.

OR

Line 17

(a) Claim the total refund(s) on your monthly return:

- by recording the quantities on lines 10 to 14 for any preauthorized refunds; or
- by recording the total refund on line 17 and attaching form B256, *General Application for Refund of Excise Duty Under the Excise Act, 2001*;

or

(b) Submit form B256, *General Application for Refund of Excise Duty Under the Excise Act, 2001*, separately from this return.

19. If you claim refunds on lines 10 to 14 of this return, do not include them on line 17, and do not include them on form B256, *General Application for Refund of Excise Duty Under the Excise Act, 2001*.

20. If you have already filed your refund claim separately, do not record any of that information on this return.

21. If you expect a refund from a previous fiscal month, but have not yet received it, do not include that information on this return.

Line 10
Spirits > 7% (LAA)

22. Under the heading “Quantity”, enter the total LAA of spirits containing more than 7% of absolute ethyl alcohol by volume for which a refund has been preauthorized. Calculate the amount of excise duty refundable and enter the result under “Deduction / refund” on line 10.

Line 11 –
Spirits \leq 7% (L)

23. Under the heading “Quantity”, enter the total litres of spirits containing 7% or less of absolute ethyl alcohol by volume for which a refund has been preauthorized. Calculate the amount of excise duty refundable and enter the result under “Deduction / refund” on line 11.

Line 12 –
Wine > 7% (L)

24. Under the heading “Quantity”, enter the total litres of wine containing more than 7% of absolute ethyl alcohol by volume for which a refund has been preauthorized. Calculate the amount of excise duty refundable and enter the result under “Deduction / refund” on line 12.

- Line 13 –**
Wine > 1.2%
but not > 7% (L)
25. Under the heading “Quantity”, enter the total litres of wine containing more than 1.2% but not more than 7% of absolute ethyl alcohol by volume for which a refund has been preauthorized. Calculate the amount of excise duty refundable and enter the result under “Deduction / refund” on line 13.
- Line 14 –**
Wine ≤ 1.2% (L)
26. Under the heading “Quantity”, enter the total litres of wine containing 1.2% or less of absolute ethyl alcohol by volume for which a refund has been preauthorized. Calculate the amount of excise duty refundable and enter the result under “Deduction / refund” on line 14.
- Line 15 –**
Total (lines 10 to 14)
27. Add the “Deduction / refund” amounts from lines 10 to 14 and enter the total on line 15.
- Line 16 –**
Net payable
(line 9 minus line 15)
28. Calculate the “Net payable” amount by subtracting line 15 from line 9 and enter the result on line 16.
- Line 17 –**
Credits
(form B256 attached)
29. Enter an amount on line 17 **only** if you are attaching a completed form B256, *General Application for Refund of Excise Duty Under the Excise Act, 2001*, **and** you have not claimed the refunds on lines 10 to 14 of this return.
- Line 18 –**
Amount due
(line 16 minus line 17)
30. Subtract line 17 from line 16 and enter the result as “Amount due” on line 18. If the amount is negative, place a minus sign to the left of the amount.
- Line 19 –**
Payment herewith /
credit due
31. If the result on line 18 is a positive amount, enter that amount on line 19 and circle “payment herewith”. Enclose a cheque or money order, in Canadian dollars, payable to the Receiver General. If you have already paid the amount due to the CCRA or an authorized financial institution, enter NIL on line 19.
32. If the result on line 18 is a negative amount, enter the same amount on line 19 and circle “credit due”.

Client contact name / telephone number

33. Enter the complete name and telephone number of a person who may be contacted concerning this excise duty return.

Certification

34. An authorized representative must print their name and title, sign and date the return, and provide a current telephone number.

PAGE 2 – SPIRITS

Opening balance

- Line A –**
Opening balance
35. The opening balance of this return must equal the last fiscal month’s closing balance. Enter amounts for “Opening balance” under the applicable columns on line A.

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Additions to inventory

- Domestic 36. For each column, enter the total quantity of domestic spirits added to inventory.
- Imported 37. For each column, enter the total quantities of spirits imported from the United States and countries other than the United States.
- Line B –**
Total additions 38. Add the above quantities of spirits (i.e., all additions to inventory) and enter the sums on line B.

Reductions to inventory

- Approved formulations 39. For each column, enter the total quantity of spirits used in an approved formulation.
- Used to produce vinegar or fortify wine 40. For each column, enter the total quantities of spirits used to produce vinegar and fortify wine.
- Returned to alcohol licensee 41. For each column, enter the total quantity of spirits returned to alcohol licensees or excise warehouse licensees.
- Exported 42. For each column, enter the total quantities of spirits exported to the United States and countries other than the United States.
- Used for analysis 43. For each column, enter the total quantity of spirits used for analysis in a manner approved by the CCRA.
- Destroyed 44. For each column, enter the total quantity of spirits destroyed in a manner approved by the CCRA.
- Removed for other uses 45. For each column, enter the total quantity of spirits removed from inventory for other purposes and specify the purpose for removal (e.g., taken for use or unaccounted losses).
- Line C –**
Total reductions 46. Add the above quantities of spirits (i.e., all reductions to inventory) and enter the sums on line C.

Inventory adjustments

- Line D –**
Inventory adjustments (+ or –) 47. Adjustments may be necessary to balance the physical inventory with the book inventory. The closing or book inventory must agree with the physical inventory for the fiscal month. All adjusting entries are subject to audit and must be entered as “Inventory adjustments” on line D.

Closing balance

- Line E –**
Closing balance (A+B) – C±D 48. The closing balance is the sum of lines A and B, minus line C, plus or minus any adjustment on line D: (A+B) – C±D. This closing balance will become the opening balance for the following fiscal month.

PAGE 3 – WINE

Opening balance

Line A – 49. The opening balance of this return must equal the last fiscal month’s closing
Opening balance balance. Enter amounts for “Opening balance” under the applicable columns on line A.

Additions to inventory

Domestic 50. For each column, enter the total quantity of domestic wine added to inventory.

Imported 51. For each column, enter the total quantities of wine imported from the
United States and countries other than the United States.

Line B – 52. Add the above quantities of wine (i.e., all additions to inventory) and enter the
Total additions sums on line B.

Reductions to inventory

Approved formulations 53. For each column, enter the total quantity of wine used in an approved
formulation.

Used to produce 54. For each column, enter the total quantity of wine used to produce vinegar.
vinegar

Blended with spirits to 55. For each column, enter the total quantity of wine blended with spirits to produce
produce spirits spirits or [used to produce spirits].

Returned to alcohol 56. For each column, enter the total quantity of wine returned to alcohol licensees or
licensee excise warehouse licensees.

Exported 57. For each column, enter the total quantities of wine exported to the United States
or countries other than the United States.

Used for analysis 58. For each column, enter the total quantity of wine used for analysis in a manner
approved by the CCRA.

Destroyed 59. For each column, enter the total quantity of spirits destroyed in a manner
approved by the CCRA.

Removed for other uses 60. For each column, enter the total quantity of wine removed from inventory for
other purposes and specify the purpose for removal (e.g., taken for use or unaccounted
losses).

Line C – 61. Add the above quantities of wine (i.e., all reductions to inventory) and enter the
Total reductions sums on line C.

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Inventory adjustments

Line D –
Inventory adjustment
(+ or –)

62. Adjustments may be necessary to balance the physical inventory with the book inventory. The closing or book inventory must agree with the physical inventory for the fiscal month. Adjusting entries are subject to audit and must be entered as “Inventory adjustments” on line D.

Closing balance

Line E –
Closing balance
(A+B) – C±D

63. The closing balance is the sum of lines A and B, minus line C, plus or minus any adjustments on line D: (A+B) – C±D. This closing balance will become the opening balance for the following fiscal month.

Where to file

64. You may file your excise duty return and payment by mailing it to the following address:

Canada Customs and Revenue Agency
Summerside Tax Centre
Other Levies Division
275 Pope Road, Suite 101
Summerside PE C1N 6E7

65. You may also file your excise duty return and payment by delivering it to any CCRA tax services office, or payments may be made at authorized financial institutions.

Penalties

66. Failure to submit a completed excise duty return to a CCRA office by the filing due date may result in a penalty being charged.

Retention of information

Keeping records
s 206

67. You should retain a copy of this return for your records, as the return and any other information used to prepare it are subject to audit and must be retained for verification purposes.

68. Additional information on the requirement to maintain books and records is available in Excise Duty Memorandum 9.1.1, *General Requirements for Books and Records*.

All of the memoranda in the Excise Duty Memoranda Series will be available on the CCRA Web site at <http://www.ccra-adrc.gc.ca/tax/technical/act2001-e.html>