

Excise Duty Memoranda Series

7.1.2 Tobacco Dealers

July 2003

Overview	The <i>Excise Act, 2001</i> (the “Act”) requires a person to obtain a tobacco dealer’s licence in order to be authorized to perform certain activities that are restricted under the Act. This memorandum provides an overview of the obligations and entitlements of persons who may become licensed tobacco dealers.
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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 *Excise Act, 2001*, 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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Requirement for a tobacco dealer’s licence

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| Tobacco dealer’s licence para 14(1)(e) | 1. Any person who wishes to act as a tobacco dealer in Canada is required to obtain a tobacco dealer’s licence issued under the Act. |
| Meaning of “tobacco dealer” s 2 | 2. [A “tobacco dealer” means a person, other than a tobacco licensee, who purchases for resale, sells, or offers to sell raw leaf tobacco upon which excise duty is not imposed under the Act.] |



La version française de ce document est intitulée *Commerçants de tabac*.

 Canada Customs and Revenue Agency Agence des douanes et du revenu du Canada

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Meaning of “raw leaf tobacco” s 2	3. “Raw leaf tobacco” means unmanufactured tobacco or the leaves and stems of a tobacco plant.
Meaning of “manufacture” s 2	4. “Manufacture”, in respect of a tobacco product, includes any step in the preparation or working up of raw leaf tobacco into the tobacco product. It includes packing, stemming, reconstituting, converting or packaging the raw leaf tobacco or tobacco product. 5. Definitions of other terms found in the Act and its Regulations that relate to the manufacturing of tobacco products will be available in Excise Duty Memorandum 1.3.1, <i>Definitions</i> .
Prohibition – activities of a tobacco dealer s 26	6. The Act imposes a prohibition on the carrying on of activities of a tobacco dealer except in accordance with a tobacco dealer’s licence that is issued to the person. The activities of a licensed tobacco dealer include purchasing, selling, importing or exporting raw leaf tobacco.

Obtaining a tobacco dealer’s licence

7. Information relating to the requirements and procedures for obtaining a tobacco dealer’s licence under the Act is provided in Excise Duty Memorandum 2.2.1, *Obtaining and Renewing a Licence*.

Possession and removal of raw leaf tobacco

Possession, etc. of raw leaf tobacco para 30(2)(a)	8. [Licensed tobacco dealers are permitted to dispose of, sell, offer to sell, purchase or have in their possession raw leaf tobacco.]
Purchases	9. A licensed tobacco dealer may purchase raw leaf tobacco from: <ul style="list-style-type: none">• a tobacco grower;• a body established under provincial law for the marketing of raw leaf tobacco grown in the province (i.e., a tobacco marketing board);• a tobacco licensee; or• another tobacco dealer.
Relief from duty s 46	10. [Excise duty is relieved on raw leaf tobacco imported by a licensed tobacco dealer.]
Removal of raw leaf tobacco s 28.1	11. [A licensed tobacco dealer may remove raw leaf tobacco from its premises for: <ul style="list-style-type: none">• return to a tobacco grower;• delivery to a tobacco licensee or another licensed tobacco dealer; or• export. Otherwise, it is prohibited to remove raw leaf tobacco from the premises of a licensed tobacco dealer.]

- Services of a tobacco licensee
12. A licensed tobacco dealer may use the services of a tobacco licensee for the processing, packaging, warehousing and transportation of raw leaf tobacco.
13. Additional information concerning tobacco licensees is available in Excise Duty Memorandum 7.1.1, *Manufacturers of Tobacco Products*. Information relating to exports of tobacco products will be available in Excise Duty Memorandum 7.5.1, *Importing and Exporting Tobacco*.

Maintaining records and filing returns

- Keeping records ss 206(1)
14. Every person who possesses a licence under the Act is required to maintain all records that are necessary to determine whether they are in compliance with the Act.
15. 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*.
- Filing returns s 160
16. [Every licensed tobacco dealer is required to file a return in respect of each fiscal month, and to calculate and remit excise duty payable, if any, on that return. Although a licensed tobacco dealer would not normally be required to pay excise duty, they are still required to file a return.]
- Additional information
17. Additional information with respect to the filing of monthly returns is available in Excise Duty Memorandum 10.1.1, *Returns and Payments*.

Offences and penalties

18. Any person determined to be carrying on the activities of a tobacco dealer without holding a tobacco dealer's licence is in contravention of the Act and may be guilty of an offence or subject to a penalty under the Act.
- Enforcement Part 6
19. Additional information on offences and penalties will be provided in Excise Duty Memoranda 7.9.1, *Tobacco-Related Offences and Penalties*, and 12.9.1, *Administrative Offences and Penalties*.

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>