

Canada Customs and Revenue Agency  
NOTICE  
February 20, 2001  
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## EXCISE TAXES AND SPECIAL LEVIES NOTICE

### AMENDMENTS TO THE EXCISE TAX ACT: AUTOMOBILES AND AIR CONDITIONERS

On Tuesday, February 20, 2001, the Secretary of State (International Financial Institutions) Jim Peterson, on behalf of the Finance Minister Paul Martin, tabled a Notice of Ways and Means Motion to amend the *Excise Tax Act*.

The Ways and Means Motion includes amendments, which clarify the application and our administration of the current excise taxes on heavy automobiles and on automobile air conditioners installed as original equipment in imported motor vehicles. Since these amendments are for clarification purposes only, no new excise taxes have been generated and no new taxpayers created by the changes.

Subsection 23(7) of the *Excise Tax Act* is amended by adding the word “or” at the end of paragraph (b) and by adding the following after that paragraph:

**“(c) the sale of a new motor vehicle designed for highway use, or a chassis therefore, to a person described in paragraph (h) of the definition of “manufacturer or producer” in subsection 2(1) who is a manufacturer licensed for the purposes of this Part.”**

Paragraph 23(7)(e) of the *Excise Tax Act* is repealed **effective January 1, 1994** and paragraph 23(7)(f) is repealed **effective January 1, 1994 and applies to sales made after 1993**.

#### **Explanation:**

Currently, excise taxes are imposed on automobile air conditioners and on heavy automobiles. Under the *Excise Tax Act*, excise taxes are payable by the manufacturer or deemed manufacturer of the goods at the time of delivery to a purchaser. Importers and wholesalers of new motor vehicles are included in the definition of a manufacturer or producer. Importers of new motor vehicles are deemed to be the manufacturers of the goods and the goods are deemed to be manufactured in Canada.

The provisions introduced in the Ways and Means Motion are intended to clarify that payment of excise taxes is deferred to the time of delivery of the vehicles to dealers. The new paragraph, 23(7)(c), outlined above, provides that where vehicles are sold to another licensed manufacturer (whether an actual or deemed manufacturer), relief is provided from the tax that would otherwise be payable at the time of delivery, since the purchasing manufacturer will be liable for the tax at the time of subsequent delivery to its customer.

The Notice of Ways and Means Motion and the explanatory notes are available on the Department of Finance website at the following address: <http://www.fin.gc.ca>

If you require further information, please contact Mr. Bill Gray, Manager, Excise Taxes and Special Levies at (613) 952-0178.