

ET/SL 1  
& 1a Tobacco Products

February 8 and 12, 1994

**EXCISE TAXES AND SPECIAL LEVIES NOTICES  
ON TOBACCO PRODUCTS**

ET/SL 1 Changes in Excise Levies on Tobacco Products

February 8, 1994

**CHANGES IN EXCISE LEVIES ON  
TOBACCO PRODUCTS**

On February 8, 1994, the Prime Minister announced changes in excise tax rates on tobacco products. These changes form part of the federal government's efforts to combat tobacco smuggling.

The main changes include:

- . introducing new rates of excise tax on certain tobacco products;
- . providing a rebate to wholesalers and retailers of excise taxes already paid on certain tobacco products they are holding in their inventories as of the beginning of the day on February 9, 1994; and
- . reimposing the export tax on certain tobacco products.

***New rates of excise tax***

The new rates of excise tax are as follows:

Cigarettes	\$0.13388 per five cigarettes (a reduction of \$5 per carton of 200 cigarettes)
Manufactured tobacco	\$10.648 per kilogram (a reduction of \$5 per 200-gram package)
Tobacco sticks	\$0.01065 per stick (a reduction of \$5 per carton of 200 sticks)
Cigars	the greater of \$0.03947 per cigar or 50% (a reduction of 15%)

The new rates of excise tax will apply to goods delivered to purchasers on and after February 9, 1994. The government will be announcing further excise tax reductions on tobacco products sold

in certain provinces, depending on the extent to which the individual province reduces its own tobacco taxes, and whether the province has a tobacco products marking system in place. For example, if a province reduces its tobacco tax on cigarettes by \$8.00 per carton of 200 cigarettes, the additional federal reduction will total \$3.00 per carton if the province has in place a tobacco products marking system.

These future reductions will be limited to a maximum of \$5.00 per carton of 200 cigarettes.

### ***Rebate for tobacco products held in inventory by wholesalers and retailers***

The Prime Minister announced that wholesalers and retailers will be eligible for a rebate of excise taxes already paid on cigarettes, manufactured tobacco, and tobacco sticks they are holding in their inventories at the beginning of the day on February 9, 1994. The rebate equals the difference between the old and new levels of excise taxes on these products.

Amount of rebate	
Cigarettes	\$5 per carton of 200 cigarettes
Manufactured tobacco	\$5 per 200 grams of fine-cut tobacco
Tobacco sticks	\$5 per carton of 200 tobacco sticks

Note: There will be no rebate for cigars.

There will be limited additional rebates paid where provinces that have provincial marking schemes in place reduce their own tobacco taxes by more than \$5 per carton of cigarettes. Separate instructions regarding these additional rebates will be provided after any province announces its reductions.

### ***How to claim the rebate***

#### Step 1

Both wholesalers and retailers will have to take an inventory of tobacco products they are holding in stock at the beginning of the day on February 9, 1994, for which they have paid excise taxes. To do this, they can take a physical inventory count, or they can use any other means to determine the inventory as of that time (e.g., a perpetual inventory system that is periodically verified by referring to actual quantities on hand).

If they take a physical inventory count after February 9, 1994, they will have to reconcile it to that date, and support it with records that substantiate all receipts and dispositions of tobacco products, so that it accurately reflects the inventory as of the beginning of the day on February 9, 1994.

#### Step 2

They will have to complete the rebate claim form. They will be able to get these forms from Revenue Canada district offices and tobacco wholesalers soon. They will find instructions on how to complete it on the back of the form. They must be sure to sign the rebate claim, since Revenue Canada will not be able to process an unsigned form.

#### Step 3

Retailers will have to send their claims to their tobacco suppliers. Wholesalers will have to send their claims to the following address:

Tobacco Rebate Centre  
Ottawa, Ontario  
K1A 1J6

Revenue Canada will issue rebate cheques directly to applicants, once it has verified the rebate amount. Payments will only be issued after legislation is passed by Parliament and enacted.

Retailers and wholesalers will have to retain on file any invoices, inventory counts, and other documents to support their claims. Revenue Canada auditors may ask to see these records to verify the amount of the rebate claim.

#### Special instructions for wholesalers

If you are a wholesaler, you should keep the following in mind:

- . Your retailer customers will be sending their rebate claims to you. You will have to batch these claims according to instructions which you will receive from Revenue Canada with your supply of rebate claim forms.
- . You will have to send batches of rebate claims to the Tobacco Rebate Centre at the address indicated above. If you do not submit rebate claims you receive from your retailer customers to Revenue Canada, you will be subject to penalties.
- . No rebate will be available on taxes paid on goods returned after today's announcement by the Prime Minister.

## **General**

People who receive rebates that Revenue Canada auditors later determine were more than the amounts to which they were entitled will have to return the amount of the overpayment to Revenue Canada. They will also be subject to a penalty of 0.5% per month, and to interest at the prescribed rate. Substantial penalties will also apply for fraudulent claims.

For more information about this rebate, or for copies of the rebate claim form, contact any of the Revenue Canada offices listed in this notice.

Reimposing the excise tax on exports of tobacco products  
Effective February 9, 1994, the federal government will reimpose the excise tax on exports from Canada of tobacco products. The export tax was previously suspended on April 8, 1992.

## **Export tax rates**

The export tax rates are as follows:

Cigarettes	20 cents per five cigarettes (\$8.00 per carton of 200 cigarettes)
Manufactured tobacco	\$26.667 per kilogram
Tobacco sticks	2.667 cents per stick (\$5.33 per carton of 200 sticks)

Products on which the export tax will not apply

The export tax will not apply to the following tobacco products:

- . tobacco products sold to Canadian or foreign duty-free shops;
- . cigars;
- . tobacco products described in section 23.3 of the Excise Tax Act (brands not usually sold in Canada); and
- . any other exports of tobacco products by a licensed manufacturer, up to a maximum of 3% of that manufacturer's previous year's production of tobacco products.

## **Refunds**

Manufacturers that have paid tax on exported tobacco will be able to claim a refund of the tax if they can produce written evidence that all of the taxes imposed by a foreign government on those exported tobacco products have been paid.

More information about these excise tax changes is available from any of the Revenue Canada offices listed at the end of this notice.

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ET/SL 1a Changes in Federal Excise Taxes on Tobacco Products for  
sale in New Brunswick

February 12, 1994

**CHANGES IN FEDERAL EXCISE TAXES ON TOBACCO PRODUCTS  
FOR SALE IN NEW BRUNSWICK**

This notice provides information which supplements the excise tax information provided in the notice Changes in Excise Levies on Tobacco Products dated February 8, 1994, and relates particularly to sales of tobacco products in New Brunswick.

The federal government has introduced further reductions in the excise taxes on tobacco products destined for sale in New Brunswick. This is because the Province of New Brunswick has announced a reduction in its tobacco tax rates with effect from February 11, 1994.

***New excise tax rates***

Effective February 11, 1994, excise taxes payable on tobacco products that are clearly marked or stamped for retail sale only in New Brunswick will apply at the following rates:

Cigarettes	\$0.08388 per five cigarettes
Tobacco sticks	\$0.00575 per stick
Manufactured tobacco	\$9.448 per kilogram.

Note: Throughout this notice the term "manufactured tobacco" refers to manufactured tobacco other than cigarettes and tobacco sticks.

Since New Brunswick does not currently have a marking or stamping system in place to identify tobacco products destined for sale only in New Brunswick, the excise tax rates on tobacco products will for now remain as announced in the notice of February 8, 1994.

### ***Interim credit system***

However, for the next three months, an interim credit system will ensure that the full extent of the reduction in taxes is given effect in New Brunswick. The credit system will function as follows:

- . Wholesale vendors licensed by New Brunswick to sell tobacco products in New Brunswick must take a count of their stock of cigarettes, tobacco sticks and manufactured tobacco destined for final sale in New Brunswick, on hand at the beginning of February 11, 1994;
- . Wholesale vendors licensed by New Brunswick who sell manufactured tobacco, cigarettes or tobacco sticks to retail vendors licensed by New Brunswick, will be eligible to claim a credit from their manufacturer or supplier, in an amount up to:
  - 1 cent per cigarette (\$2.00 per carton of 200 cigarettes),
  - 49 cents per tobacco stick (\$0.98 per carton of 200 sticks), and
  - 12 cents per gram of manufactured tobacco, other than cigarettes or tobacco sticks (\$0.24 per 200 gram container).
- . The licensed tobacco manufacturer will be entitled to deduct amounts credited to wholesalers from excise taxes owing to the federal government.
- . This credit will end as of May 12, 1994 or when a marking system has been put in place in New Brunswick.

The credits available to licensed wholesale vendors will be limited by two factors: the quantity of tobacco products which they sell to retail vendors licensed by New Brunswick; and the quantities of those products which they held in inventory on February 11, 1994, for resale to retail vendors licensed by New Brunswick.

The quantity of tobacco products on which a licensed wholesale vendor may claim a credit is to be calculated as follows.

Cigarettes: The quantity of cigarettes sold to licensed retail vendors that exceeds the lesser of:

- (i) the quantity of cigarettes held in the inventory of the licensed wholesale vendor at the beginning of February

11, 1994, for resale to licensed retail vendors in New Brunswick, and

(ii) the greater of

(A) 5,000 cartons of 200 cigarettes, and

(B) the number of cigarettes obtained by multiplying 1,000 cartons of 200 cigarettes by the number of separate retail establishments of the licensed wholesale vendor in the Province of New Brunswick.

Tobacco sticks and manufactured tobacco: The quantity of tobacco sticks and manufactured tobacco, sold to licensed retail vendors on or after February 11, 1994 and before May 12, 1994, that is in excess of the quantity of tobacco sticks and manufactured tobacco held in the inventory of the licensed wholesale vendor at the beginning of February 11, 1994, for resale to licensed retail vendors.

More information on these tax reductions and the credit system for New Brunswick vendors is available from any Excise/GST district office.

The form on which wholesale vendors will claim their credit from manufacturers and suppliers will be supplied directly to known manufacturers and wholesalers. It will also be available from Excise/GST district offices.