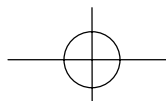
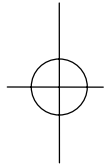
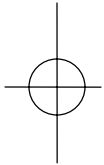
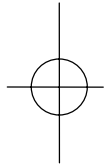
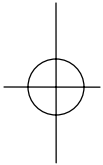
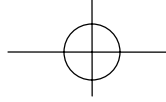


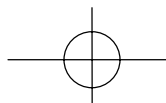
Highlights for Spirits Producers and Packagers

Excise Act, 2001





La version française de cette brochure est intitulée *Faits saillants pour les producteurs et les emballeurs de spiritueux.*



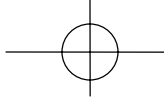
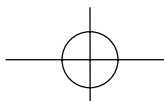
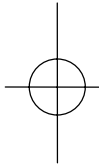
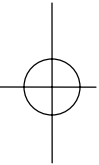
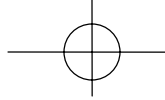


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Why make changes?

The *Excise Act* is one of the oldest taxing statutes in Canada. While many changes have been made over the years, a general review identified that a new regime for the federal taxation of spirits, wine and tobacco products was needed.

The new *Excise Act, 2001* is a modernized framework that is designed to reduce controls and costs on industry wherever possible. It also harmonizes various administrative provisions for payment, assessment, enforcement and appeals with other federal tax legislation.

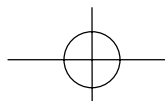
The new excise framework will allow the Canada Customs and Revenue Agency (CCRA) to serve its clients better, while providing us with the tools to become more effective. Consumers will not be affected by the changes to the legislative framework.

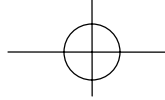
When will the changes take effect?

The *Excise Act, 2001* has now become law, and is scheduled to be implemented effective July 1, 2003. Bill C-47, the legislation to implement the *Excise Act, 2001*, was introduced in the House of Commons on December 6, 2001, and was given Royal Assent on June 13, 2002.

What changes will affect you?

Once it is implemented, there will be some significant changes to the way the CCRA deals with **producers and packagers of spirits**. There will also be new obligations and entitlements for industry members. This information bulletin outlines the important changes that will affect your industry.





Technical issues

Currently, an Excise Duty Memoranda Series is being developed by the CCRA to address technical issues and questions you may have. Prior to implementation, these publications will be made available to the public in both paper and electronic format.

Enclosed at this time with your licensing package are memoranda addressing some of the initial questions you may have concerning the licensing process. Once your licence application is approved, you will receive a confirmation package, which will include memoranda dealing with your specific obligations and entitlements.

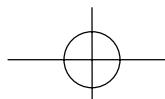
Licensing highlights

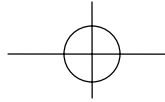
Listed below are some of the licensing highlights that will apply to your spirits producing operation:

- A licence will be mandatory;
- Security will be required;
- There will be no annual licensing fee;
- You will be required to file monthly returns;
- Your licence will be valid for two years.

Definition of “spirits”

Under the new legislation, “spirits” means any material or substance containing more than 0.5% absolute ethyl alcohol by volume other than wine, beer, vinegar, denatured alcohol, specially denatured alcohol or an approved formulation. Also excluded from the definition is any product containing or manufactured from a material or a substance mentioned above that is not consumable as a beverage.





Rates of duty

The rates of excise duty on spirits will remain unchanged. These rates are as follows:

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

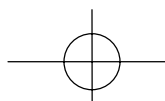
As well, the excise duty on imported spirits delivered to or imported by a licensed user (currently known as a licensed bonded manufacturer) will continue to apply. This levy, to be called a special duty, will remain at the current rate of \$0.12 per litre of absolute ethyl alcohol.

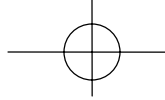
Licensing

Currently, distillery operations are licensed under the *Excise Act*. Upon implementation of the new *Excise Act, 2001*, this licence will become obsolete. All spirits producers and packagers will be required to apply for one or more new licences.

These licences will no longer be site specific. They will be issued to a person or a business entity (e.g. individual, partnership or corporation) authorizing the person or business entity to carry on specific activities at one or more locations.

Enclosed is a licensing package that contains the *Licence and Registration Application Excise Act, 2001* form, as well as Excise Duty Memorandum 2.1.1, *Licence Types*. When completing the licence application, you will be required to list the addresses of all premises to be covered by the licence. There are no annual licence fees.





Business Number and duty account

If you do not already have one, you will require a Business Number (BN) issued by the CCRA. The first nine digits identify your business, while the following two letters and the next four digits identify the program specific account (you may have more than one account i.e., GST/HST, Corporate, Import/Export, etc.).

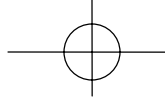
The new excise duty program account is now available to eligible persons and is prefaced by the two letters RD. The new RD excise duty identifier and excise account number, when added to your BN, will be specific to the type of licence you hold.

If you have not yet been issued a new excise duty RD program account or you have questions relating to it or your BN, please call our Business Enquiries Line at 1-800-959-5525. Business agents will provide you with the relevant BN and excise duty application forms and related documents for completion and return.

Branches and divisions

If your licensed business entity will carry on one or more activities in separate branches or divisions, you will have the option of applying for the authority to have each of your branches or divisions file separate returns and applications for refunds. Your branches or divisions must be separately identifiable by their location or the nature of their activities.

If you choose this option, we will provide each of your branches or divisions with separate filing accounts using your new excise duty RD account.



Duration of licence and application for renewal

Your spirits licence under the *Excise Act, 2001* will be valid for a period of two years. Before your licence expires, we will send you a renewal notice accompanied by a ***Licence and Registration Application Excise Act, 2001*** form, for your completion and submission to the CCRA. The application for renewal must be submitted at least thirty days before the date on which the licence is to expire.

For additional information on this topic, refer to Excise Duty Memorandum 2.2.1, *Obtaining and Renewing a Licence*.

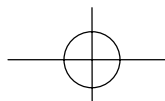
Security

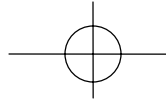
As a spirits licensee, your requirement to post and maintain security will remain. The amount of security is set at a minimum of \$5,000 and a maximum of \$2,000,000.

Please note that you may cancel your current bond effective the day before the new legislation is implemented, if your current excise duty account is in good standing with the CCRA.

The level of security may be recalculated at any time to reflect any changes to amounts for which you will be responsible.

For additional information on this topic, refer to Excise Duty Memorandum 2.2.2, *Security Requirements for Licensees*, 2.2.3, *Surety Bonds* and 2.2.4, *Approved Financial Institutions and Acceptable Bonding Companies*.





Types of licences

You may be required to have one or more of the following types of licences.

Spirits licence

If you wish to produce or package spirits, you will need to apply for a new spirits licence. This licence will also authorize you to import, export, denature or transport bulk spirits.

You will be issued a new excise duty licence number when your licence application is approved. This new licence number may be used as an identifier instead of using your name and address on your packaged spirits.

Excise warehouse licence

Currently, your distiller's licence allows you to store in-bond spirits in an excise warehouse. Under the new legislation, the new spirits licence on its own does not extend the same privilege. Excise duty will be payable on spirits at the time of packaging unless they are placed in an excise warehouse. Therefore, you will require a separate excise warehouse licence if you wish to store non-duty-paid packaged spirits.

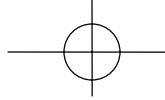
The payment of duty will be deferred until the time the spirits are removed from the excise warehouse.

If your warehouse is located within a province or territory requiring provincial authority to possess and store alcohol, proof of such authorization will be required to be submitted with your application for an excise warehouse licence.

You should contact your provincial authorities to find out what your provincial entitlements and obligations are. Additional information relating to excise warehouses is found in bulletin D2, *Highlights for Excise Warehouses*.

For additional information on the above licences, refer to Excise Duty Memorandum 2.1.1, *Licence Types*.





Transportation of bulk spirits

If you currently transport bulk spirits in your own vehicles or store bulk spirits in your own warehouse, you will be able to continue to do so.

If you normally contract the transportation of bulk spirits to a third party carrier, that carrier will be required to possess an alcohol registration under the new legislation.

This alcohol registration will authorize a carrier who does not own bulk spirits to transport such spirits. In certain circumstances, customs bonded carriers may also transport imported bulk spirits prior to their being released under the *Customs Act*.

Approved instruments

The use of approved instruments to determine the volume and absolute ethyl alcohol content of alcohol will continue.

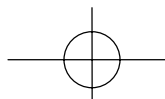
When you submit instruments for approval, we will charge you a fee of \$25 for the approval service.

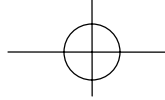
Special containers

To address current industry practices, the concept of special containers is being introduced. In the case of spirits, a special container is any container with a capacity of more than 100 litres but not more than 1,500 litres.

Under the new legislation, there are two circumstances in which special containers will be used:

- Registered users will only be permitted to purchase and use packaged spirits on a non-duty-paid basis for scientific or medicinal purposes. In order to allow registered users to use non-duty-paid spirits in larger containers, the special containers will be treated as packaged spirits when marked in accordance with CCRA regulations.





- In some provinces, individuals can purchase and bottle their own wine or spirits at bottle-your-own premises. The duty-paid alcohol that is bottled at these establishments is usually taken from large containers of more than 100 litres in capacity. A marked special container accommodates this situation.

Labelling requirements

Pre-approval of labels for packaged spirits will no longer be required for excise purposes. However, the name and address or the licence number of the spirits licensee who packaged the spirits will need to be displayed on every container of alcohol and on any packaging encasing the container. This information will be verified for conformity at time of audit.

You will be issued a new licence number when your licence application is approved.

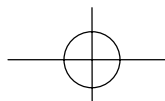
Please note that other federal and provincial legislation will still apply with respect to spirits labels.

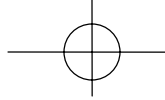
Returns and payments

Excise duty returns

As a spirits licensee, you will be required to file a return for each fiscal month. Generally, you must file a separate excise duty return with the CCRA for each licence you possess, covering all the activities within that fiscal month.

We will send you a supply of excise duty returns upon approval of your licence(s). You will be required to fill out the returns with prescribed information such as the legal name of your business, the mailing address, the fiscal month and the BN with RD program account identifier as part of the information contained at the top of the return.





However, if you have branches or divisions with distinct operations under one of your licences, you may prefer to file separate returns. See “Branches and divisions” on page 7. Branches or divisions that wish to file their own return(s) must use the same fiscal year-end as the main entity.

Spirits licensees will be required to file the *Excise Duty Return - Spirits Licence* while excise warehouse licensees will be required to file the *Excise Duty Return - Excise Warehouse Licence*.

Specific information concerning returns and payments will be included in the confirmation packages that will be mailed to all approved licensees.

Fiscal month

A new method of determining your fiscal month will be introduced. If your fiscal month has been determined for GST/HST purposes, the same fiscal month will apply. If your fiscal month has not yet been determined, you will be able to choose your fiscal month using the established GST/HST rules, or use calendar months.

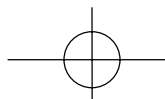
New filing due date

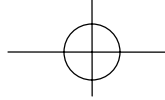
You will be required to file your excise duty returns and submit any payments to the CCRA no later than the last day of the month following each fiscal month.

Payments

If you owe money, you can mail your payment(s) to the Summerside Tax Centre by the due date of the return(s). You also have the option of delivering your payment(s) and completed remittance form(s) to any CCRA tax services office or to any Canadian participating financial institution by the due date of the return(s).

There will be a new requirement that all payments in excess of \$50,000 be made payable to the account of the Receiver General for Canada at participating financial institutions.





Refunds

The new legislation will provide for refunds of excise duty paid under certain circumstances.

An application for refund may be filed separately with the CCRA or sent with a return to offset excise duty owed within two years of the date the excise duty was paid.

Collections program

If you owe excise duty or are late filing returns, you will receive a notice as a reminder of your obligation to pay past due excise duty or file outstanding returns.

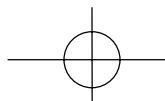
If you do not respond to the reminder notice within a specified period of time, you will be notified by telephone from a call centre agent who will offer assistance concerning your obligations and advise you of any options that may be available to you.

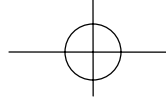
The *Excise Act, 2001* contains collections provisions consistent with other federal tax legislation.

Records

For each licence you possess, you will be required to maintain all records necessary to determine whether you have complied with the new legislation. These records must, unless otherwise authorized, be kept in Canada in English or French.

You will have to keep these records in paper or electronic format for a period of six years after the end of the year to which they relate.





Appeals process

Under the current *Excise Act*, there is no formal process to deal with appeals of excise duty assessments.

The new legislation will introduce a formal appeals process similar to that available under other federal tax legislation.

Transitional issues

For purposes of the transitional provisions, implementation date means July 1, 2003. As of this date, spirits will be relieved of excise duties under the current *Excise Act*. However, liabilities for amounts owing will continue.

On that day, the new *Excise Act, 2001* will generally apply to the spirits as if the person who possessed them immediately before the implementation date produced them in Canada on that day.

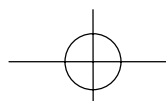
Need more information?

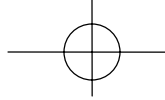
You can find related memoranda, forms and news releases as they become available at

www.ccr-aadrc.gc.ca/tax/technical/exciseduty-e.html.

Other related bulletins that are available in the Alcohol Series are A2, *Highlights for Wine Producers and Packagers*, A3, *Highlights for Ferment-on-Premises Facilities* and A4, *Highlights for Chemical Still Dealers, Licensees and Registrants*.

If you wish to discuss a specific matter, you may call your nearest Regional Excise Duty Manager. The phone numbers and addresses of our regional Excise Duty offices are listed at the end of this bulletin.

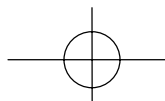
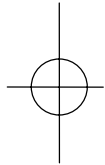
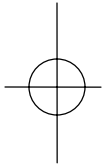


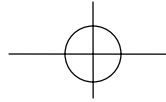


Comments or suggestions?

If you wish to make comments or suggestions regarding the contents of this bulletin, please write to us at the following address:

Attention: *Excise Act, 2001* Implementation Group
Excise Duties and Taxes Division
Policy and Legislation Branch
Canada Customs and Revenue Agency
20th floor, Tower A
Place de Ville, 320 Queen Street
Ottawa ON K1A 0L5





Regional Excise Duty Operations

Atlantic Region

c/o Excise Duty Manager
P.O. Box 638
Halifax NS B3J 2T5

Phone: (902) 426-5748

Fax: (902) 426-7177

Quebec Region (District of Québec)

c/o Excise Duty Manager
Section 441 - 8
165 de la Pointe-aux-lièvres Street
Québec QC G1K 7L3

Phone: (418) 649-4998

Fax: (418) 648-5484

Quebec Region (District of Montréal)

c/o Excise Duty Manager
305 René-Lévesque Blvd. West, 7th floor
Montréal QC H2Z 1A6

Phone: (514) 283-6738

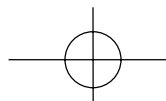
Fax: (514) 283-6154

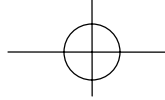
Northern Ontario Region

c/o Excise Duty Manager
1730 St-Laurent Blvd., 3rd floor
P.O. Box 8257
Ottawa ON K1G 3H7

Phone: (613) 998-9305

Fax: (613) 991-3236





Southern Ontario Region

c/o Assistant Director, Excise Duty
5800 Hurontario Street
P.O. Box 6000, Station A
Mississauga ON L5A 4E9

Phone: (905) 277-6476

Fax: (905) 615-2814

Prairies Region

c/o Excise Duty Manager
220 - 4th Avenue South East, Room 420
Calgary AB T2G 0L1

Phone: (403) 231-4124

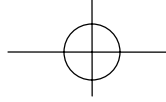
Fax: (403) 231-3033

Pacific Region

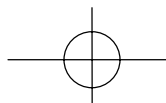
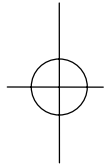
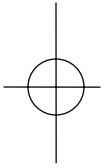
c/o Excise Duty Manager
9737 King George Highway, 5th floor
P.O. Box 9070, Station Main
Surrey BC V3T 5W6

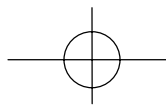
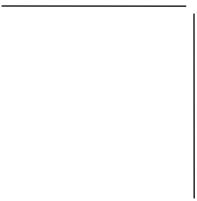
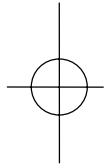
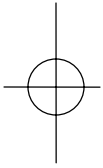
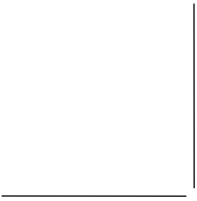
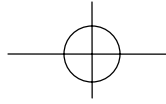
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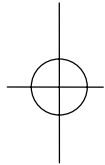
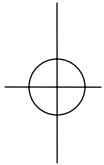
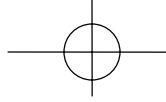
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