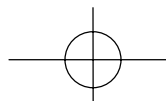
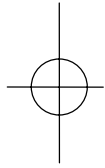
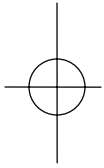
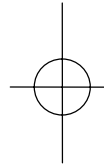
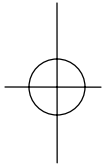
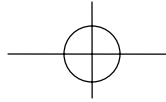


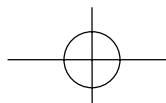
Highlights for Bonded Manufacturers and Pharmacists

Excise Act, 2001





La version française de cette brochure est intitulée *Faits saillants pour les fabricants entrepositaires et les pharmaciens.*



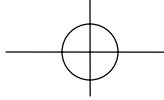
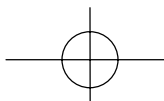
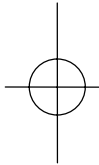
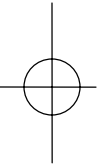
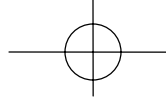


Table of Contents

- Why make changes? 4
- When will the changes take effect?..... 4
- What changes will affect you?..... 4
- Technical issues 5
- Licensing highlights 5
- Rates of duty 5
- Licensing 6
- Business Number and duty account 6
- Branches and divisions..... 7
- Duration of licence and applications for renewal 7
- Security 8
- User’s licence 8
- Elimination of the need for a separate licence 9
- Approved formulas 9
- Transportation of bulk alcohol..... 9
- Returns and payments 10
- Collections program 11
- Records 11
- Appeals process 12
- Transitional issues..... 12
- Need more information?..... 13
- Comments or suggestions?..... 13
- Regional Excise Duty Operations 14





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 designed to reduce controls and costs on the industry wherever possible. It also harmonizes various administrative provisions for payment, assessment, enforcement and appeals with other federal tax legislation.

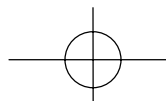
The new excise framework will allow the Canada Customs and Revenue Agency (CCRA) to serve its clients better, while providing us with the tools to become more effective. Consumers will not be affected by the changes to the legislative framework.

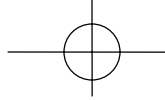
When will the changes take effect?

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 **users of non-beverage alcohol**. 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 the 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 licensing application is approved, you will receive a confirmation of licensing package, which will include memoranda dealing with your specific obligations and entitlements.

Licensing highlights

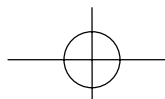
Listed below are some of the licensing highlights that will apply to your licence for the use of non-beverage alcohol:

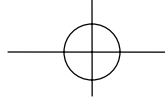
- A licence will be mandatory;
- Security will not be required;
- There will be no annual licensing fee;
- You will be required to file returns;
- Your licence will be valid for two years.

Rates of duty

The current excise duty on alcohol for non-beverage use will be eliminated under the new legislation.

Alcohol means spirits or wine under the new legislation. A licensed user will be able to purchase spirits and wine on a non-duty-paid basis in bulk or packaged form for approved uses.





The levy on imported spirits, to be called special duty, will remain at the current rate of \$0.12 per litre of absolute ethyl alcohol. This special duty will continue to apply on imported spirits delivered to or imported by a licensed user.

Licensing

Currently, bonded manufacturers and pharmacists are licensed under the *Excise Act*. Upon implementation of the new *Excise Act, 2001*, these licences will become obsolete. In order to use spirits or wine on a non-duty-paid basis, you will need to apply for a user's licence.

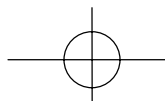
Under the new legislation, licences will no longer be site, product or process specific. They will be issued to a person or a business entity (e.g. individual, partnership or corporation) authorizing the person or business entity to carry on specific activities at one or more locations.

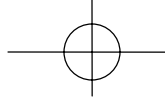
Enclosed is a licensing package that contains the *Licence and Registration Application Excise Act, 2001* form, as well as Excise Duty Memorandum 2.1.1, *Licence Types*. When you complete the licence application, you will be required to list the addresses of all premises to be covered by the licence. 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

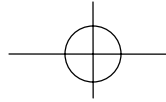
If your licensed business entity will carry on one or more activities in separate branches or divisions, you will have the option of applying for the authority to have each of your branches or divisions file separate returns and applications for refunds. Your branches or divisions must be separately 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 user's licence under the new *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

Currently, you are required to provide security. As a licensed user under the new *Excise Act, 2001*, you will no longer be required to post and maintain security.

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

User's licence

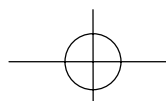
A user's licence will replace the bonded manufacturer's licence that exists under the current *Excise Act*, for approved use of spirits and wine without the payment of duty.

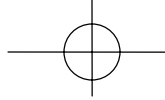
A user's licence will authorize the person to purchase and use bulk or packaged spirits or wine:

- in an approved formulation;
- for the production of vinegar;
- for the fortification of wine (where the person holds a wine licence); or
- for the blending of spirits and wine where the finished product is spirits (where the person also holds a spirits licence).

A user's licence will also authorize the person to destroy alcohol in an approved manner.

Pharmacists who are registered or licensed under the law of a province, and who are permitted under the current legislation to use spirits in pharmaceutical preparations will, under the new legislation, require a user's licence for the non-duty-paid use of spirits or wine.





Elimination of the need for a separate licence

Currently, there are five categories of bonded manufacturers licences depending on the rate of excise duty applied to particular approved uses of spirits.

Under the new legislation, you will require only one user's licence regardless of the class of products to be produced. As a result, you will not be required to hold separate inventories for each product category.

Approved formulas

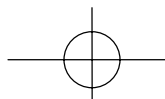
Under the new legislation, products (other than vinegar) made with alcohol by a licensed user must be produced in accordance with a formula for which the user has received approval from the CCRA. This requirement will be new for pharmacists who become licensed users.

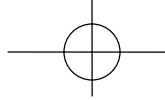
If you are a pharmacist with a user's licence, you will be required to submit formula cards and product samples to the CCRA's Laboratory and Scientific Services Directorate for approval in order to use alcohol on a non-duty-paid basis. This includes any alcohol on hand at the time the legislation is implemented.

Transportation of bulk alcohol

Under the new *Excise Act, 2001*, your user's licence will authorize you to transport bulk alcohol (i.e., spirits and wine) that you have purchased from or are returning to a spirits licensee or a wine licensee, or which you import.

If you normally contract the transportation of bulk alcohol to a third party carrier, the carrier will have to apply for and acquire an alcohol registration under the new legislation. An alcohol





registration will authorize a carrier who does not own bulk alcohol to store or transport it.

Returns and payments

Excise duty return

As a licensed user, you will be required to file an excise duty 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 the fiscal month.

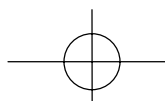
We will send you a supply of excise duty returns upon approval of your licence. You will be required to fill out the returns with prescribed information such as the legal name of your business, the mailing address, the fiscal month and the BN with RD program account identifier as part of the information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

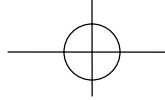
However, if you have branches or divisions with distinct operations under one of your licences, you may prefer to file separate returns. See "Branches and divisions" on page 7. Branches or divisions that wish to file their own return must use the same fiscal year-end as the main entity.

Licensed users of alcohol will be required to file the *Excise Duty Return - User's 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 choose the 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 to the Summerside Tax Centre by the due date of the return. You also have the option of delivering your payment and completed remittance form to any CCRA tax services office or to any Canadian participating financial institution by the due date of the return.

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.

Collections program

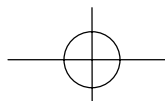
If you owe excise duty or are late filing returns, you will receive a notice as a reminder of your obligation to pay past due excise duty or file outstanding returns.

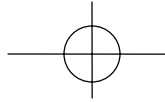
If you do not respond to the reminder notice within a specified period of time, you will be notified by telephone from a call centre agent who will offer assistance concerning your obligations and advise you of any options that may be available to you.

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

Records

As a licensed user, 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.

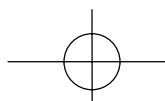
The new legislation will introduce a formal appeals process similar to that available under other federal tax legislation.

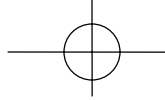
Transitional issues

For purposes of the transitional provisions, implementation date means July 1, 2003. As of this date, bulk and packaged spirits will be relieved of excise duties under the current *Excise Act*. In the case of wine, the excise tax under the *Excise Tax Act* will no longer apply after that day.

If you are eligible, you may apply for a refund of any excise duties or taxes imposed and/or paid in respect of the spirits and wine owned and possessed by you, provided you file a refund application one year after the implementation date.

We will provide you with additional information relating to the transitional refund, the application form and the procedure on how to apply for the refund when we mail you the confirmation of licensing package.





Need more information?

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

www.ccra-adrc.gc.ca/tax/technical/exciseduty-e.html.

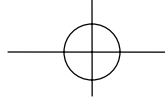
Other related bulletins that are available in the User's Series are C1, *Highlights for Institutions (Educational, Medicinal, Scientific and Research)* and C3, *Highlights for Users of Specially Denatured Alcohol*.

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

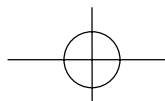
Fax: (514) 283-6154

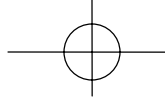
Northern Ontario Region

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

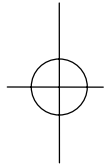
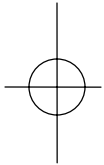
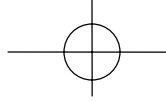
Fax: (403) 231-3033

Pacific Region

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

Phone: (604) 587-2100

Fax: (604) 587-2162



Think Recycling!



Printed in Canada

