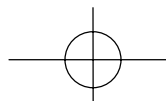
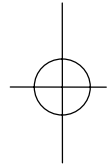
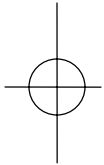
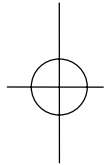
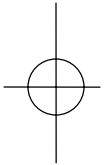
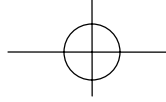


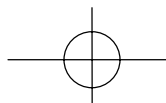
Highlights for Users of Specially Denatured Alcohol

Excise Act, 2001





La version française de cette brochure est intitulée *Faits saillants pour les utilisateurs d'alcool spécialement dénaturé.*



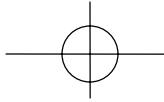
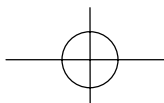
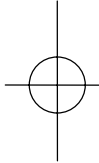
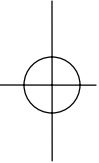
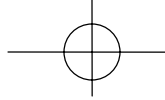


Table of Contents

Why make changes?	4
When will the changes take effect?.....	4
What changes will affect you?.....	4
Technical issues	5
Registration highlights	5
Rates of duty	5
Denatured alcohol.....	6
SDA registration.....	6
Expiration of permits.....	7
Security	7
Duration of an SDA registration.....	7
Business Number and duty account	7
Use of denatured alcohol.....	8
Use of specially denatured alcohol.....	8
Transportation of specially denatured alcohol.....	9
Importation and samples.....	9
Disposal of specially denatured alcohol.....	9
Records	10
Need more information?.....	10
Comments or suggestions?.....	11
Regional Excise Duty Operations	12





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.

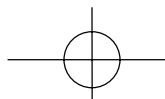
The new excise framework will allow the Canada Customs and Revenue Agency (CCRA) to serve its clients better, while providing us with the tools to become more effective. Consumers will not be affected by the changes to the legislative framework.

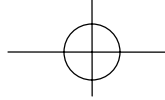
When will the changes take effect?

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 specially denatured alcohol (SDA)**. 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 registration package are memoranda addressing some of the initial questions you may have concerning the registration process. Once your registration application is approved, you will receive a confirmation package that will include memoranda dealing with your specific obligations and entitlements.

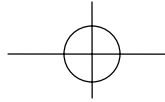
Registration highlights

Listed below are some of the registration highlights that will apply to your specially denatured alcohol (SDA) registration:

- A registration is mandatory;
- Security will not be required;
- There will be no annual registration fee;
- You will not be required to file returns;
- Your registration will be valid until it is cancelled, suspended or revoked.

Rates of duty

As is current practice, excise duty will not apply to spirits denatured in accordance with the regulations by a spirits licensee.



Denatured alcohol

Denatured alcohol consists of spirits that have been mixed with prescribed denaturants, such as methyl alcohol, gasoline and diesel fuel, in a prescribed manner. Spirits may be denatured into prescribed grades of denatured alcohol (DA) or specially denatured alcohol (SDA) rendering the product non-potable for human consumption and making the recovery of spirits difficult.

Only a person licensed as a spirits licensee under the new legislation may denature spirits. DA and SDA are intended for use in industrial applications and may not be sold or used for beverage purposes.

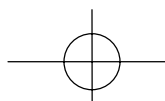
SDA registration

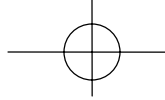
Currently, a person who purchases or imports specific grades of SDA is required to hold an SDA permit for domestic purchases and an SDA import permit for imported products.

Upon implementation of the new *Excise Act, 2001*, if you wish to possess and use SDA you must obtain a new specially denatured alcohol registration. This will authorize you to purchase any grade of both domestic and imported SDA.

Enclosed is a registration package that contains the *Licence and Registration Application Excise Act, 2001* form, as well as Excise Duty Memoranda 2.3.1, *Registration Types* and 2.4.1, *Obtaining a Registration*. When you complete the registration application, you will be required to list the addresses to be covered by the registration. There are no annual registration fees.

A person who possesses and uses SDA without holding an SDA registration will have contravened the new legislation and may be charged with an offence.





Expiration of permits

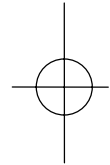
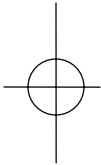
Upon implementation of the new *Excise Act, 2001*, your existing SDA permit/SDA import permit will become obsolete, but it will not be revoked until a final audit has been conducted by the CCRA.

A confirmation notice will be mailed to you regarding the cancellation of your current permit.

Security

Currently, as a permit holder, you are required to provide security. As an SDA registrant 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.

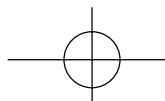


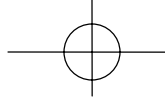
Duration of an SDA registration

Under the new legislation, your SDA registration will remain valid until it is no longer required by you or until the registration is suspended or cancelled by the CCRA in accordance with the *Regulations Respecting Excise Licences and Registrations*.

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 registration 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.

Use of denatured alcohol

The formulations for current grades of denatured alcohol (DA) are set out in ED circulars 204-3 to 204-8, *Guidelines for Denatured Alcohol Operations*.

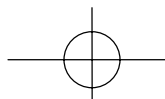
Under the new *Excise Act, 2001*, grades of denatured alcohol will be identified under regulations. Grades of DA will continue to be available to any person, without permit or registration, for any use other than for beverage purposes.

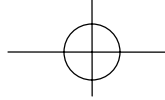
Use of specially denatured alcohol

An SDA permit/SDA import permit is currently required to purchase SDA and it must be used in accordance with one of the specified uses for that grade of denatured alcohol.

Under the new legislation, an SDA registration will entitle the registrant to purchase any grade of domestic or imported SDA that can be used for any purpose. However, SDA may not be sold or used for beverage purposes.

SDA registrants will be subject to administrative penalties for non-compliance related to transportation, importation or disposition of SDA.





Transportation of specially denatured alcohol

If you currently transport SDA in your own vehicles, you will be able to continue to do so as an SDA registrant under the new legislation.

If you normally contract the transportation of SDA 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 SDA to transport it. Please note that imported SDA may also be transported by a customs bonded carrier prior to its being released under the *Customs Act*.

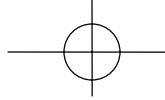
Importation and samples

The new *Excise Act, 2001*, will require mandatory sampling of imported DA and SDA to ensure compliance with Canadian denaturing standards.

Any person who imports goods that are reported under the *Customs Act* as DA or SDA will be required to make them available for sampling at the time of importation. The goods will be required to be sampled before they are released from Customs. The new legislation will allow the CCRA to charge importers a fee to recover sampling and testing costs.

Disposal of specially denatured alcohol

As an SDA registrant, you will be permitted to dispose of SDA only by returning it to the spirits licensee who supplied it to you, by exporting it if you originally imported it or by destroying it in a manner approved by the CCRA.



Records

As an SDA registrant, 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.

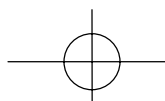
You will have to keep these records in paper or electronic format for a period of six years after the end of the year to which they relate.

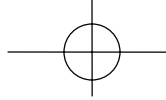
Need more information?

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 Users Series are C1, *Highlights for Institutions (Educational, Medicinal, Scientific and Research)* and C2, *Highlights for Bonded Manufacturers and Pharmacists*.

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.

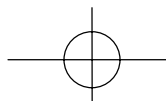
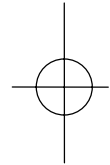
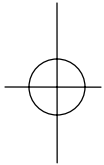


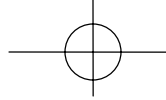


Comments or suggestions?

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

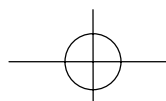
Fax: (514) 283-6154

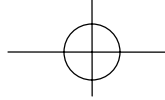
Northern Ontario Region

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

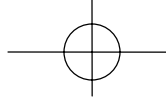
Fax: (403) 231-3033

Pacific Region

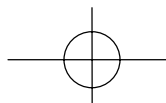
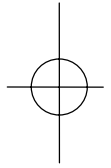
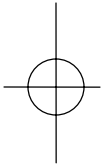
c/o Excise Duty Manager
9737 King George Highway, 5th floor
P.O. Box 9070, Station Main
Surrey BC V3T 5W6

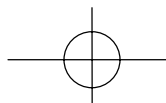
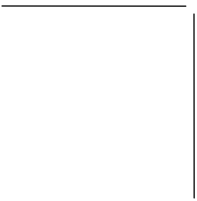
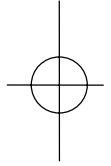
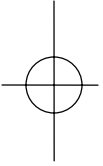
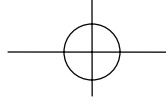
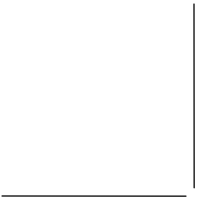
Phone: (604) 587-2100

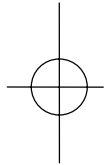
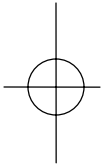
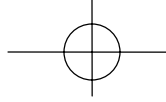
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Notes







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