

2.1 Licences (continued)

- Duty free shops ss 55(2) 6. A person who proposes to operate and sell goods exclusively at a duty free shop licensed as such under the *Customs Act* or who operates and sells goods exclusively at such a duty free shop shall be deemed, for the purposes of section 55, to be a *bona fide* wholesaler or jobber, and the Minister may grant a "W" licence to that person notwithstanding that the person does not fulfil the requirements of subsection 55(1).
- Non-residents 7. Where a non-resident qualifies as a *bona fide* wholesaler or jobber, the non-resident may be granted a "W" licence whether or not the non-resident maintains a warehouse, inventory stock or distribution equipment in Canada.
- Security requirements ss 55(3) 8. Wholesalers or jobbers applying for a "W" licence are required to provide the Department with a form of security. Section 2.3, *Bonds Given as Security by Licensed Wholesalers*, of this chapter provides detailed information on security requirements.

Manufacturers' "E" licence

- Exemption from excise tax - partly manufactured goods 9. The "E" licence may be used as the basis for quoting a certificate of exemption. Persons holding "E" licences may purchase under a certificate of exemption, or import goods under the appropriate excise tax exemption code without payment of excise tax, where the goods so purchased or imported are to be incorporated into and form a constituent or component part of an article that is subject to excise tax (i.e., partly manufactured goods).
- Meaning of certificate of exemption 10. A certificate of exemption means a written statement or certification entitling a licensee to purchase goods exempt from excise tax. The certificate must be signed by the purchaser, or the name of the purchaser may be stamped or typewritten on the certificate if initialed by a responsible official of the purchaser. A licence number alone is not a certificate.
- "E" licence certificate of exemption 11. The suggested wording for the certificate of exemption for licensed manufacturers of goods subject to excise tax reads as follows:

"We certify that the goods ordered hereby are to be used in, wrought into, or attached to taxable goods for sale.

Licence Number E _____

Signature of Purchaser _____ "

2.1 Licences (continued)

Blanket "E" licence certificate of exemption

12. Licensed manufacturers who repeatedly order "partly manufactured goods" by telephone or fax, and who do not issue follow-up written orders, may give to their suppliers, in advance, at intervals not exceeding 12 months, a blanket certificate for such goods in the following form:

"We certify that the goods which we will purchase from you during the period from (date) to (date) are to be used in, wrought into, or attached to taxable goods for sale.

Licence Number E _____

Signature of Purchaser _____ "

Issuance of "E" licences

13. "E" licences may be issued to legal entities only (e.g., individuals, partnerships and limited companies). Where a partnership is composed of two limited companies, the licence will be issued to the partnership. Where a change of name or ownership occurs, a new licence certificate and account number will be issued if a new legal entity is created. Examples of such situations include a sole proprietorship incorporating to become a limited company, another person taking over the manufacturing operations of a sole proprietorship, and a change in name resulting from a new charter of incorporation.

Effective date

14. "E" licences are normally effective the date they are issued and must be dated on the date they are signed. If the effective date of the licence precedes the date of signature, the effective date must be typed on the certificate.

Liability for tax for "E" licensees
s 2(2), Small Manufacturers or Producers Exemption Regulations

15. Liability for tax occurs on the day in the calendar year when the sales volume of taxable goods manufactured or produced exceeds the \$50,000 threshold. The "E" licences remain in effect until the sales volume of excisable goods falls below \$50,000 for a full calendar year. At that time, the licensee may request to have the licence cancelled.

Branches/divisions

16. An "E" licence granted pursuant to the Act covers all branches/divisions and locations that the licensee operates.

Extensions to branches and divisions

17. Extensions of purchase privileges to branches/divisions are issued by the Revenue Canada tax services office located nearest the licensee's head office. Extensions are issued only to those branches/divisions that manufacture or produce goods subject to excise tax and that are or will be entitled to purchase goods tax exempt under the licence. The Revenue Canada tax services office issuing the licence will notify the Revenue Canada tax services office responsible for the district in which the branch/division is located.

Failure to apply for an "E" licence
s 65

18. Every person who fails to apply for an "E" licence as required by the Act is guilty of an offence and is liable to a fine not exceeding \$1,000 as well as payment of taxes owing, including penalty and interest.

2.1 Licences (continued)

Wholesalers' "W" licence

Exemption from excise tax - goods for resale

19. Licensed wholesalers that purchase or import goods subject to excise tax under Schedule I to the Act for resale are permitted to purchase or import these goods without payment of excise taxes by quoting:

- the certificate of exemption for purchases (refer to paragraphs 21 and 23 of this section); or
- in the case of imports, the appropriate excise tax exemption code.

The "W" licence does not apply to excise tax on goods enumerated in Schedule II (tobacco products) or Part IV (wine).

Duty free shops

20. Duty free shops can purchase any of the goods that are subject to excise tax under Part III or Part IV exempt from excise taxes under paragraph 23(8)(a) if they are deemed to be *bona fide* wholesalers or jobbers under subsection 55(2) and the goods are purchased for resale. Refer to Chapter 3, *Tax Application*, for more detailed information on specific exemptions.

"W" licence certificate of exemption

21. The certificate of exemption for licensed wholesalers reads as follows:

"We certify that the goods ordered hereby are for resale.

Licence Number W _____

Signature of Purchaser _____ "

22. All the certificates of exemption described in this section apply only to excise taxes. They do not affect a person's obligation to pay the GST. Where an exemption applies on importations, importers must quote the appropriate excise tax exemption code in the appropriate field on their Canada Customs Coding Forms (import entries). The excise tax exemption codes are provided in Chapter 3, *Tax Application*.

Blanket "W" licence certificate of exemption

23. Licensed wholesalers who repeatedly order goods for resale by telephone or fax, and who do not issue follow-up written orders, may give to their suppliers, in advance, at intervals not exceeding 12 months, a blanket certificate for such goods in the following form:

"We certify that the goods which we will purchase from you during the period from (date) to (date) are for resale.

Licence Number W _____

Signature of Purchaser _____ "

2.1 Licences (continued)

Goods for own use or rental	24. Licensed wholesalers who purchase or import goods subject to excise tax for their own use or rental and not for resale must pay the excise tax on these goods.
Branches/divisions	25. Although a wholesaler operation may be separated into two or more divisions, the "W" licence must be applied to the entire operation and not only to selected divisions. When a licensed wholesaler commences operations from a new division or branch not specified in the licence, the wholesaler must notify the nearest Revenue Canada tax services office.
Amalgamation/merger	26. Where, as a result of an amalgamation or merger, a corporation holding a "W" licence loses its legal identity, the licence must be cancelled and the new entity must apply for a new licence.
Name/address change	27. Where the name under which a wholesaler operates changes, the wholesaler must apply for a new licence. The licence will be re-issued under the new name. Licensed wholesalers who change their business address or the address where accounting records are kept, must immediately notify the nearest Revenue Canada tax services office.
Business continued by administrator, assignee, bank, etc.	28. Where the business of a licensed wholesaler is continued by an administrator, assignee, bank, executor, trustee in bankruptcy, or other like person, full particulars must be submitted immediately to the nearest Revenue Canada tax services office so that licensing requirements may be determined.

Liability for tax

29. Excise tax licensees are liable for excise tax on their sales of goods subject to excise tax, unless the goods are sold under excise-tax-exempt conditions. Chapter 3, *Tax Application*, contains more information on tax liability for licensees.

How to apply for a licence

Application for licence Form L15	30. Persons applying for an "E" licence or a "W" licence must complete Form L15, <i>Application for Licence Under the Provisions of the Excise Tax Act</i> , and submit it to the nearest Revenue Canada tax services office. The Appendix to this section contains a sample of this form, which is available from any Revenue Canada tax services office.
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Cancellation of licence

Less than \$50,000	31. Persons operating with an "E" licence whose annual sales value of taxable goods manufactured and sold or taken for own use has decreased to \$50,000 or less may request to have their excise tax licence cancelled. To do so, they must contact their local Revenue Canada tax services office after the end of the calendar year in which they fell below the \$50,000 threshold, and request the cancellation. These manufacturers must account for tax on taxable goods manufactured and sold or taken for own use until their licences are cancelled.
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2.1 Licences (continued)

- Cancellation of "E" licence
ss 54(4)
- Cancellation of "W" licence
ss 56(1)
- Tax on licence cancellation
ss 56(3)
- Cancellation of *bona fide* wholesaler or jobber's licence
ss 56(2) and (3)
- Cancellation of bond
ss 56(4)
32. The Minister may cancel an "E" licence, if in his/her opinion, it is no longer required for purposes of the Act.
33. The licence of any wholesaler or jobber who contravenes any requirement of Part VI will be cancelled and the wholesaler or jobber will not be granted a licence within a period of two years after the date on which the licence is cancelled.
34. When a "W" licence is cancelled, the wholesaler must account for the excise taxes payable on all goods purchased by the wholesaler free of tax by virtue of its "W" licence, and that are in its possession at the time the licence is cancelled. These taxes are required to be paid at the rate in force when the "W" licence is cancelled and will be computed in accordance with Parts III and IV of the Act.
35. The licence of any person deemed to be a *bona fide* wholesaler or jobber will be cancelled if the person ceases to operate and sell goods exclusively at a duty free shop licensed as such under the *Customs Act*. On cancellation of the licence, all taxes imposed by the Act are payable on all goods then in the possession of the person that have been purchased free of tax by virtue of the licence. These taxes are required to be paid at the rate in force when the licence is cancelled and will be computed in accordance with Parts III and IV of the Act.
36. Notwithstanding that a bond of a guarantee company has been cancelled, the bond will be deemed to remain in force in relation to all goods in the possession of the licensed wholesaler at the time of cancellation. Information on bonds given as security by licensed wholesalers is available in Section 2.3, *Bonds Given as Security by Licensed Wholesalers*, of this chapter.

2.1 Licences (continued)

Appendix A

Form L15, *Application for Licence Under the Provisions of the Excise Tax Act*

2.1 Licences (continued)

Appendix A (continued)