

The Consequences of **SELLING** Illegal Tobacco Products



Canada Revenue
Agency

Agence de revenu
du Canada

Canada

Revenu

Québec



Royal Canadian
Mounted Police

Gendarmerie royale
du Canada

The extent of the tax losses from the sale of illegal tobacco products are substantial, so **the Canada Revenue Agency, the Royal Canadian Mounted Police and Revenu Québec have joined forces to put a stop to this activity.**

The sale of illegal tobacco products has other negative consequences, such as creating unfair competition for honest businesses. In addition, it benefits the criminal networks that control the market and use the profits to support organized crime.

We want to make businesses that choose to sell illegal tobacco products aware of the consequences. We will **take the appropriate enforcement measures** and will apply **the fines and penalties provided for by law**, if necessary.

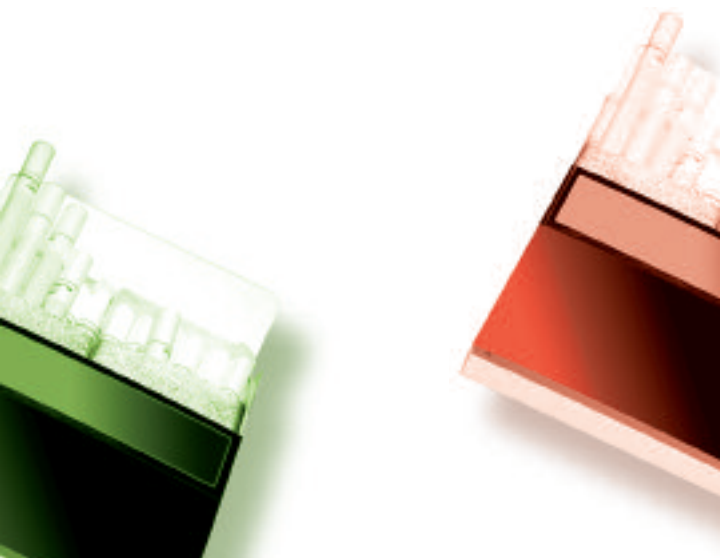
Did you know that...

Businesses that sell illegal tobacco products to increase their profits are creating **unfair competition** for honest businesses.

Frustrated as a result of unfair competition, legitimate businesses can inform tax authorities or the police of this situation.

A merchant who buys, sells, or is in possession of illegal tobacco products is **liable to fines and a possible prison term**.

Several laws (the *Excise Tax Act, 2001*, the *Customs Act*, and the *Tobacco Tax Act*) govern the sale of tobacco products. Under these laws, whether federal or provincial, the consequences of dealing in illegal tobacco products are serious. Offenders are liable to a fine of up to \$500,000, confiscation of their property, a ban on selling tobacco products, and a prison term of up to five years.



Did you also know that...

The sale of illegal tobacco products **benefits criminal organizations.**

Organized crime networks often benefit from such sales. These organizations use the profits to

- finance drug trafficking in Canada;
- purchase illegal weapons;
- finance criminal groups; and
- promote violence.

These activities affect society in general, and they influence our children.

The sale of illegal tobacco products has **other extremely negative consequences for society.**

It means **millions of dollars in lost revenue** for both the Canadian and Québec governments.

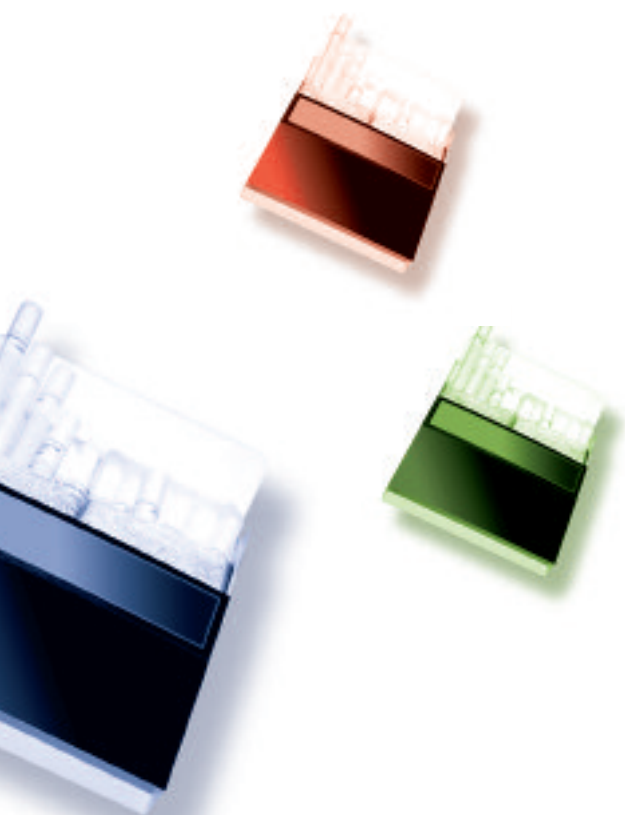
These losses mean that taxpayers must make up the difference through increases in income tax to finance social programs, employment programs and health care.



Other effects on society

The sale of illegal tobacco products

- prevents businesses from carrying out their activities in a climate of fair competition;
- increases the tax burden for all taxpayers;
- erodes our social climate and minimizes the seriousness of this type of crime, which has effects on all levels of society; and
- encourages young people to smoke as cigarettes are available at low cost and the sales are not regulated.



How can I identify illegal tobacco products?

Rules concerning identification marks

Under the *Excise Act, 2001* (Statutes of Canada) and the *Tobacco Tax Act* (Statutes of Québec), a **label or tear strip** must appear on packages of cigarettes and pouches of tobacco, showing that the manufacturer has paid the relevant duties.

In Québec, cigarette packages have tear strips only. The tear strip is white and the following inscription (in black letters) appears on it: • CANADA • DUTY PAID – DROIT ACQUITTÉ – QUÉBEC. A label bearing the inscription **QUÉBEC** in black letters on a white background is affixed to each end of cigarette cartons.

The manufacturer's name and address, or the manufacturer's permit number (e.g., 12-TL-345) must also appear on the package.

Cigarettes in unmarked cartons and cigarettes sold in bulk (e.g., cigarettes sold in resealable plastic bags) are illegal.

If you purchase tobacco products that are not marked as required by law, you are most likely in possession of illegal products on which the applicable taxes and duties have not been paid.

Note that the presence of a tear strip or label is not sufficient: Health Canada's warning must also appear on the product.



Price

Effective in June 2005, the rates for the duties and taxes that the manufacturers or collection officers are required to remit to the governments of Canada and Québec are as follows:

- \$31.40 for a 200 g pouch of cut tobacco (not including GST)
- \$36.45 for a 200 g carton of cigarettes (not including GST)

If you pay no more than the amounts shown above, the products are certainly illegal even if they seem to be marked as required by law.

Location

Watch out for the following situations:

- tobacco products sold by a travelling salesperson;
- tobacco products sold in a parking lot;
- tobacco products given to you free of charge by one of your suppliers; and
- an Internet posting for tax-free tobacco products.

In all of these situations, the tobacco products are probably counterfeit, contraband or manufactured illegally.

This publication is provided for information purposes only. It does not constitute a legal interpretation of federal or provincial legislation concerning tobacco products.

**Thinking of increasing your profit
margin by selling illegal
tobacco products?**

Think again!

**The Canada Revenue Agency, the Royal
Canadian Mounted Police and Revenu
Québec are joining forces to put
a stop to this activity.**

If you have questions about illegal tobacco products, witness illegal transactions, or believe that you are a victim of unfair competition, call the Tobacco Hotline at

1 866 939-8672

or send an e-mail to one of the organizations
below:

Canada Revenue Agency

E-mail: Tobacco-Info-QUE@cra-arc.gc.ca

Web site: www.cra.gc.ca/exciseduty

Royal Canadian Mounted Police

E-mail: Tabac-Tobacco@rcmp-grc.gc.ca

Web site: www.rcmp-grc.gc.ca

Revenu Québec

Web site: www.revenu.gouv.qc.ca

**All information provided will be treated
confidentially.**

Vous pouvez vous procurer la version française de cette publication en demandant le dépliant *Impacts du commerce des produits du tabac illégaux* (IN-264).