

Wholesale Dealers Security Payments, Exemptions and Refunds

Tobacco Tax Act

This bulletin outlines obligations placed on wholesalers to pay security on tobacco acquired for sale in British Columbia. Wholesalers should also refer to [Bulletin TTA 006](#), *Tobacco Marking Program* for information on their obligations under province's tobacco marking program, and the penalties for contravening these requirements.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Tobacco Tax Act* and Regulations can be found on the web at www.gov.bc.ca/sbr

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PERMIT REQUIREMENTS

Wholesale Dealers Permit

A person is not permitted to sell tobacco products at wholesale in British Columbia unless that person holds a valid *Wholesale Dealer's Permit Pursuant to the Tobacco Tax Act* (FIN 393) issued by the Consumer Taxation Branch.

Persons who only sell cigars at wholesale will be issued a *Cigar Wholesale Dealer's Permit*. Under this permit, the wholesaler may **only** sell cigars. If the wholesaler wishes to sell other tobacco products at wholesale, application must be made for a *Wholesale Dealer's Permit Pursuant to the Tobacco Tax Act* (FIN 393).

Bond Deposit

As a condition of obtaining a permit, all new wholesale dealers are required to post a bond. The amount of the bond may vary depending on the permit requirement. The maximum bond amount is an amount equal to six times the tax that would normally be collected by the dealer each month. Where sales projections do not support a greater amount, the minimum bond is \$1 million for applicants who sell cigarettes and \$100,000 for applicants who only sell cigars.

Obtaining a Permit

Information on applying for a permit and conditions for holding a permit may be obtained by contacting the Fuel and Tobacco Tax Section, Consumer Taxation Branch, PO Box 9442 Stn Prov Govt, Victoria BC V8W 9V4. Telephone: (250) 356-1399 or 387-0663.

SECURITY PAYMENTS

Tobacco Acquired for Resale

With the exceptions noted below, wholesale dealers are required to pay the province a security on all tobacco they acquire for resale. The security is an amount equal to the tobacco tax collectable on the subsequent retail sale of the tobacco. The security must be paid to the Minister of Finance by the 20th day of the month following the month in which the wholesaler receives delivery of the tobacco.

Unless otherwise authorized by the Consumer Taxation Branch, the wholesaler is required to collect a security on all tobacco sold to retail dealers. The security is an amount equal to the tax collectable on the subsequent retail sale of the tobacco. The wholesaler may retain this security as reimbursement for the security paid to the province on that tobacco.

Under the *Tobacco Tax Act*, unless authorized by the Consumer Taxation Branch, wholesale dealers are prohibited from selling tobacco to any person who does not hold a valid authorization or permit under the Act.

Sales to Other British Columbia Collectors

Wholesale dealers are not required to collect security on tobacco products that they sell to other dealers who hold a current Wholesale Dealer's Permit Pursuant to the Tobacco Tax Act (FIN 393), issued by the Consumer Taxation Branch.

Sales to Out-of-Province Locations

Wholesale dealers who make sales to out-of-province locations must either pay the security or apply for a pre-authorized exemption from the requirement to pay a security on those sales.

An application for a pre-authorized exemption from the requirement to pay a security must be forwarded to the Director, Consumer Taxation Branch, at the address indicated below. The application must be in writing and include the following information.

- Name, address, and permit number of applicant.
- Name and address of the customer(s) to whom the tobacco products will be shipped.
- Quantity of tobacco products being shipped.
- Date of shipment or frequency of shipments to that customer(s).
- The amount of the security for which exemption is requested.
- Applicant's or customer's registration in the receiving jurisdiction.

If pre-authorization is not obtained, the wholesale dealer may apply for a refund of the security payment made on tobacco products that are subsequently delivered to out-of-province locations. An application for a refund must be in writing and include the following information.

- Name, address, and permit number of applicant.
- Name and address of the customer(s) to whom the tobacco products were shipped.
- Quantity of tobacco shipped.
- Documentation verifying payment of the security on that shipment of tobacco.
- Documentation verifying receipt of the tobacco at the out-of-province location.
- Proof that the shipment will be resold out-of-province (e.g., verification of payment of tax to the receiving jurisdiction).
- Copies of sales invoices.

Failure to Pay a Security

A wholesaler who fails to pay a security as required under the Act may be assessed a penalty in the amount that should have been paid, plus interest

on that amount. In addition, the wholesaler's dealer permit may be suspended, which will prohibit that dealer from selling tobacco in British Columbia.

REFUNDS OF SECURITY PAYMENTS

Loss of Tobacco Through Theft, Fire, Etc.

When tobacco products on which a security has been paid are not resold due to loss through fire, theft, or other circumstances, the dealer may apply to the Consumer Taxation Branch for a refund of the security payment made on those products.

Applying for a Refund

Applications for a refund must be in writing and include the following information.

- Name, address, and permit or registration number of applicant.
- Quantity of tobacco on which a refund is claimed.
- Documentation verifying that a security was paid on those products.
- Documentation verifying the quantity lost and cause of the loss.

Please note: Dealers may not claim the security paid on lost tobacco as a credit on their tobacco tax *Collector's Return* form (FIN 125). They must apply for a refund as outlined above.

Forward applications for refunds of security payments or for pre-authorized exemptions to the Fuel and Tobacco Tax Section, Consumer Taxation Branch, PO Box 9442 Stn Prov Govt, Victoria BC V8W 9V4.

Refund Limitations

Refund claims must be submitted within six years from the date the security was paid. No refund for amounts of less than \$10.00 will be made.

NEED MORE INFO?

This bulletin is provided for convenience and guidance.

If you have any further questions call us in Vancouver at 604 660-4524 or call toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca

Information is also on the web at www.gov.bc.ca/sbr While there, you can subscribe to our free electronic update service.