



Information Bulletin

October 28, 2006

No. TT-1

TO: TOBACCO DEALERS AND CONSUMERS

RE: THE TOBACCO TAX ACT, 1998

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GENERAL INFORMATION

This bulletin outlines the Tobacco Tax rates, reporting requirements, refunds and marking requirements under *The Tobacco Tax Act, 1998*. It is a general guide and not a substitute for the legislation.

TOBACCO TAX RATES

Product

Tax Rate

Cigarettes and
Tobacco Sticks

18.3¢ per cigarette (or
tobacco stick)

Cigars

95% of taxable value,
with a minimum tax of
35¢ per cigar and a maximum tax
of \$5.00 per cigar

Other Tobacco
(Including Raw Leaf)

18.3¢ per gram

The taxable price of a cigar is:

- If the cigar was manufactured in Canada, 1.3 multiplied by the manufacturer's selling price, including any charges for delivery or transportation and any duty and excise tax imposed under the laws of Canada, but excluding Goods and Services Tax (GST).
- If the cigar was manufactured outside Canada, 1.3 multiplied by the importer's selling price, including any charges for delivery or transportation and any duty and excise tax imposed under the laws of Canada, but excluding GST.
- If the manufacturer or importer of a cigar is also the retailer of the cigar, the price the consumer paid for it, including any charges for delivery or transportation but excluding the Saskatchewan Tobacco Tax and GST.

A "cigar" includes a tobacco product that is sold as a cigar, cigarillo or cheroot and displays at least one of the following characteristics:

- (a) It is in the form of a roll or tube that is intended for smoking and is wrapped in pieces of natural or reconstituted leaf tobacco;
- (b) The filler in each unit contains more than 1.5 grams of tobacco;
- (c) Each unit is more than 9 millimetres in diameter; or
- (d) Each unit exceeds 104 millimetres in length.

A "cigarette" is any tobacco product sold in the form of a roll or tubular form that is not a cigar. A person may not sell cigarettes in a package that contains fewer than 20 cigarettes.

(l) denotes changes

LICENSING AND REPORTING REQUIREMENTS

Manufacturers

Non-resident manufacturers must report the manufacture of all tobacco products that are marked for sale in Saskatchewan and file reports on the "Tax Memo System". Resident manufacturers must report and pay tax on all imports of tobacco products and file refund reconciliation reports to receive tax credits for tobacco exported.

Wholesalers and Licensed Retailers

Wholesalers selling tobacco products to other retailers, and retailers importing tobacco products directly from manufacturers or from other unlicensed non-resident suppliers, are required to be licensed. To become licensed you must complete an application form, provide security in the form of a bond or letter of credit and agree to other reporting and filing requirements, including the reporting and remitting of tax on all tobacco purchases, by the 20th of the month following the purchase. Tobacco products that are marked for sale in Saskatchewan, but stored outside Saskatchewan, must be included in your reports and the tax must be calculated and remitted accordingly. Licensed importers who are storing tobacco products that are marked for sale in another jurisdiction must report this tobacco on a monthly inventory reconciliation form and submit this form to Saskatchewan Finance on a monthly basis.

Individuals and Unlicensed Retailers

An individual may import, for personal consumption, up to 200 cigarettes, 200 tobacco sticks, 200 grams of loose tobacco and 50 cigars from another province or country, over a 48 hour period, without paying the tax and having the cigarettes and loose tobacco packages marked. Where the product is being imported from the United States, customs officers will collect the appropriate Tobacco Tax. Since these products will not be marked at the border, an individual may be asked to produce his or her receipt issued by the Canada Revenue Agency as verification that the tax was paid.

No exemption is provided for tobacco that is mailed or shipped from outside Saskatchewan. In fact, it is in contravention of the federal *Tobacco Act* to mail tobacco products between provinces. In addition, the Provincial Sales Tax must be paid on the tobacco products, based on the price including the Saskatchewan Tobacco Tax but excluding the GST.

The details of tobacco imports, in excess of the personal exemption, must be reported to Saskatchewan Finance on or before entry into Saskatchewan. The details to be reported include: the name and address of your supplier, the name and address of your transporting company, the date of the purchase and importation, and the quantity of tobacco products that you acquired. Also, copies of the purchase invoices must be submitted along with your cheque made payable to the "Minister of Finance" for your tax remittance. This information must be submitted before or immediately after you import the tobacco.

Tobacco products that are not properly marked may be seized and forfeited.

The general penalty for committing an offence under *The Tobacco Tax Act, 1998* is, in the case of an individual, a fine of up to \$10,000, two years imprisonment, or both. A corporation is subject to a fine of up to \$50,000 and any corporate officers or directors who participated in an offence by the corporation are also liable to be prosecuted. In addition, the convicting Judge is required to impose an additional fine equal to two times the amount of any tax evaded.

MARKING PROGRAM

All packages, cartons and cases of cigarettes and tins of fine cut tobacco that are imported or sold in Saskatchewan must be properly marked for sale in the province. However, packages of pipe tobacco, snuff, chewing tobacco, cigars and raw leaf tobacco are not being marked for tax purposes at this time.

The Tobacco Tax Act, 1998 includes a provision which prohibits persons from purchasing, possessing, storing or selling tobacco products in Saskatchewan that are marked for sale in another jurisdiction. This provision does not apply to the personal exemption limit for tobacco imports or where the Saskatchewan tax has been accounted for prior to bringing the tobacco into the province and arrangements have been made with Saskatchewan Finance to obtain the proper markings.

Saskatchewan Finance works closely with the Canada Revenue Agency, Health Canada, tax administrators in other provinces, the RCMP and other enforcement agencies to detect and curb tobacco smuggling. The tobacco marking program is an important enforcement measure in this regard. The legislation provides a fine of up to \$1,000,000 for counterfeiting markings on tobacco packages.

TAX REFUNDS AND CREDITS

Tobacco Stolen from a Wholesale or Retail Outlet

In order to receive a credit/refund of tax on tobacco that is stolen from a wholesale or retail outlet, the claimant must submit the following documents to Saskatchewan Finance:

1. copies of the actual invoices relating to the stolen tobacco;
2. a police file number (in the absence of a police file number, an affidavit including a report on the details and quantities of tobacco stolen may suffice); and
3. a copy of the insurer's report or letter that establishes that the insurer has accepted liability for the stolen product.

In the case of a wholesaler, the amount of the claim that is approved by Saskatchewan Finance may be deducted from the next monthly tax remittance.

In the case of a retail dealer, the department will reimburse the retailer directly for the approved amount of their claim.

Tobacco Products Destroyed by Flood or Fire

The procedures and requirements for a wholesale or retail outlet to follow in claiming reimbursement for the tax on tobacco products that are destroyed by flood or fire are the same as when tobacco is stolen, except an affidavit with the details surrounding the loss is required instead of a police report.

Damaged and Stale-dated Tobacco Products

To receive credit for the tax on damaged or stale-dated tobacco products, the tobacco must be returned to the manufacturer; or if it is to be destroyed, Saskatchewan Finance must be notified in advance.

Where the product is returned to the manufacturer, the manufacturer must make the appropriate deduction on their monthly tax memo report that they submit to the Saskatchewan Finance.

FOR FURTHER INFORMATION

Write: Saskatchewan Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: Toll Free 1-800-667-6102
extension 1795
Regina 306-787-1795

E-mail: sask.tax.info@finance.gov.sk.ca

Fax: 306-787-0241

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

<http://www.gov.sk.ca/finance/revenue/pst/pst.htm>

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