

Excise Duty Memoranda Series

1.1.6 Formulation Approval Process

April 2004

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| Overview | This memorandum explains how a licensed user seeking approval of a formulation for a product made with alcohol must submit a sample of the formula and a full listing of the ingredients as a requirement under the <i>Excise Act, 2001</i> (the “Act”). |
| Disclaimer | The information in this memorandum does not replace the law found in the Act and its Regulations. It is provided for your reference. As it may not completely address your situation, you may wish to refer to the Act or its Regulations, or contact any Canada Revenue Agency (CRA) tax services office for additional information. |
| [Proposed amendments] | This memorandum reflects proposed amendments to the Act announced by the Minister of Finance on June 24, 2003. [Where information reflects proposed amendments, the information is enclosed in square brackets.] Any commentary in this memorandum should not be taken as a statement by the CRA that such amendments will in fact be enacted in their current form. |

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General

- Meaning of “approved formulations”
s 2
1. An “approved formulation” is a product that is made with alcohol by a licensed user in accordance with a formula that has been approved by the CRA. It may also be an imported product that, in the opinion of the CRA, would be a product made in accordance with an approved formulation if it were produced in Canada by a licensed user.
- Licensed users
para 14(1)(c)
2. A licensed user is permitted to use bulk alcohol, non-duty-paid packaged alcohol [or a restricted formulation]. Information on the obligations and entitlements of licensed users is available in [Excise Duty Memorandum 3.1.2, Licensed Users](#).
3. Approved formulations are generally either non-potable products or products that, in the opinion of the CRA, present a minimal risk that the alcohol contained in the



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formulation will be diverted to a dutiable use.

Conditions and
restrictions
s 143

4. The CRA may impose conditions or restrictions that may be considered necessary with respect to the making, importation, packaging, use or sale of, or other dealing with, an approved formulation.

Excise duty relieved
s 144

5. Excise duty is relieved on bulk and non-duty-paid packaged alcohol that is used by a licensed user in an approved formulation.

[Meaning of
"restricted formulation"]
s 2

6. [A "restricted formulation" is an approved formulation upon which the CRA has imposed the restriction that it may only be used by a licensed user or exported.]

7. [Unlike other approved formulations, restricted formulations are generally potable products that, in the opinion of the CRA, may easily be diverted to dutiable uses. Restricted formulations are often intermediate products that will be used in the further manufacture of other goods that may themselves qualify as approved formulations, or may be exported. Restricted formulations may also be imported, but must be pre-approved by the CRA prior to importation.]

8. Additional information relating to importing and exporting alcohol will be available in Excise Duty Memorandum 3.5.1, *Importing and Exporting Spirits*.

Formulation approval process

Approval required

9. To use non-duty-paid alcohol in the manufacture of a product, a licensed user must first obtain approval of the formulation from a Regional Excise Duty office.

10. An application for an approved formulation must include the nature and quantities of the spirits and other ingredients to be used in the manufacture of each formulation.

Form Y15 A and LSSD

11. All applications for approval of formulations should be submitted on form Y15 A, *Request to Laboratory and Scientific Services Directorate – Excise* to the Laboratory and Scientific Services Directorate (LSSD):

Laboratory and Scientific Services Directorate
Alcohol and Tobacco Section
Industrial Commodities Division
79 Bentley Avenue
Ottawa ON K2E 6T7

Formulae and samples

12. Form Y15 A should be accompanied by the formula for each preparation to be manufactured in Canada. As well, a minimum sample of 150 millilitres of the finished liquid product to be manufactured, or a minimum of 50 grams of the finished solid product to be manufactured, should also be submitted.

- LSSD recommendation 13. After analysis, the LSSD will provide a recommendation for approval, approval with restrictions or conditions, or refusal, to the Manager of the appropriate Regional Excise Duty office. Therefore, the applicant should indicate on form Y15 A the name and address of the appropriate Regional Excise Duty office to which the LSSD should return the form (it is not necessary to include the telephone and facsimile numbers or e-mail address of the office).
- Approval 14. The decision for approving a formulation rests with the Regional Manager. If the request is approved, the Regional Manager will forward a copy of the approved formulation to the licensed user as authority to manufacture the formulation with non-duty-paid alcohol. The approval will stipulate any restrictions or conditions imposed by the CRA on the use of the formula.
15. [If approved as a restricted formulation, the product may only be exported or used by a licensed user.]
- Refusal 16. If the request is refused, the Regional Excise Duty office will return the application to the licensee informing them in writing that the formulation has been rejected.
17. Additional information with respect to the LSSD will be available in Excise Duty Memorandum 1.1.4, *The Laboratory and Scientific Services Directorate*. A complete listing of Regional Excise Duty offices is available in [Excise Duty Memorandum 1.1.2, Regional Excise Duty Offices](#).

Submitting an application for approval

18. Applications submitted for approval should indicate:
- (a) the name, address, telephone and facsimile numbers of the licensee;
 - (b) the licensee's licence number;
 - (c) the name of the preparation to be manufactured;
 - (d) [the type of approval requested (i.e., restricted or not restricted)];
 - (e) the quantity of each ingredient used in the preparation, in terms of
 - (i) units of volume (millilitres or litres) or mass (grams or kilograms), for liquid constituents;
 - (ii) units of mass (grams or kilograms) for solid constituents; and
 - (iii) units of volume (in millilitres or litres) or mass (in grams or kilograms), for spirits. The strength by volume at 20°C of the alcohol used in the formulation must also be clearly noted.
 - (f) the strength, in percent-by-volume or percent-by-mass, of each ingredient containing alcohol, whether manufactured by the licensed user or purchased from another source;

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- (g) the precise production guide/method by which the formulation is produced;
- (h) the volume or mass of the final package size to be produced by this licensee;
- (i) the total quantity in units of volume of the formulation for a specific batch produced;
and
- (j) the purported alcohol-per-volume or alcohol-per-mass of the finished product.

All of the memoranda in the Excise Duty Memoranda Series will be available on the CRA Web site at <http://www.cra-adrc.gc.ca/tax/technical/act2001-e.html>