

# Excise Duty Memoranda Series

## 3.1.3 Registered Users

July 2003

Overview	The <i>Excise Act, 2001</i> (the “Act”) requires a person to obtain a user’s registration in order to use alcohol for certain purposes. This memorandum provides an overview of the obligations and entitlements of persons who may become registered users.
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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 Customs and Revenue Agency (CCRA) tax services office for additional information.
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[Proposed amendments]	This memorandum reflects proposed amendments to the <i>Excise Act, 2001</i> , which the Minister of Finance announced 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 Department that such amendments will in fact be enacted in their current form.
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### Requirement for a user’s registration

User’s registrations 16	1. The Act provides for the issuance of a registration that authorizes certain persons (i.e., registered users) to possess and use non-duty-paid packaged spirits for specific purposes.
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Canada Customs  
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Meaning of “spirits” s 2	2. “Spirits” means any material or substance containing more than 0.5% absolute ethyl alcohol by volume, excluding wine, beer, vinegar, denatured alcohol, specially denatured alcohol, [fusel oil or other refuse produced as a result of the distillation process], or an approved formulation. Any product containing or manufactured from beer, vinegar, denatured alcohol, specially denatured alcohol, [fusel oil or other refuse produced as a result of the distillation process], or an approved formulation that cannot be consumed as a beverage is also excluded from the definition of spirits.
Meaning of “non-duty-paid” s 2	3. “Non-duty-paid”, in respect of packaged spirits, means that excise duty, other than special duty, has not been paid on the spirits.
Users of non-duty-paid packaged spirits s 16	4. A user’s registration authorizing the use of non-duty-paid packaged spirits may be issued to: (a) a scientific and research laboratory in receipt of annual aid from the Government of Canada or a province, for the use of spirits for scientific purposes; (b) a university or other post-secondary educational institution recognized by a province, for the use of spirits for scientific purposes; (c) a health care facility, for the use of spirits for medicinal and scientific purposes; or a health institution in receipt of annual aid from the Government of Canada or (d) a province, for the use of spirits for medicinal and scientific purposes.
Terminology	5. The terms “annual aid”, “scientific purposes” and “medicinal purposes” are not defined in the Act. Clarification and explanation of these terms will be provided in Excise Duty Memorandum 3.4.3, <i>Spirits Used for Scientific and Medicinal Purposes</i> .

### Obtaining a user’s registration

6. Instructions and requirements for obtaining a user’s registration are provided in Excise Duty Memorandum 2.4.1, *Obtaining a Registration*.

### Possession of packaged spirits by a registered user

Possession subpara 88(2)(a)(iii)	7. Registered users may possess and use only packaged spirits. They may not possess or use bulk spirits, bulk wine, or non-duty-paid packaged wine.
Meaning of “packaged” s 2	8. To package spirits means to place them in a container with a capacity of not more than 100 litres that is ordinarily sold to consumers without being further repackaged into smaller containers. Packaging spirits also includes placing them into a marked special container.
Meaning of “mark” and “special container” s 2	9. A marked special container of spirits is a container with a capacity of more than 100 litres but not more than 1500 litres, that is marked in the prescribed form and manner.

Draft Regulations  
Respecting the Marking  
of Special Containers  
s 1 and 2

10. The marking on a special container must be legible, clearly visible during normal handling, and capable of remaining in place until the alcohol in the special container is completely removed. The marking of a container obtained by a registered user must also indicate, in English and French, that:

- (a) the contents of the container are packaged spirits; and
- (b) the container is intended for delivery to and for use by a registered user.

### Restrictions imposed upon a registered user

Unauthorized removal  
of spirits  
ss 92(1)

11. Only a registered user may remove spirits from a marked special container that is marked for delivery to and for use by the registered user.

Restrictions  
s 91

12. Registered users may only use non-duty-paid packaged spirits in accordance with their registration, or for purposes of analysis in an approved manner. Registered users may also dispose of packaged spirits by returning them, under prescribed conditions, to the excise warehouse licensee who supplied them, or by destroying them in a manner approved by the CCRA.

Meaning of “excise  
warehouse licensee”  
s 2 and 19

13. An “excise warehouse licensee” means a person who holds an excise warehouse licence authorizing the person to possess, in their excise warehouse, non-duty-paid packaged alcohol (i.e., spirits or wine) or manufactured tobacco or cigars that are not stamped.

14. The use of non-duty-paid packaged spirits by a registered user in any manner or process other than as described in paragraph 12 of this memorandum is a contravention of the Act.

15. Additional information relating to the use of spirits for purposes of analysis will be available in Excise Duty Memorandum 3.4.2, *Spirits Taken for Analysis or Destroyed*.

### Removals and returns of spirits

Removal of packaged  
spirits  
subpara 151(2)(a)(vii)  
and (c)(ii)

16. Excise duty is not payable on packaged spirits removed from an excise warehouse for delivery to a registered user for use in accordance with their registration.

Return of packaged  
spirits  
Draft Return of  
Packaged Alcohol to an  
Excise Warehouse  
Regulations  
s 3

17. Registered users may return non-duty-paid packaged spirits to the excise warehouse licensee who supplied them if, at the time of re-entry into the excise warehouse, the spirits are still packaged in the same containers in which they were packaged when they were removed from the excise warehouse, and the container:

- (a) has not been opened; or
- (b) if opened, was opened by the registered user solely for the purpose of approved analysis.

18. Additional information relating to returns of packaged spirits to warehouse will be provided in Excise Duty Memorandum 8.2.1, *Warehousing of Spirits*.

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#### Spirits destruction

- para 91(d)
19. A registered user may dispose of non-duty-paid packaged spirits by using a method of destruction approved by the CCRA. The approval must be obtained by the registered user prior to the destruction of the packaged spirits.
20. The process for obtaining approval of a destruction method from the CCRA will be outlined in Excise Duty Memorandum 3.4.2, *Spirits Taken for Analysis or Destroyed*.

#### Maintaining records and filing returns

- Keeping records  
ss 206(1)
21. Every registrant under the Act is required to maintain all records that are necessary to determine whether they are in compliance with the Act.
22. Additional information on the requirement to maintain books and records is available in Excise Duty Memorandum 9.1.1, *General Requirements for Books and Records*.
- Filing returns  
s 161
23. Registered users are only required to file a return for a fiscal month in which they have incurred an excise duty liability.

#### Offences and penalties

- Failure to comply
24. If a registered user fails to comply with the restrictions of their registration, they may be guilty of an offence or subject to a penalty under the Act.
- Enforcement  
Part 6
25. Additional information on offences and penalties will be provided in Excise Duty Memoranda 3.9.1, *Spirits-Related Offences and Penalties*, and 12.9.1, *Administrative Offences and Penalties*.

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