

# Excise Duty Notice

Under the *Excise Act* and the *Excise Act, 2001*

May 2006

## Excise Duty Rate Changes – July 1, 2006

On May 2, 2006, the Minister of Finance tabled a Notice of Ways and Means Motion, which amends the *Excise Act* and *Excise Act, 2001* to introduce new excise duty rates. These rates take effect July 1, 2006. This notice sets out the rates of excise duty on beer, spirits, wine, and tobacco products as of that date. The rates that are being changed appear in bold type.

### Beer

For small and mid-sized licensed Canadian brewers, the rates of excise duty on beer will be based on their annual volumes of production in the previous and current calendar year. For an explanation of how the new reduced rates will apply in relation to production volumes, please refer to the Excise Duty Notice, *Change in Excise Duty Rate on Beer Produced by a Small and Mid-Sized Brewers* (EDBN6).

For imported beer, which is subject to additional duty equal to excise duty under subsection 21.3 of the *Customs Tariff*, the full rates of duty will continue to apply.

### Tobacco products

There are no changes to any of the rates of special duty that apply to tobacco products. Also, there are no changes to the rates of excise duty imposed on Canadian manufactured cigarettes, tobacco sticks, or other manufactured tobacco that are destined for sale in Canadian or foreign duty free shops or for use as Canadian or foreign ships' stores.

The Notice of Ways and Means Motion also introduced a one-time tax on inventories of tobacco products held on July 1, 2006. More information on this inventory tax is available in the Excise Duty Notice, *Tobacco Products Inventory Tax* (EDN10).

Further information on the excise duty rates may be obtained from the regional excise duty offices. A list of regional excise duty offices is available in Excise Duty Memorandum 1.1.2, *Regional Excise Duty Offices* on CRA's Web site at [www.cra-arc.gc.ca/menu/EXMS-e.html](http://www.cra-arc.gc.ca/menu/EXMS-e.html).

This Excise Duty notice does not replace the law found in the *Excise Act*, the *Excise Act, 2001* or their regulations. It is provided for convenience and reference purposes only. Since it may not completely address your particular operation, you may wish to refer to the relevant act or regulations or contact your regional excise duty office for additional information.

EDN 9

**More Ways to Serve You!**  
**Pour vous servir encore mieux !**



Canada Revenue  
Agency

Agence du revenu  
du Canada

La version française de ce document est intitulée  
*Modifications aux taux des droits d'accise –*  
*1<sup>er</sup> juillet 2006.*

**Canada**

**Excise Duty Rate Summary**  
Effective July 1, 2006

Please note that the new rates are shown in **bold type**.

**Spirits**

Spirits	<b>\$11.696</b> per litre of absolute ethyl alcohol
Spirits – not more than 7% of absolute ethyl alcohol	<b>\$0.295</b> per litre of spirits
Spirits – special duty*	\$0.12 per litre of absolute ethyl alcohol

\*Special duty is payable on imported spirits delivered to or imported by a licensed user.

**Wine**

More than 7% of absolute ethyl alcohol by volume	<b>\$0.62</b> per litre
More than 1.2% of absolute ethyl alcohol by volume but not more than 7% of absolute ethyl alcohol by volume	<b>\$0.295</b> per litre
Not more than 1.2% of absolute ethyl alcohol by volume	\$0.0205 per litre

**Beer**

**Made by domestic brewers with production of more than 300,000 hectolitres per year  
and all imported beer**

More than 2.5% of absolute ethyl alcohol by volume	<b>\$31.22</b> per hectolitre
More than 1.2% of absolute ethyl alcohol by volume but not more than 2.5% of absolute ethyl alcohol by volume	<b>\$15.61</b> per hectolitre
Not more than 1.2% of absolute ethyl alcohol by volume	\$2.591 per hectolitre

**Domestic production – small and mid-sized brewers**

*MORE THAN 2.5% OF ABSOLUTE ETHYL ALCOHOL*

<b>Annual production volume increments (hectolitres)</b>	<b>Applicable rate (per hectolitre)</b>
0 – 2,000	<b>\$3.122</b>
2,001 – 5,000	<b>\$6.244</b>
5,001 – 15,000	<b>\$12.488</b>
15,001 – 50,000	<b>\$21.854</b>
50,001 – 75,000	<b>\$26.537</b>
75,001 – 300,000	<b>\$31.22</b>

## Excise Duty Rate Changes – July 1, 2006

*MORE THAN 1.2% BUT NOT MORE THAN 2.5% OF ABSOLUTE ETHYL ALCOHOL*

Annual production volume increments (hectolitres)	Applicable rate (per hectolitre)
0 – 2,000	\$1.561
2,001 – 5,000	\$3.122
5,001 – 15,000	\$6.244
15,001 – 50,000	\$10.927
50,001 – 75,000	\$13.269
75,001 – 300,000	\$15.61

*NOT MORE THAN 1.2% OF ABSOLUTE ETHYL ALCOHOL*

Annual production volume increments (hectolitres)	Applicable rate (per hectolitre)
0 – 2,000	\$0.259
2,001 – 5,000	\$0.518
5,001 – 15,000	\$1.036
15,001 – 50,000	\$1.814
50,001 – 75,000	\$2.202
75,001 – 300,000	\$2.591

**Note:** The reduced rates do not apply to licensed brewers whose annual beer production is greater than 300,000 hectolitres.

### Tobacco products

#### All provinces and territories – regular domestic market

	Excise Duty	Additional Duty
Cigarettes	\$0.41025 per five or fraction of five cigarettes	N/A
Tobacco sticks	\$0.0605 per stick	N/A
Manufactured tobacco – other	\$55.90 per kilogram	N/A
Raw leaf tobacco	\$1.572 per kilogram	N/A
Cigars	\$16.60 per 1,000 cigars	Greater of \$0.066 or 66%*

\* 66% of the Canadian manufacturer's sale price or of the duty paid value, if imported. (In reality, the additional duty would seldom be \$0.066 per cigar, as the 66% rate will normally be the greater.)

**Excise Duty Rate Changes – July 1, 2006**

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**Cigarettes, Tobacco Sticks, Other Manufactured Tobacco –  
for duty free shops, ships' stores or export markets***CANADIAN MANUFACTURED CIGARETTES*

<b>For delivery to</b>	<b>Excise Duty (rates per five or fraction of five cigarettes)</b>	<b>Special Duty (rates per cigarette)</b>
Foreign or Canadian duty free shops, Customs bonded warehouses, or foreign or Canadian ships' stores.	\$0.374875	N/A
Export markets (other than to foreign duty free shops or for use as foreign ships' stores) if not more than 1.5% of previous calendar year's production.	N/A	\$0.075
Export markets (other than to foreign duty free shops or for use as foreign ships' stores) if greater than 1.5% of previous calendar year's production.	<b>\$0.41025</b>	\$0.095724

*CANADIAN MANUFACTURED TOBACCO STICKS*

<b>For delivery to</b>	<b>Excise Duty (rates per stick)</b>	<b>Special Duty (rates per stick)</b>
Foreign or Canadian duty free shops, Customs bonded warehouses, or foreign or Canadian ships' stores.	\$0.054983	N/A
Export markets (other than to foreign duty free shops or for use as foreign ships' stores) if not more than 1.5% of previous calendar year's production.	N/A	\$0.055
Export markets (other than to foreign duty free shops or for use as foreign ships' stores) if greater than 1.5% of previous calendar year's production.	<b>\$0.0605</b>	\$0.042

*CANADIAN MANUFACTURED TOBACCO (OTHER)*

<b>For delivery to</b>	<b>Excise Duty (rates per kilogram)</b>	<b>Special Duty (rates per kilogram)</b>
Foreign or Canadian duty free shops, Customs bonded warehouses, or foreign or Canadian ships' stores.	\$49.983	N/A
Export markets (other than to foreign duty free shops or for use as foreign ships' stores) if not more than 1.5% of previous calendar year's production.	N/A	\$50.00
Export markets (other than to foreign duty free shops or for use as foreign ships' stores) if greater than 1.5% of previous calendar year's production.	<b>\$55.90</b>	\$46.002

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*IMPORTED MANUFACTURED TOBACCO (PAYABLE WHEN DELIVERED TO A CANADIAN DUTY FREE SHOP)*

<b>Product Category</b>	<b>Excise Duty</b>	<b>Special Duty</b>
Cigarettes	N/A	\$0.075 per cigarette
Tobacco sticks	N/A	\$0.055 per stick
Other manufactured tobacco (excludes cigars)	N/A	\$0.05 per gram

*UNSTAMPED CANADIAN AND FOREIGN TOBACCO PRODUCTS IMPORTED AS "TRAVELLER'S TOBACCO"*

<b>Product Category</b>	<b>Excise Duty</b>	<b>Special Duty</b>
Cigarettes	N/A	\$0.075 per cigarette
Tobacco sticks	N/A	\$0.055 per stick
Other manufactured tobacco (excludes cigars)	N/A	\$0.05 per gram