



Canada Revenue  
Agency

Agence du revenu  
du Canada

Summerside PE C1N 5Z7

December 17, 2007

## **Tobacco Products Inventory Tax 2008**

### **Information Package**

**The Canada Revenue Agency (“CRA”) has mailed this information package and excise return to persons identified as possibly having tobacco products for sale. If you receive this package but do not have tobacco products for sale, please disregard the package.**

#### **Background**

On October 30, 2007, the Government of Canada announced in its economic statement that it proposes to amend the *Excise Act, 2001*, by imposing a tax on certain duty-paid tobacco products held in inventory at the beginning of the day (12:01 a.m.) on January 1, 2008.

Persons with taxed tobacco products must file Form B273, *Excise Return – Tobacco Products Inventory Tax – 2008*, and pay the tax on that inventory on or before February 29, 2008. In certain situations, the tax is not payable. We have enclosed the required Form B273 and a remittance voucher. These items provide more information about the tobacco products inventory tax.

An inventory of all taxed tobacco products owned by a person at the beginning of January 1, 2008, must be determined. The inventory has to be done in a fair and reasonable way (can include a physical count) and has to be supported by books and records.

You may have various tobacco products for sale. This information package includes Form B274, *Record of Inventory – 2008*, which is a worksheet to help you take your inventory. Please keep the worksheet with your records, and do not return it to the Canada Revenue Agency (CRA). If you have to file a return and pay the tobacco products inventory tax, please use the information on the *Record of Inventory – 2008* worksheet to complete Form B273.

#### **Persons who may be liable to pay the tax**

Subject to the small retail inventory tax exemption (see below), the tax is payable by persons that hold inventories of taxed tobacco products as of 12:01 a.m. on January 1, 2008, such as domestic retailers, wholesalers, and tobacco manufacturers.

### **Taxed tobacco products**

Taxed tobacco products are duty-paid cigarettes, tobacco sticks, cigars, and loose tobacco (better known as fine-cut or roll-your-own tobacco) that are for sale in Canada. You can easily identify these products by the “Canada Duty Paid Droit Acquitté” indications on the tear strip or stamp affixed to the product(s). The tobacco products inventory tax will not apply to tobacco products that are:

- for use as Canadian ships’ stores or foreign ships’ stores;
- in a vending machine; or
- for delivery by a tobacco licensee to:
  - a customs bonded warehouse; or
  - a Canadian duty-free shop or foreign duty-free shop.

### **Small retail inventory tax exemption**

The inventory tax exemption applies to retailers that hold no more than 30,000 units of taxed tobacco products at a separate retail establishment.

A separate retail establishment means a shop or a store of the person that meets **all** of the following conditions:

- is geographically separate from other places of business of the person;
- is where the person regularly sells (other than through vending machines) tobacco products to consumers; and
- is an establishment for which separate records are kept.

If a retailer has a separate retail establishment with an inventory of not more than 30,000 units of taxed tobacco, the inventory tax is not payable on the inventory held at that location. However, if the inventory is more than 30,000 units, the tax is payable on the whole inventory at that location.

A retailer may have more than one location, but keeps one set of records for all the locations. If so, the retailer is not considered to have separate retail establishments, and must include a total of all units at all locations in determining the 30,000-unit threshold.

### **Unit**

A unit means one cigarette, one tobacco stick, one gram of loose tobacco for making cigarettes, or one cigar. One carton of cigarettes (that holds eight packages of 25 cigarettes) is equal to 200 units. If an inventory were made up entirely of cigarettes, the 30,000-unit threshold mentioned above would be 150 cartons.

### **Inventory**

The inventory includes all taxed tobacco products that the person owns. This includes, but is not limited to, products stored at the person’s warehouse, storerooms, cash-and-carry outlets, retail outlets, display areas, and delivery trucks. As well, taxed tobacco products owned at the beginning of January 1, 2008, but received after that date (in transit), are included in the inventory.

**Tobacco products inventory tax rates**

The tobacco products inventory tax rate per unit is \$0.0019 for cigars, \$0.00295 for cigarettes, \$0.00195 for loose tobacco, and \$0.00275 for tobacco sticks.

**More information**

Information about the tobacco products inventory tax is on the CRA Web site at:

**<http://www.cra-arc.gc.ca/tax/technical/tobacco/menu-e.html>**

You can also get information from a regional excise duty office. For a list of these offices, please see Excise Duty Memorandum 1.1.2, *Regional Excise Duty Offices*, on the CRA Web site at:

**[www.cra-arc.gc.ca/E/pub/em/edm1-1-2/](http://www.cra-arc.gc.ca/E/pub/em/edm1-1-2/)**

**Once again, if you receive this package but do not have tobacco products for sale, please disregard the package.**

**Address**

Summerside Tax Centre  
Suite 101  
275 Pope Road  
Summerside PE C1N 6E7

**Telephone**

1-877-432-5472 (toll free)