



SUMMERSIDE PE C1N 5Z7

June 15 2006

## TOBACCO PRODUCTS INVENTORY TAX - INFORMATION PACKAGE

On Tuesday, May 2, 2006, the Minister of Finance tabled a Notice of Ways and Means Motion which amends the "Excise Act, 2001" to introduce a tax on excise duty-paid tobacco products held in inventory.

The tobacco products inventory tax is imposed on taxed tobacco products held in inventory on July 1, 2006. Persons with taxed tobacco products must file a B273, "Excise Return - Tobacco Products Inventory Tax" and pay tax on that inventory on or before August 31, 2006. The tax does not apply under certain conditions.

An inventory of all taxed tobacco products owned by a person at the beginning (12:01 a.m. of July 1, 2006, must be determined. The inventory must be determined in a fair and reasonable manner and be supported by appropriate books and records.

You may have various tobacco products for sale. This information package includes an explanation of the terms used in the recently announced Ways and Means Motion, and a "Record of Inventory" worksheet to assist you in taking your inventory.

If you are required to file and pay the tax, use the information on the "Record of Inventory" worksheet to complete the B273 return. We will mail the return and the remittance voucher to you in July 2006.

## PERSONS WHO MAY BE LIABLE TO PAY THE TAX

Subject to the small retail inventory tax exemption (below), the tax is payable by persons such as domestic retailers, wholesalers, and tobacco manufacturers that hold inventories of taxed tobacco products as of 12:01 a.m. on July 1, 2006. Certain duty free shops may also be liable for the tax.

## TAXED TOBACCO PRODUCTS

Taxed tobacco products are excise 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.

The inventory tax will not apply to tobacco products in vending machines, or delivered by a tobacco licensee to:

- a Customs bonded warehouse;
- a Canadian duty free shop or foreign duty free shop, or
- for use as Canadian ships' stores or foreign ships' stores.

## SMALL RETAIL INVENTORY TAX EXEMPTION

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

A separate retail establishment means a shop or store of a person that is:

- geographically separate from other places of business of the person,
- where the person regularly sells, otherwise than through a vending machine, tobacco products to consumers, and
- for which separate records are maintained.

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 at that location. If the inventory exceeds 30,000 units, the tax is payable on the entire inventory.

If a retailer has more than one location, but maintains only one set of records for all locations, the retailer does not 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 is one cigarette, one tobacco stick, one cigar, or one gram of loose fine cut tobacco for use in making cigarettes. One carton of cigarettes (that holds 8 packages of 25 cigarettes) is equal to 200 units.

## INVENTORY

The inventory includes all taxed tobacco products owned by the person. 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 before July 1, 2006, but received after that date (in transit) are also included in the inventory.

## FILING

Every person required to file a return and pay tax on the inventory of taxed tobacco products must do so on or before August 31, 2006, on Form B273, "Excise Return - Tobacco Products Inventory Tax". We will mail the return and remittance voucher to you in July 2006. Use the information from the "Record of Inventory" worksheet or your books and records to complete the return.

Note: GST/HST registrants who elected to file GST/HST returns as separate branches or divisions may also file this excise return separately.

## TOBACCO PRODUCTS INVENTORY TAX RATES

The tobacco products inventory tax rate per unit is \$0.001814 for cigars, \$0.002799 for cigarettes, \$0.001919 for loose tobacco, and \$0.002517 for tobacco sticks.

## ADDITIONAL INFORMATION

If you need more information, call a regional excise duty office. For a list of these offices, see Excise Duty Memorandum 1.1.2, "Regional Excise Duty Offices" at [www.cra.gc.ca/menu/EXMS-e.html](http://www.cra.gc.ca/menu/EXMS-e.html).

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