



## Summary of Tobacco Tax Rules for Retail Dealers

This bulletin was revised June 2008 to incorporate formatting changes and changes in ministry name and contact information only.

- This bulletin will be of interest to tobacco retail dealers and wholesalers.
- This bulletin provides general information. It is not exhaustive and should not be considered as a substitute for the *Tobacco Tax Act* and its regulations.

### Background

Cigarettes,  
Cigars, Cut  
and Other  
Tobacco

Tobacco tax applies to all tobacco products sold in Ontario. Tobacco products include cigarettes, cigars, cut and other tobacco (e.g., loose tobacco, reconstituted tobacco, bidis, snuff, chewing tobacco, leaf tobacco, blunt wraps and water pipe tobacco). Ontario's tobacco tax revenue is used to help fund important public services and programs.

### Basic Rules

Sell Legal  
Cigarettes  
Only

If you sell cigarettes, they must be legal. Legal cigarettes are identified by:

- the presence of Ontario's yellow tear strip:

CANADA DUTY PAID - DROIT ACQUITTÉ - ONTARIO - CANADA DUTY PAID - DROIT ACQUITTÉ - ONTARIO

- the term "ON" printed on the outside of the package, and
- a purchase price that is more than \$43.79<sup>1</sup> per carton, which is equal to the minimum combined total of provincial and federal taxes.

Do Not Deal in  
Illegal  
Cigarettes

You are prohibited from purchasing, possessing, storing or selling illegal cigarettes. Illegal cigarettes do not have the above mentioned markings. Cigarettes sold in clear plastic bags or in packages with tear strips other than Ontario's yellow tear strip are considered to be illegal cigarettes.

Cigarette packages with peach-coloured "CANADA - DUTY PAID - DROIT ACQUITTÉ" tear strips are also illegal, subject to certain limited exceptions.<sup>2</sup>

Your Supplier  
Must be a  
Registered  
Wholesaler

As a retailer, you must ensure that your supplier is registered with the Ministry of Revenue as a tobacco wholesaler because you are prohibited from purchasing tobacco products from anyone who is not a registered wholesaler. To confirm whether your supplier is a registered wholesaler, go to [Tobacco Tax Registrant List](#) at [ontario.ca/revenue](http://ontario.ca/revenue) and enter 871 on the Find Page tool at the bottom of the screen, or call 1 866 ONT-TAXS (1 866 668-8297).

<sup>1</sup> Amount includes \$17.00 federal excise duty, \$24.70 in provincial tobacco tax and \$2.09 GST. Amounts based on tax rates in effect as of January 1, 2008.

<sup>2</sup> Duty-free stores may be authorized to sell cigarettes with peach tear strips. Also, some retailers located on reserves are authorized to buy limited quantities of cigarette packages with peach tear strips that are to be sold only on the reserve to First Nation peoples who are Indians as defined under the federal *Indian Act*.

Your Supplier Must be a Registered Wholesaler (cont'd)	Ensuring that you purchase tobacco only from a registered wholesaler helps you avoid purchasing counterfeit cigarettes. Counterfeit cigarettes with Ontario's yellow tear strip may appear to be legal but are not. Paying significantly less than market prices for cigarettes may also indicate that they are counterfeit.
Retailers Need a Vendor Permit	You must have a valid Retail Sales Tax Vendor Permit. Alternate authorizations may apply to tobacco retailers located on reserves as defined in the federal <i>Indian Act</i> .

## Consequences of Non-Compliance

**Consequences for Non-compliant Retailers** If you do not comply with the requirements of the *Tobacco Tax Act*, you may be subject to:

- penalties up to eight times the tax
- an additional penalty of \$10,000 in some instances
- significant fines
- imprisonment, and
- a prohibition from selling tobacco.

In addition, the tobacco is subject to seizure and forfeiture.

You must keep your tobacco proof of purchases (e.g., wholesaler's receipts, manufacturer's receipts and shipping documents, any receipts received when returning product to your supplier) to help establish your compliance.

**Temporary Prohibition** If you are assessed a penalty or are convicted of a tobacco offence for a particular location, two or more times and within a five year period<sup>3</sup>, the minister may temporarily prohibit the selling, offering for sale and storing of tobacco in that particular place by any person.

The length of the temporary prohibition will depend on the number of previous penalties or convictions. Tobacco penalties and offences include:

- any penalty under the *Tobacco Tax Act*
- any offence under the *Tobacco Tax Act*, and
- certain offences under the *Smoke-Free Ontario Act* relating to:
  - selling tobacco to a person under 19 years of age
  - selling cigarettes in packages that do not have the required health warnings, or
  - failure to post the required health warning and age limit signs.

Since there are two separate prohibitions that may be imposed under the *Tobacco Tax Act* and the *Smoke-Free Ontario Act*, you are advised to review both acts to understand the specific offences that apply to you, along with the various penalties.

If you continue to sell, offer for sale or store tobacco while your retail location is subject to a temporary prohibition, all tobacco products at that location may be seized and penalties may be assessed ranging from \$5,000 to \$10,000. Additionally, you may be charged and, if convicted, you will face minimum fines ranging from \$5,000 to \$50,000, depending on the circumstances.

<sup>3</sup> Penalties and convictions which occurred prior to May 17, 2007, will not be considered for the purpose of the temporary prohibition program.

## Other Tobacco Publications of Interest

- [Ontario Tax Bulletin TT 2-2008 - What to Expect from a Tobacco Inspection](#)
- [Ontario Tax Bulletin TT 3-2008 - Program to Temporarily Prohibit the Selling, Offering for Sale and Storing of Tobacco](#)

## Additional Information

If this bulletin does not completely address your particular situation, refer to the Act and related regulations, or contact the:

Ministry of Revenue	Tel.: 1 866 ONT-TAXS (1 866 668-8297)
Tax Compliance Branch	Fax: 905 436-4511
Audit and Inspection – Tobacco Tax	Teletypewriter (TTY): 1 800 263-7776
33 King Street West	
Oshawa, ON L1H 8H9	

This bulletin and various other English and French tax materials published by the Ministry of Revenue may be obtained online at [ontario.ca/revenue](http://ontario.ca/revenue).

The *Tobacco Tax Act* and Ontario's other public statutes and regulations may be obtained online at [www.e-laws.gov.on.ca](http://www.e-laws.gov.on.ca).

*Ce bulletin est disponible en français.*

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