

Wholesale Dealers, Security Payments, Exemptions and Refunds

Tobacco Tax Act

This bulletin outlines obligations placed on wholesalers to pay security on tobacco acquired for sale in British Columbia. Wholesalers should also refer to [Bulletin TTA 006](#), *British Columbia's Tobacco Marking Program*, for information on their obligations under the province's tobacco marking program, and the penalties for contravening these requirements.

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Permit Requirements

Wholesale Dealer's Permit

A person is not permitted to sell tobacco products at wholesale in British Columbia unless that person holds a valid *Wholesale Dealer's Permit* (FIN 393) issued by the ministry.

Persons who only sell cigars at wholesale may be issued a *Cigar Wholesale Dealer's Permit*. Under this permit, the wholesaler may only sell cigars. If the wholesaler wishes to sell other tobacco products at wholesale, an application must be made for a *Wholesale Dealer's Permit* (FIN 393).

Bond Deposit

As a condition of obtaining a permit, all new wholesale dealers are required to post a bond. The amount of the bond may vary depending on the permit requirement. The

maximum bond amount is an amount equal to six times the tax that would normally be collected by the dealer each month. Where sales projections do not support a greater amount, the minimum bond is \$1 million for applicants who sell cigarettes and \$100,000 for applicants who only sell cigars.

Obtaining a Permit

Information on applying for a permit and conditions for holding a permit may be obtained by contacting the Tobacco Tax Section, Consumer Taxation Programs Branch, PO Box 9442 Stn Prov Govt Victoria BC V8W 9V4. Telephone: 250 387-9115 or 250 387-1856.

Security Payments

Tobacco Acquired for Resale

With the exceptions noted below, wholesale dealers are required to pay the province a security on all tobacco they acquire for resale. The security is an amount equal to the tobacco tax collectable on the subsequent retail sale of the tobacco. The security must be paid to the Minister of Finance by the 20th day of the month following the month in which the wholesaler receives delivery of the tobacco.

Unless otherwise authorized by the ministry, the wholesaler is required to collect a security on all tobacco sold to retailers. The security is an amount equal to the tax collectable on the subsequent retail sale of the tobacco. The wholesaler may retain this security as reimbursement for the security paid to the province on that tobacco.

Under the *Tobacco Tax Act*, unless authorized by the ministry, wholesale dealers are prohibited from selling tobacco to any person who does not hold a valid authorization or permit under the Act.

All vendors selling taxable tobacco at retail must hold and prominently display a valid *Tobacco Retail Authorization* (TRA) certificate with a unique permit number assigned to each retail location.

For more information on tobacco retail authorization requirements, please see [Bulletin TTA 003](#), *Tobacco Retailers*.

Sales to Other British Columbia Collectors

Wholesale dealers are not required to collect security on tobacco products that they sell to other dealers who hold a current *Wholesale Dealer's Permit* (FIN 393) issued by the ministry.

Sales to Out-of-Province Locations

Wholesale dealers who make sales to out-of-province locations must either pay the security or apply for a pre-authorized exemption from the requirement to pay a security on those sales.

An application for a pre-authorized exemption from the requirement to pay a security must be forwarded to the Director, Consumer Taxation Programs Branch, at the address indicated below. The application must be in writing and include the following information:

- name, address and permit number of applicant,
- name and address of the customer(s) to whom the tobacco products will be shipped,
- quantity of tobacco products being shipped,
- date of shipment or frequency of shipments to that customer(s),
- amount of the security for which exemption is requested, and
- applicant's or customer's registration in the receiving jurisdiction.

If pre-authorization is not obtained, the wholesale dealer may apply for a refund of the security payment made on tobacco products that are subsequently delivered to out-of-province locations. An application for a refund must be in writing and include the following information:

- name, address and permit number of applicant,
- name and address of the customer(s) to whom the tobacco products were shipped,
- quantity of tobacco shipped,
- documentation verifying payment of the security on that shipment of tobacco,
- documentation verifying receipt of the tobacco at the out-of-province location,
- proof that the shipment will be resold out-of-province (e.g. verification of payment of tax to the receiving jurisdiction), and
- copies of sales invoices.

Failure to Pay a Security

A wholesaler who fails to pay a security as required under the Act may be assessed a penalty in the amount that should have been paid, plus interest on that amount. In addition, the wholesaler's dealer permit may be suspended, which will prohibit that dealer from selling tobacco in British Columbia.

Refunds for Security Payments

Loss of Tobacco Through Theft, Fire, etc.

When tobacco products on which a security has been paid are not resold due to loss through fire, theft or other circumstances, the dealer may apply to the ministry for a refund of the security payment made on those products.

Applying for a Refund

Applications for a refund must be in writing and include the following information:

- name, address and permit or registration number of applicant,
- quantity of tobacco on which a refund is claimed,
- documentation verifying that a security was paid on those products, and
- documentation verifying the quantity lost and cause of the loss.

Please note: Dealers may not claim the security paid on lost tobacco as a credit on their tobacco tax *Collector's Return* ([FIN 125](#)). They must apply for a refund as outlined above.

Forward applications for refunds of security payments or for pre-authorized exemptions to the Tobacco Tax Section, Consumer Taxation Programs Branch, PO Box 9442 Stn Prov Govt Victoria BC V8W 9V4.

Refund Limitations

Refund claims must be submitted within four years from the date the security was paid. No refund for amounts of less than \$10 will be made.

Need more info?

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Tobacco Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Tobacco_Tax/bulletins-leg-notices.htm

References: *Tobacco Tax Act*, Sections 1, 5, 6, 11 and 17-19, and Regulations 1, 4, 5, 6.3 and 14