



The Excise Duty Program

This memorandum explains the structure and responsibilities of the Excise Duty Program and addresses other related topics such as audits, appeals, taxpayer relief and confidentiality of information. It also briefly explains the role of the Summerside Tax Centre and the Canada Border Services Agency's Laboratory and Scientific Services Directorate in administering the Excise Duty Program.

Disclaimer The information in this document does not replace the law found in the Act and its regulations. It is provided for your reference. As it may not completely address your situation, you may wish to refer to the Act or its regulations, or contact any Canada Revenue Agency (CRA) regional excise duty office for additional information. These offices are listed in Excise Duty Memorandum 1.1.2, *Regional Excise Duty Offices*.

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General

Excise duty 1. Excise duty is a type of levy that is imposed on spirits, wine, beer and malt liquor, and tobacco products. Depending on the particular commodity, excise duty is calculated on the quantity produced, manufactured or packaged. Except where permitted by law, a person must obtain a licence in order to be authorized to produce, manufacture or package these commodities.

Legislation

Excise Act 2. The *Excise Act* regulates the production of, and imposes duty on, beer, wort and malt liquor within Canada. For purposes of the *Excise Act*, the definition of beer includes beer and malt liquor that have an alcoholic strength not in excess of 11.9% absolute ethyl alcohol by volume.



Excise Act, 2001

3. The *Excise Act, 2001* regulates the production of, and imposes duty on, tobacco and alcohol within Canada. Alcohol under that Act is made up of spirits, which includes malt liquor or “high alcohol” beer that has an alcoholic strength in excess of 11.9% absolute ethyl alcohol by volume, and wine. The *Excise Act, 2001* also establishes a framework within which licensees, registrants and certain persons have various entitlements along with specific obligations.

Other legislation

4. The Excise Duty Program includes the administration of certain provisions of the *Importation of Intoxicating Liquors Act* (IILA). The IILA specifies that any liquor, including wine, considered intoxicating by provincial law may be imported only by a board, commission, officer, or government agency legally authorized to sell intoxicating liquor. The IILA provides for some exemptions, including the importation of bulk spirits for packaging in Canada, provided spirits are eligible for specific tariff treatments and intoxicating liquor used for sacramental or medicinal purposes or for manufacturing or commercial purposes other than for the manufacture or use as a beverage.

5. The *Customs Act* and the *Customs Tariff* govern the importation of commodities covered by excise legislation. The Canada Border Services Agency administers the provisions of the *Customs Act* and the *Customs Tariff*. For detailed information, refer to the Canada Border Services Agency Web site at www.cbsa-asfc.gc.ca/import/menu-eng.html.

Confidentiality of information

Excise Act, 2001

6. The *Excise Act, 2001* restricts the disclosure of confidential information obtained in the course of the administration or enforcement of this act.

Excise Act

7. Although the *Excise Act* does not have any provisions respecting the confidentiality of information, the *Access to Information Act*, the *Privacy Act* and CRA policy will apply to matters that involve the disclosure of information obtained in the course of the administration or enforcement of the *Excise Act*.

Other information

8. Detailed information on the confidentiality of information will be available in Excise Duty Memorandum EDM1.4.1, *Confidentiality of Information*. In the meantime, please refer to section 211 of the *Excise Act, 2001*.

Structure of the Excise Duty Program

Headquarters

9. The Excise Duties and Taxes Division (Division) administers the Excise Duty Program, and is part of the Excise and GST/HST Rulings Directorate of the Legislative Policy and Regulatory Affairs Branch of the CRA. Besides the *Excise Act, 2001* and the *Excise Act*, the Division is responsible for administering the provisions of the *Softwood Lumber Products Export Charge Act, 2006*, the non-GST/HST provisions of the *Excise Tax Act* (excise taxes on fuel, automobiles, insurance), and the *Air Travellers Security Charge Act*.

10. Two units within the Division deal specifically with excise duty operations:

- Excise Duty Operations – Alcohol; and
- Excise Duty Operations – Tobacco.

These two units are involved in key activities that relate to developing and maintaining program delivery in response to legislative requirements, industry practices, technological advances, and compliance issues.

11. The Division is responsible for:

- issuing rulings and interpretations;
- developing audit, compliance and licensing programs; and
- providing functional direction and training to the employees in its regional excise duty offices.

In addition, officials from the Division represent the Excise Duty Program at national and international events.

Regional offices

12. Regional excise duty offices serve as the CRA's liaison with licensees, registrants and the general public on all matters relating to the Excise Duty Program. These offices are responsible for licensing and registration, audit and compliance, and for providing support to enforcement agencies as well as technical information on excise duty. For information on how to contact one of the regional excise duty offices, refer to Excise Duty Memorandum 1.1.2, *Regional Excise Duty Offices*.

Rulings and interpretations

13. The Division offers a rulings and interpretations service with respect to excise duties. The purpose of this service is to assist clients (e.g., excise duty licensees and registrants, and other interested persons) in complying voluntarily with the law by providing them with as much information as possible on how the relevant provisions of the applicable legislation affect their operations or transactions. As part of this service, it issues technical publications and the regional excise duty offices provide a technical telephone enquiry service to interested persons. The rulings and interpretations service is available free of charge.

More information

14. Information on how to request a ruling or interpretation is available in GST/HST Memorandum 1.4, *Excise and GST Rulings and Interpretations Services*.

Technical publications

15. A broad range of technical publications has been developed to inform licensees and registrants, and other interested persons about excise duties.

Excise Act, 2001

Notices

16. Excise Duty Notices announce changes to the application and administration of the *Excise Act, 2001*.

Memoranda

17. Excise Duty Memoranda provide detailed technical information and guidelines on the application of the *Excise Act, 2001*.

18. Technical publications relating to the *Excise Act, 2001* are available on the CRA Web site at www.cra.gc.ca/exciseduty, under "Excise Act, 2001 – Technical Information".

Excise Act

Circulars

19. Excise Duty Circulars provide detailed technical information and guidelines on the administration of excise duties on beer under the *Excise Act*, and are updated as necessary.

Notices

20. Excise Duty Notices are issued to highlight recent changes to the application and administration of the *Excise Act*.

21. The technical publications respecting the *Excise Act* are available on the CRA Web site at www.cra.gc.ca/exciseduty, under “Excise Act – Technical Information”.

Other publications

22. The *Excise and GST/HST News* is published quarterly and highlights recent developments with respect to the federal commodity taxes, including excise duties. Information on how to subscribe to the *Excise and GST/HST News* is available on the CRA Web site at www.cra.gc.ca/lists. Simply click on “Subscribe to a mailing list” and choose the appropriate publication.

Licences and registrations

Licences under the
Excise Act, 2001

23. The eight types of licences that are available to persons who wish to undertake an activity involving alcohol or tobacco products that is regulated under the *Excise Act, 2001* are:

- spirits licence
- wine licence
- user’s licence
- tobacco licence
- tobacco dealer’s licence
- excise warehouse licence
- special excise warehouse licence
- licence for duty free shop operator.

24. The following information pertains to excise duty licences under the *Excise Act, 2001*:

- a licence is mandatory;
- security is required to obtain a spirits or tobacco licence;
- there are no annual fees;
- a licensee is required to file monthly returns;
- the licence is valid for a maximum period of two years; and
- to maintain a valid licence, renewal of the licence is mandatory prior to the licensing period expiring.

More information

25. Detailed information on excise duty licences is available in Excise Duty Memorandum 2.1.1, *Licence Types*.

Registration under the
Excise Act, 2001

26. There are four types of registration under the *Excise Act, 2001* available to persons who are engaged in certain activities related to alcohol. The four types of excise duty registrants are:

- ferment-on premises registrants;
- registered users;
- alcohol registrants; and
- specially denatured alcohol registrants.

27. The following information pertains to the registration of persons under the *Excise Act, 2001*:

- registration is mandatory;

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- security is not required;
 - there are no annual fees;
 - a registration is valid until it is cancelled, suspended or revoked; and
 - a registrant does not have to file returns.

More information 28. Detailed information on these four types of registrations is available in Excise Duty Memorandum EDM2.3.1, *Registration Types*.

Licences under the Excise Act 29. Brewers and manufacturers of wort are licensed under the *Excise Act*.

30. The following information pertains to brewery licences under the *Excise Act*:
- a licence is mandatory;
 - security is required;
 - there is an annual fee;
 - a licensee is required to file monthly returns; and
 - the licence is to be renewed annually.

Business number and duty program account

31. Excise duty licensees and registrants must obtain a Business Number (BN) from the CRA. The first nine digits identify the legal entity of a business and any branches or divisions. The following two letters and the next four digits identify the specific program account. The first nine digits are unique and remain the same regardless of the number of program accounts issued to a person. For example, the Excise Duty Program identifier is RD.

32. Persons who do not already have a BN, or require further information should contact the CRA Business Enquiries Line at 1-800-959-5525. Additional information concerning BN registration is available on the CRA Web site at www.cra.gc.ca/bn.

Audits and regulatory reviews

Audits 33. Audits are detailed examinations of a licensee's activities and books and records. They are conducted to evaluate a licensee's level of compliance with excise legislation and regulations.

34. When a business operation has been selected for an audit, an excise duty officer/auditor (auditor) will contact the licensee to arrange a date and time for the audit.

35. Before examining any books and records, the auditor may wish to discuss the general nature of the business and tour the premises to get a better understanding of the business operations and transactions recorded in the records. The audit usually includes, but is not limited to, an examination of documents such as ledgers, journals, bank accounts, sales invoices, purchase vouchers, production records, inventory records, internal controls, expense accounts, and corporate minute books. Other documents that may be examined include:

- selected returns or customs documents;
- books and records that support selected returns or customs documents;
- records required by regulation;

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- audit reports from previous audits; and
 - any other pertinent information on file.

36. During the audit process, the auditor may require additional information and assistance from the licensee's employees, particularly those responsible for the accounting, production and inventory records.

37. Once the audit has been completed, the auditor may propose certain adjustments to the licensee's returns (assessments) and books and records. The auditor will prepare a written summary of these proposed adjustments and will discuss them and any findings with the licensee and/or its representative. If the licensee and/or its representative require(s) time to analyze the proposed adjustments, the auditor will confirm the proposals in writing and allow a reasonable time for a reply. If further information is provided within this time period, the auditor will take this information into account before issuing the final letter and findings. If there are no proposed adjustments to the return, the auditor will inform the licensee and/or its representative, in writing, of this fact and of any findings when the audit is complete.

38. After an audit assessment is finalized, the CRA will issue:

- a notice of assessment or a notice of reassessment, if the audit was conducted under the *Excise Act, 2001*; or
- a letter outlining the audit findings if the audit was conducted under the *Excise Act*.

Regulatory reviews

39. Regulatory reviews examine a licensee or registrant's activities that typically may not have an impact on revenue. These reviews can include spot checks of records, internal controls, and compliance with regulations or excise policies. The regulatory reviews can complement an audit program (e.g., verification of inventories or packaging).

40. Regulatory reviews can also include the requests for a visit that are made by licensees or registrants in order to assist in matters dealing with excise legislation and/or regulations (e.g., reviews of product or raw material destructions, reviews of credits, or unusual production issues).

Appeals and taxpayer relief

Appeals – *Excise Act, 2001*

41. Licensees and registrants are entitled to every benefit available under the *Excise Act, 2001*. If a licensee or registrant believes that it has not received the full entitlements of the law, or if a licensee or registrant is not in agreement with the CRA on a duty or penalty matter, it has the right to a formal review of its file. In these situations, representatives from the Appeals Branch that were not involved in the original decision are available to conduct a formal and impartial review. For more information on appeals, contact the Appeals Division of a CRA tax services office.

Objections

42. For persons who wish to object to an assessment, reassessment or appeal a decision regarding an objection, additional information will be available in Excise Duty Memorandum EDM11.1.1, *Assessments, Reassessments, Objections and Appeals*. To file a notice of objection, these persons should use form E680, *Notice of Objection – Excise Act, 2001*.

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- Excise Act* 43. If a licensee under the *Excise Act* believes that it has not received the full entitlements of the law or is not in agreement with the CRA on a duty or penalty matter, the regional excise duty office will make every effort to resolve the issue informally. Where a licensee's request for reconsideration cannot be resolved with the regional excise duty office, that office will forward the request for review to a more senior level.
- Taxpayer relief 44. On occasion, extraordinary circumstances prevent licensees and registrants from complying with the legal requirements of legislation or regulations administered by the CRA. There are taxpayer relief provisions available that allow for a common sense approach in dealing with licensees and registrants that, because of personal misfortune or circumstances beyond their control, are unable to comply with the legislation or regulations administered by the CRA.
45. Under the *Excise Act, 2001*, CRA officials have the discretion to cancel and waive interest in certain situations, but this action does not apply to penalties.
- More information 46. Detailed information on the fairness provisions that apply to excise duty will be available in Excise Duty Memorandum EDM10.2.1, *Interest and the Taxpayer Relief Provisions*.

Summerside Tax Centre

47. The Other Levies Division of the Summerside Tax Centre is responsible for the processing of excise duty returns.

48. Excise duty returns and refund applications should be mailed to:

Other Levies Division
Summerside Tax Centre
275 Pope Road, Suite 101
Summerside, PE C1N 6E7

Online information 49. Excise duty licensees can also obtain information on their accounts and request certain services online. Further information is available on the CRA Web site at www.cra.gc.ca/mybusinessaccount.

Laboratory and Scientific Services Directorate

50. The Laboratory and Scientific Services Directorate (LSSD) is the scientific arm of the Canada Border Services Agency. Through a service level agreement, the LSSD provides a diverse range of scientific and technological services to the CRA. In particular, the LSSD provides scientific and technological advice on questions relating to contraband detection, determination of origin of goods and a number of other specialty areas.

All of the memoranda in the Excise Duty Memoranda Series are available on the CRA Web site at www.cra.gc.ca/exciseduty, under *Excise Act, 2001 – Technical Information*.