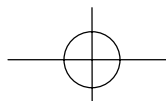
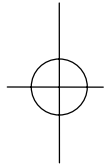
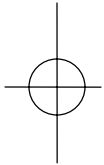
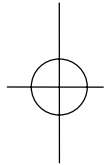
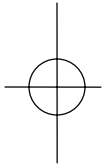
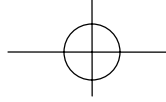


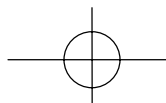
Highlights for Wine Producers and Packagers

Excise Act, 2001





La version française de cette brochure est intitulée *Faits saillants pour les producteurs et les emballeurs de vin.*



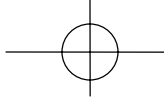
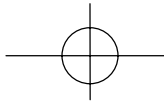
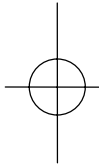
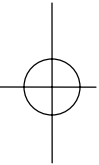
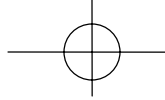


Table of Contents

- Why make changes? 4
- When will the changes take effect?..... 4
- What changes will affect you?..... 4
- Technical issues 5
- Licensing highlights 5
- Definition of "wine" 5
- Rates of duty 6
- Licensing 6
- Business Number and duty account 7
- Branches and divisions..... 7
- Duration of licence and application for renewal 8
- Security 8
- Types of licences 8
- Transportation of bulk wine 9
- Transportation of packaged wine..... 10
- Warehousing of wine 10
- On-site retail stores 11
- Labelling requirements 11
- Returns and payments 12
- Collections program 13
- Records 14
- Appeals process 14
- Transitional issues..... 14
- Need more information?..... 15
- Comments or suggestions?..... 16
- Regional Excise Duty Operations 17





Why make changes?

The *Excise Act* is one of the oldest taxing statutes in Canada. While many changes have been made over the years, a general review identified that a new regime for the federal taxation of spirits, wine and tobacco products was needed.

The new *Excise Act, 2001* is a modernized framework that is designed to reduce controls and costs on industry wherever possible. It also harmonizes various administrative provisions for payment, assessment, enforcement and appeals with other federal tax legislation.

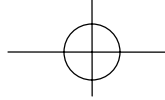
The new excise framework will allow the Canada Customs and Revenue Agency (CCRA) to serve its clients better, while providing us with the tools to become more effective. Consumers will not be affected by the changes to the legislative framework.

When will the changes take effect?

The *Excise Act, 2001* has now become law, and is scheduled to be implemented effective July 1, 2003. Bill C-47, the legislation to implement the *Excise Act, 2001*, was introduced in the House of Commons on December 6, 2001, and was given Royal Assent on June 13, 2002.

What changes will affect you?

Once it is implemented, there will be some significant changes to the way the CCRA deals with **wine producers and packagers**. There will also be new obligations and entitlements for industry members. This information bulletin outlines the important changes that will affect your industry.



Technical issues

Currently, an Excise Duty Memoranda Series is being developed by the CCRA to address technical issues and questions you may have. Prior to implementation, these publications will be made available to the public in both paper and electronic format.

Enclosed at this time with your licensing package are memoranda addressing some of the initial questions you may have concerning the licensing process. Once your licence application is approved, you will receive a confirmation package, which will include memoranda dealing with your specific obligations and entitlements.

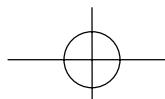
Licensing highlights

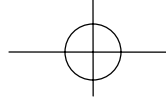
Listed below are some of the licensing highlights that will apply to your wine producing operation:

- A licence will be mandatory;
- Security will not be required;
- There will be no annual licensing fee;
- You will be required to file monthly returns;
- Your licence will be valid for two years.

Definition of “wine”

Under the new legislation, “wine” means a beverage containing more than 0.5% but not more than 22.9% of absolute ethyl alcohol by volume that is produced by the alcoholic fermentation of an agricultural product, a plant or a plant product, other than grain. This beverage may also include a product wholly or partially derived from such an agricultural product or plant or plant product. Wine also includes sake.





Rates of duty

Currently, an excise tax is imposed on wine under the *Excise Tax Act*. After the implementation date, this levy will be imposed under the *Excise Act, 2001* and will be called an excise duty.

The rates will remain unchanged and will continue to apply as follows:

- wine containing not more than 1.2% absolute ethyl alcohol by volume – \$0.0205 per litre;
- wine containing more than 1.2% but not more than 7% absolute ethyl alcohol by volume – \$0.2459 per litre; and
- wine containing more than 7% absolute ethyl alcohol by volume – \$0.5122 per litre.

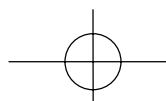
Please note that the excise duty will not apply on wine produced or packaged by a small producer, nor will it apply to wine produced and packaged by individuals for their personal use.

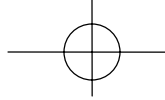
Licensing

Currently, your wine operation may be licensed under the *Excise Tax Act*. Upon implementation of the *Excise Act, 2001*, this licence will become obsolete. All wine producers and packagers will be required to apply for one or more new licences.

These licences will no longer be site specific. They will be issued to a person or a business entity (e.g. individual, partnership or corporation) authorizing the person or business entity to carry on specific activities at one or more locations.

Enclosed is a licensing package that contains the *Licence and Registration Application Excise Act, 2001* form, as well as Excise Duty Memorandum 2.1.1, *Licence Types*. When completing the licence application, you will be required to list the addresses of all premises to be covered by the licence. There are no annual licence fees.





Business Number and duty account

If you do not already have one, you will require a Business Number (BN) issued by the CCRA. The first nine digits identify your business, while the following two letters and the next four digits identify the program specific account (you may have more than one account i.e., GST/HST, Corporate, Import/Export, etc.).

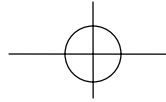
The new excise duty program account is now available to eligible persons and is prefaced by the two letters RD. The new RD excise duty identifier and excise account number, when added to your BN, will be specific to the type of licence you hold.

If you have not yet been issued a new excise duty RD program account or you have questions relating to it or your BN, please call our Business Enquiries Line at 1-800-959-5525. Business agents will provide you with the relevant BN and excise duty application forms and related documents for completion and return.

Branches and divisions

If your licensed business entity will carry on one or more activities in separate branches or divisions, you will have the option of applying for the authority to have each of your branches or divisions file separate returns and applications for refunds. Your branches or divisions must be separately identifiable by their location or the nature of their activities.

If you choose this option, we will provide each of your branches or divisions with separate filing accounts using your new excise duty RD account.



Duration of licence and application for renewal

Your wine licence under the *Excise Act, 2001* will be valid for a period of two years. Before your licence expires, we will send you a renewal notice accompanied by a ***Licence and Registration Application Excise Act, 2001*** form for your completion and submission to the CCRA. The application for renewal must be submitted at least 30 days before the date on which the licence is to expire.

For additional information on this topic, refer to Excise Duty Memorandum 2.2.1, *Obtaining and Renewing a Licence*.

Security

As a wine licensee, there is no requirement for you to provide security as a condition of your licence.

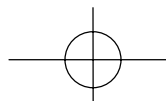
Types of licences

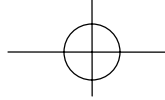
You may be required to have one or more of the following types of licences.

Wine licence

If you wish to produce or package wine, you will need to apply for a new wine licence. This licence will also authorize you to import, possess or transport bulk wine.

You will be issued a new excise duty licence number when your licence application is approved. You may use this new licence number as an identifier instead of using the name and address of your business on packaged wine.





Producers of wine with sales under \$50,000

If you produce or package your own wine and your annual sales during the preceding 12 fiscal months do not exceed \$50,000, you will require a wine licence. However, you will not be liable for the payment of excise duty unless that threshold is exceeded.

Excise warehouse licence

If you wish to store packaged wine and defer the payment of excise duty, you will be required to apply for a separate excise warehouse licence. Excise duty will be imposed on all wine at the time of packaging and become payable at that time, unless it is warehoused.

If you store packaged wine in an excise warehouse directly after packaging, payment of duty will be deferred until the wine is removed from the excise warehouse.

Under the new warehousing regime, wine producers selling to provincial liquor authorities will no longer be paying excise duties on their wine sales. Wine producers will transfer their wine from their excise warehouse to those of the provincial authorities, thereby creating a positive cash flow result for the wineries

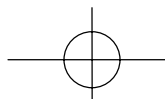
User's licence

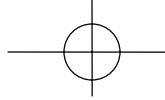
If you wish to use spirits for purposes of fortifying wine, you will be required to apply for a user's licence. A user's licence will authorize you to use bulk spirits or packaged spirits without the payment of duty.

Transportation of bulk wine

If you currently transport bulk wine in your own vehicles or store bulk wine in your own warehouse, you will be able to continue to do so.

If you normally contract the transportation of bulk wines to a third party carrier, that carrier will be required to possess an alcohol registration under the new legislation.





This alcohol registration will authorize a carrier who does not own bulk wine to transport it. In certain circumstances, customs bonded carriers may also transport imported bulk wine prior to its being released under the *Customs Act*.

Transportation of packaged wine

A carrier will be able to transport non-duty-paid packaged wine where the carrier has in its possession acceptable documentation to keep track of its departure and destination.

This documentation should indicate that the carrier is transporting non-duty-paid packaged wine on behalf of an excise warehouse licensee, a licensed user, a duty free shop, a ship's store, an accredited representative or is a customs bonded carrier making international shipments.

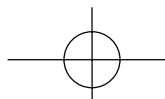
Warehousing of wine

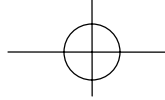
Under the new legislation, an excise warehouse licence will authorize a wine licensee to possess in its warehouse, non-duty-paid packaged wine.

This new licence may be issued to independent third parties but will not be issued to retailers of wine. However, excise warehouse licences will also be issued to alcohol licensees, provincial liquor authorities and persons who supply goods for use as ships' stores.

As a wine licensee, you may operate multiple excise warehouses at separate locations. You will be required to list all these locations when applying for your separate excise warehouse licence.

On-site wine stores, off-site wine stores or the residences of wine agents and sales representatives where inventories of wines are stored, will not qualify as acceptable premises for an excise warehouse licence.



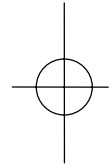
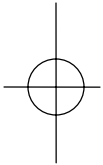


Additional information relating to excise warehouses is found in bulletin D2, *Highlights for Excise Warehouses* and information relating to the transportation of packaged wine is found in bulletin D1, *Highlights for Transporters of Non-Duty-Paid Packaged Alcohol and Tobacco*.

On-site retail stores

If you are a wine producer and you operate an on-site retail store, you will be required to meet the following conditions:

- You must possess both a wine licence and an excise warehouse licence;
- Your retail store must be located at the same place where you produced or packaged the wine; and
- At least 90% of the packaged wine you supplied during the past year to the retail store from your excise warehouse must be wine that you produced or packaged or wine that was packaged on your behalf by a third party.

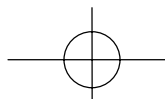


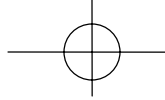
Labelling requirements

New regulations require that the name and address or the licence number of the licensee who packaged the wine be displayed on every container of wine and on any packaging encasing the container. This information will be verified for conformity at the time of audit.

You will be issued a new licence number when your licence application is approved.

Labelling is normally part of the packaging process. Due to the amount of custom labelling done by wine producers, the labelling of non-duty-paid packaged wine may be deferred until such time as it is removed from an excise warehouse.





Please note that other federal and provincial legislation will still apply with respect to labels.

Returns and payments

Excise duty returns

As a wine licensee, you will be required to file a return for each fiscal month. Generally, you must file a separate excise duty return with the CCRA for each licence you possess, covering all the activities within that fiscal month.

We will send you a supply of excise duty returns upon approval of your licence(s). You will be required to fill out the returns with prescribed information such as the legal name of your business, the mailing address, the fiscal month and the BN with RD program account identifier as part of the information contained at the top of the return.

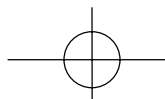
However, if you have branches or divisions with distinct operations under one of your licences, you may prefer to file separate returns. See "Branches and divisions" on page 7. Branches or divisions that wish to file their own return(s) must use the same fiscal year-end as the main entity.

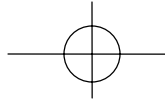
Wine licensees will be required to file the *Excise Duty Return - Wine Licence*, excise warehouse licensees will be required to file the *Excise Duty Return - Excise Warehouse Licence* and licensed users will be required to file the *Excise Duty Return - User's Licence*.

Specific information concerning returns and payments will be included in the confirmation packages that will be mailed to all approved licensees.

Fiscal month

A new method of determining your fiscal month will be introduced. If your fiscal month has been determined for GST/HST purposes, the same fiscal month will apply. If your fiscal month has not yet been determined, you will be able to





choose your fiscal month using the established GST/HST rules, or use calendar months.

New filing due date

You will be required to file your excise duty returns and submit any payments to the CCRA not later than the last day of the month following each fiscal month.

Payments

If you owe money, you can mail your payment(s) to the Summerside Tax Centre by the due date of the return(s). You also have the option of delivering your payment(s) and completed remittance form(s) to any CCRA tax services office or to any Canadian participating financial institution by the due date of the return(s).

There will be a new requirement that all payments in excess of \$50,000 be made payable to the account of the Receiver General for Canada at participating financial institutions.

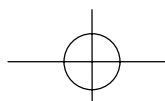
Refunds

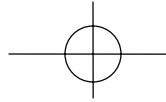
The new legislation will provide for refunds of excise taxes paid under certain circumstances.

If you are eligible, you will be able to file a refund application separately with the CCRA or send it with a return to offset excise duty owed within two years of the date the excise duty was paid.

Collections program

If you owe excise duty or are filing late returns, you will receive a notice as a reminder of your obligation to pay past due excise duty or file outstanding returns.





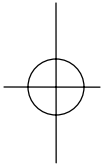
If you do not respond to the reminder notice within a specified period of time, you will be notified by telephone from a call centre agent who will offer assistance concerning your obligations and advise you of any options that may be available to you.

The *Excise Act, 2001* contains collection provisions consistent with other federal tax legislation.

Records

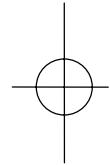
For each licence you possess, you will be required to maintain all records necessary to determine whether you have complied with the new legislation. These records must, unless otherwise authorized, be kept in Canada in English or French.

You will have to keep these records in paper or electronic format for a period of six years after the end of the year to which they relate.



Appeals process

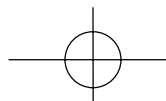
Under the new *Excise Act, 2001* there will be a formal process to deal with appeals of excise duty assessments, similar to that which is available to wine producers in the existing *Excise Tax Act*.

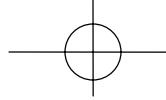


Transitional issues

For purposes of the transitional provisions, implementation date means July 1, 2003. As of this date, wine is relieved of the excise tax. However, liabilities for amounts owing will continue.

On that day, the new *Excise Act, 2001* will generally apply to wine as if the person who possessed it immediately before the implementation date produced it in Canada on that day.





If you are eligible, you will be able to claim for a refund of any excise tax imposed and/or paid in respect of wine produced or in your inventory, provided you file a refund application within one year after the implementation date.

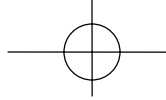
We will provide you with additional information relating to the transitional refund, the application form and the procedure on how to apply for the refund when we will mail you the confirmation of licence package.

Need more information?

You can find related memoranda, forms and news releases as they become available at
www.ccr-aadrc.gc.ca/tax/technical/exciseduty-e.html.

Other related bulletins that are available in the Alcohol Series are *A1, Highlights for Spirits Producers and Packagers*, *A3, Highlights for Ferment-on-Premises Facilities* and *A4, Highlights for Chemical Still Dealers, Licensees and Registrants*.

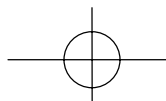
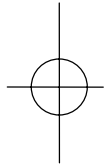
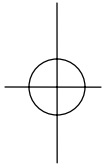
If you wish to discuss a specific matter, you may call your nearest Regional Excise Duty Manager. The phone numbers and addresses of our regional Excise Duty offices are listed at the end of this bulletin.

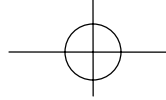


Comments or suggestions?

If you wish to make comments or suggestions regarding the contents of this bulletin, please write to us at the following address:

Attention: *Excise Act, 2001* Implementation Group
Excise Duties and Taxes Division
Policy and Legislation Branch
Canada Customs and Revenue Agency
20th floor, Tower A
Place de Ville, 320 Queen Street
Ottawa ON K1A 0L5





Regional Excise Duty Operations

Atlantic Region

c/o Excise Duty Manager
P.O. Box 638
Halifax NS B3J 2T5

Phone: (902) 426-5748

Fax: (902) 426-7177

Quebec Region (District of Québec)

c/o Excise Duty Manager
Section 441 - 8
165 de la Pointe-aux-lièvres Street
Québec QC G1K 7L3

Phone: (418) 649-4998

Fax: (418) 648-5484

Quebec Region (District of Montréal)

c/o Excise Duty Manager
305 René-Lévesque Blvd. West, 7th floor
Montréal QC H2Z 1A6

Phone: (514) 283-6738

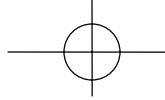
Fax: (514) 283-6154

Northern Ontario Region

c/o Excise Duty Manager
1730 St-Laurent Blvd., 3rd floor
P.O. Box 8257
Ottawa ON K1G 3H7

Phone: (613) 998-9305

Fax: (613) 991-3236



Southern Ontario Region

c/o Assistant Director, Excise Duty
5800 Hurontario Street
P.O. Box 6000, Station A
Mississauga ON L5A 4E9

Phone: (905) 277-6476

Fax: (905) 615-2814

Prairies Region

c/o Excise Duty Manager
220 - 4th Avenue South East, Room 420
Calgary AB T2G 0L1

Phone: (403) 231-4124

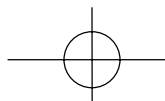
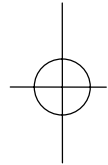
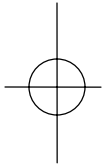
Fax: (403) 231-3033

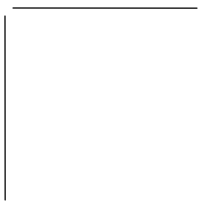
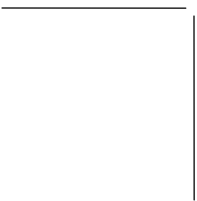
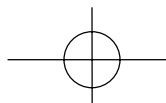
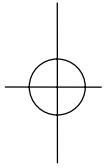
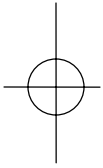
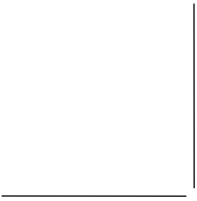
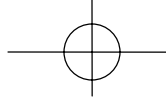
Pacific Region

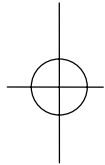
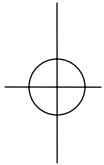
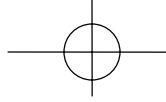
c/o Excise Duty Manager
9737 King George Highway, 5th floor
P.O. Box 9070, Station Main
Surrey BC V3T 5W6

Phone: (604) 587-2100

Fax: (604) 587-2162







Think Recycling!



Printed in Canada

