

An Overview of the *Tobacco Tax Act*

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Revenu Québec

Ensuring the funding of public services

Providing for the future of our society

Québec 

Foreword

This brochure presents the main rules in the *Tobacco Tax Act*, applicable to wholesale and retail vendors of tobacco, as well as to stors, importers and carriers of tobacco. In particular, it explains the rules pertaining to registration certificates, permits, and the collection and remittance of the tobacco tax.

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Glossary

Carrier

A person who, in Québec, carries out the transport or delivery of raw tobacco or tobacco intended for sale and contained in packages that are not identified in accordance with the *Tobacco Tax Act*.

Collection officer

A person, other than a retail vendor, who sells or delivers tobacco (or causes tobacco to be delivered) in Québec. If some or all of the person's commercial activities consist in selling tobacco products wholesale in Québec, the person is considered a collection officer.

Establishment

A place in Québec where tobacco or raw tobacco is manufactured, stored, distributed, sold or traded, as well as a place in Québec where tobacco is packaged.

Importer

A person who brings or causes to be brought into Québec

- tobacco for sale or delivery; or
- raw tobacco for sale or delivery, or for the manufacture, production, mixing, preparation or packaging of tobacco intended for sale.

Manufacturer

A person who, in Québec, manufactures, produces, mixes, prepares or packages tobacco intended for sale.

Raw tobacco

Tobacco leaves, and fragments thereof, which have not been processed beyond the drying stage. Tobacco designed to enter into the composition of tobacco intended for sale is also considered to be raw tobacco.

Retail vendor (retailer)

A person who, in Québec, sells tobacco products to persons for their own consumption or consumption by others. A person who sells tobacco products to persons acquiring them for resale purposes is not considered a retail vendor; nor is a person who sells raw tobacco.

Storer

A person who, in Québec, warehouses, stores, holds, keeps or preserves raw tobacco or tobacco contained in a package not identified in accordance with the *Tobacco Tax Act*. A carrier is not considered a storer.

Taxable price of a cigar

Sale price paid by a consumer, where the cigar is sold at retail by an importer or a manufacturer. Otherwise, it is the sale price paid for the cigar by the retailer, increased by 20%.

Tobacco manufacturing equipment

Machinery or equipment designed or modified specifically for the manufacture, production, mixing, preparation or packaging of tobacco intended for sale.

Wholesale vendor (wholesaler)

A person who, in Québec, sells tobacco to persons acquiring it for resale purposes.



Registration certificate

Every person who makes retail sales of tobacco products in Québec must hold a registration certificate (“certificat d’inscription”), which is obtained by registering for the Québec sales tax (QST).¹

Application for registration

To obtain a registration certificate, you must file form LM-1-V, *Application for Registration*, and enclose a list of the addresses of all the establishments you wish to operate (or have operated by a third party). You can also use the **Registering a New Business for Revenu Québec Files** online service, which is available on our website. You are required to notify Revenu Québec, by registered or certified mail, of any change that renders information previously provided inaccurate or incomplete.

If you are already registered for the QST for other activities, you must so inform Revenu Québec by registered or certified mail before making retail sales of tobacco in Québec. You must also submit a list of the addresses of all the establishments you wish to operate (or have operated by a third party).

Posting

You must post your registration certificate inside your principal place of business in Québec, in plain view. In addition, if you have other establishments, a copy of the certificate must be displayed in each of them.

1. Under the GST system, vendors who are small suppliers need not register for the goods and services tax.

Suspension

If you do not fulfill the obligations set forth in the *Tobacco Tax Act* or the *Tax Administration Act*, the registration certificate under which you make retail sales of tobacco may be suspended or revoked, as applicable.

If your certificate is suspended, Revenu Québec will serve you with a notice of suspension, to be posted inside your principal place of business for the entire duration of the suspension. In addition, if you have other establishments, a copy of the notice must be displayed in each of them.

In no case may registration certificates be transferred to another person.





Permits

If you are a collection officer, a manufacturer, an importer, a storer or a carrier, you must hold a permit for each activity carried out in Québec.

Likewise, a person in possession of tobacco manufacturing equipment must hold a manufacturer's permit.

Permit application

To obtain the permit(s) you need in order to carry out certain commercial activities in the tobacco sector, you must file form TA-6.1-V, *Permit Application*. You must attach to the form a list of the addresses of all the establishments you wish to operate (or have operated by a third party). Furthermore, if you are applying for a storer's, importer's or carrier's permit, you must indicate the establishments to be operated in regard to raw tobacco.

When your application is processed, you may be asked to provide additional information in order to fulfill the conditions for obtaining a permit.

If you acquire an establishment, you must notify Revenu Québec, providing your name and address, the address of the establishment, and the name and address of the person from whom you acquired the establishment.

If you dispose of an establishment, you must also advise Revenu Québec, providing your name and address, the address of the establishment, and the name and address of the person who acquired the establishment. It is important to state your full name and registration number in all correspondence with Revenu Québec.

If you do not have a residence or place of business in Québec and wish to apply for a permit, you must designate a person residing in Québec as your agent. A document attesting to the designation and indicating the agent's address must be enclosed with the permit application.

Posting

You must post your permit(s) inside your principal place of business in Québec. In addition, if you operate other establishments (or have other establishments operated by a third party) under the permit(s), a copy of the permit(s) must be displayed in each of these establishments.

If you hold a carrier's permit, you are required to keep a copy of the permit in each vehicle used to transport the tobacco covered by the permit. In addition, if you do not have any establishments in Québec, you must keep a copy of each of your permits in each vehicle.

Period of validity

A permit is valid for two years, and is renewed automatically at the end of the two-year period unless you have not fulfilled the obligations set forth in the *Tobacco Tax Act* and the *Tax Administration Act*.

If you do not have a residence, establishment or place of business in Québec, Revenu Québec can issue you a temporary permit valid for less than two years.

In no case may permits be transferred to another person. Moreover, they must be used by the holder only for the activity specified on them.



Security

To obtain a permit, you may be required to provide security.

Such is the case if you are in one of the situations set forth in the *Tax Administration Act*. For example,

- you were convicted of a fiscal offence in the five-year period preceding the date of your permit application;
- you owe a debt to Revenu Québec;
- you did not file all of the required returns.

Security may also be required if Revenu Québec considers that, because of your financial situation, you cannot fulfill the financial obligations arising out of your business.

As a rule, we determine the amount of security based on the amounts, if any, that a person is likely to collect in the six-month period following the date on which security is required. However, the amount of security may also be based on the amounts, if any, that a person should have remitted in the six-month period prior to the date on which security was required.



Obligations of vendors

Persons who, in Québec, sell tobacco products to a retail vendor must ensure that the retailer has a registration certificate, and that no suspension is in effect with respect to the retailer's commercial activities in the tobacco sector.

Persons who, in Québec, sell tobacco products to a wholesale vendor must ensure that the wholesaler has the required permits.

Persons who sell or deliver raw tobacco in Québec must ensure that their clients hold permits for their activities.

Retailers and wholesalers must ensure that the persons from whom they purchase tobacco products in Québec (or from whom they take delivery of tobacco products) have a collection officer's permit.

You may be fined if you do business with a person who is in one of the situations below:

- The person does not hold a registration certificate or the required permit.
- The registration certificate or permit regarding the person's activities in the tobacco sector has been suspended or revoked.

Moreover, if you purchase tobacco products from a wholesaler who does not hold the necessary permit, you are required, even if you have paid the wholesaler the tobacco tax or an amount equal to the tax, to remit the amount in question to Revenu Québec.



Collection and reporting

Retail vendors

If you make retail sales of tobacco products in Québec, you are a mandatary of Revenu Québec and, as such, must collect the tobacco tax from consumers at the time of the sale.

As a rule, you are not required to file a return with Revenu Québec concerning the tax collected from consumers, or to remit the amount collected, provided that, in conformity with the *Tobacco Tax Act*, you paid your supplier an amount equal to the tobacco tax at the time you acquired the tobacco products.

However, if the amount of tobacco tax you collected from consumers is higher than the amount you paid to your supplier, you must file a return and remit the difference in tax to Revenu Québec no later than the fifteenth day of the month following the one in which the retail sale took place.

You must also file a return and remit an amount equal to the tobacco tax if you did not pay that amount to your supplier.

In no case may a person make retail sales of tobacco for a price that is lower than the total tax applicable to the tobacco, that is, the excise duty and the tobacco tax, plus the GST calculated on the excise duty and tobacco tax.

Wholesale vendors

If you sell tobacco products wholesale, you are a mandatary of Revenu Québec and, as such, are generally required to collect an amount equal to the tobacco tax from every person to whom you sell or deliver (or cause to be delivered) tobacco whose packaging is identified in accordance with the *Tobacco Tax Act*, or any other packages of tobacco intended for retail sale in Québec. However, this requirement does not apply if you sell tobacco products to another collection officer.

In addition, you must, by the fifteenth day of the month following the one in which the sale was made, file a return with Revenu Québec for the amount you collected or should have collected during the month of the sale. If, contrary to the *Tobacco Tax Act*, you did not pay your supplier an amount equal to the tobacco tax for the tobacco sold during the period in question, you must remit that amount to Revenu Québec. If the amount you collected or should have collected is higher than the amount you remitted to your supplier for the tobacco in question, you must remit the difference to Revenu Québec.

The amount equal to the tobacco tax must always be indicated separately on every document attesting to the sale.

Collection officers must issue to retailers to whom they sell cigars an invoice indicating the sale price, the taxable price and the amount equal to the tobacco tax collected in advance for each cigar, as well as the number of cigars sold, by type. The date of the sale and the name and address of both the vendor and buyer must also be mentioned on the invoice.



Manifest or waybill

If you transport, in Québec, raw tobacco or packages of tobacco intended for sale, you must have a manifest or waybill for each load transported.

The manifest or waybill must be kept in each vehicle used for transporting tobacco and must contain **all** of the following information:

- the date on which the document was drawn up;
- the name and address of the person required to draw up the document and (if applicable) the number of the person's carrier's permit;
- the name and address of the vendor and the purchaser of the shipment;
- the address at which the shipment was loaded, if the address is not the same as the vendor's address;
- the date of loading and the date on which the person required to draw up the document took charge of the shipment;
- the number of bales of raw tobacco transported and their total weight in kilograms, or the number of packages transported (according to product type);
- every address at which the shipment is to be unloaded and the date of unloading, as well as the number of bales of raw tobacco, and their total weight in kilograms, to be unloaded at each place;
- every address at which the shipment is to be unloaded and the date of unloading, as well as the number of packages of tobacco (according to product type) unloaded at each place.

If you are a merchant with more than one establishment, you must keep a manifest or waybill in each vehicle used to transport tobacco or raw tobacco from one establishment to another.

Fines may be imposed for non-compliance.

A police officer, or any person authorized by Revenu Québec, may, at any place and at any reasonable time, stop a vehicle for inspection, where there are reasonable grounds to believe that it contains packages of tobacco or raw tobacco, and require the driver to produce the manifest or waybill. As well, the officer or authorized person may ask to see the copy of the carrier's permit, where applicable, and may examine the identification of the packages of tobacco being transported.

If the driver refuses to submit to the inspection or provide the documents requested, or has committed an offence, the officer or authorized person may order that the vehicle not be moved until a judge makes a ruling with respect to the search or seizure of the vehicle.



Registers

Collection officers, importers, manufacturers, storers and carriers are required to maintain registers containing basic information and to include in these registers the additional activity-specific information indicated below.

Collection officers must record the quantities they sell and the quantities they deliver, distinguishing tobacco that is identified for the purposes of sale in Québec from tobacco that is not identified because it is intended for sale outside Québec.

Importers must indicate, for each occurrence of tobacco brought into Québec,

- the date of import;
- the name and address of the customs broker, where applicable;
- the name and address of the vendor, the number of the vendor's invoice and the date of the sale;
- the quantities of raw tobacco in kilograms or the number of packages of tobacco by product type;
- the name and address of the carrier;
- the number of every document related to importing goods into Canada issued by the Canada Border Services Agency or the Canada Revenue Agency, where applicable; and
- the number of the receiving document.

Storers of raw tobacco must indicate

- the dates on which they receive and ship bales of raw tobacco;
- the number of the document attesting to the receipt or shipment of the tobacco;
- the number of bales of raw tobacco received and shipped, and the total weight of the bales in kilograms;

- the name and address of the shipper and recipient;
- the name and address of the owner, where the **tobacco does not belong to the storer**, as well as the number of bales stored and their total weight in kilograms;
- the number of bales used each day to manufacture tobacco, where the **storer is a manufacturer**, as well as the total weight of the bales in kilograms;
- the date of baling, where the **storer produces raw tobacco**, as well as the number of bales prepared and their total weight in kilograms.

Storers of packages of tobacco must indicate

- the dates on which they receive and ship packages of tobacco;
- the number of the document attesting to the receipt or shipment of the packages of tobacco;
- the quantity of each type of product received and shipped;
- the name and address of the shipper and recipient;
- the name of the province,¹ US state or other jurisdiction under which an identification mark is affixed to the products.

Tobacco carriers must indicate, for every load they transport,

- the dates on which the bales of raw tobacco or packages of tobacco are taken charge of and delivered;
- the name and address of the shipper and recipient;
- the number of bales of raw tobacco and their total weight in kilograms, or the number of packages of tobacco (according to product type);
- the number of the delivery document.

1. The term "province" refers to the Canadian provinces and territories.

Manufacturers must keep a record of all tobacco manufacturing equipment in their possession, including its origin and, where applicable, the manner in which the equipment was disposed of. The register must also include

- a description of the tobacco manufacturing equipment, the name of the manufacturer, the trademark, model, serial number and capacity;
- the name and address of the vendor or lessor of the tobacco manufacturing equipment and, where applicable, the registration number assigned to the vendor or lessor and the number of the manufacturer's permit of the vendor or lessor;
- the date of acquisition or of the start of the lease of the tobacco manufacturing equipment, the price or rent and the term of the lease as well as the invoice number;
- in the case of **imported tobacco manufacturing equipment**, the number of every document related thereto issued by, as the case may be, the Canada Border Services Agency or the Canada Revenue Agency and, where applicable, the name and address of the customs broker;
- the name and address of the carrier of the tobacco manufacturing equipment, the address of the place of delivery, the delivery date and the number of the receiving document;
- the date of commissioning and, where applicable, the date of the end of the use of the tobacco manufacturing equipment;
- where the manufacturer **disposes, by sale, lease or otherwise, of the tobacco manufacturing equipment**, the name and address of the purchaser or lessee, the date on which the manufacturer disposed of the equipment, the price or rent and the term of the lease, the number of

the manufacturer's permit of the purchaser or lessee and the number of every document relating thereto;

- where the manufacturer **disposes of the tobacco manufacturing equipment for its destruction, its recycling or the recovery of parts**, the name and address of the person in charge of the destruction, recycling or recovery and the date on which the manufacturer disposed of the equipment.



Fines and imprisonment

If you fail to comply with the *Tobacco Tax Act*, you may be fined or imprisoned.

For example, if a retailer purchases tobacco products from a wholesaler who does not have a collection officer's permit, both parties are liable to a fine. Likewise, anyone who is in possession of tobacco intended for consumption and contained in a package that is not identified in accordance with the *Tobacco Tax Act* is liable to a fine.

If you have reason to believe that someone with whom you do business is not complying with the *Tobacco Tax Act*, do not hesitate to contact Revenu Québec at one of the numbers indicated on the back of this folder.

To contact us



Online

www.revenuquebec.ca



By telephone

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.
Wednesday: 10:00 a.m. to 4:30 p.m.

Individuals and individuals in business

Québec City	Montréal	Elsewhere
418 659-6299	514 864-6299	1 800 267-6299 (toll-free)

Businesses, employers and agents for consumption taxes

Québec City	Montréal	Elsewhere
418 659-4692	514 873-4692	1 800 567-4692 (toll-free)

Persons with a hearing impairment

Montréal	Elsewhere
514 873-4455	1 800 361-3795 (toll-free)



By mail

Individuals and individuals in business

Montréal, Laval, Laurentides,
Lanaudière and Montérégie
Direction principale des services
à la clientèle des particuliers
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des services
à la clientèle des particuliers
Revenu Québec
3800, rue de Marly
Québec (Québec) G1X 4A5

Businesses, employers and agents for consumption taxes

Montréal, Laval, Laurentides,
Lanaudière, Montérégie, Estrie
and Outaouais
Direction principale des services
à la clientèle des entreprises
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des services
à la clientèle des entreprises
Revenu Québec
3800, rue de Marly
Québec (Québec) G1X 4A5

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