



# If You Sell Tobacco

What retailers need to know about Ontario's tobacco tax rules



May 2008

## Selling Illegal Tobacco

- puts the health of Ontarians at greater risk by making cheap unregulated cigarettes easier to find and buy
- deprives the province of money that could be used to improve health care and education
- helps criminals get rich and become better organized to avoid prosecution
- creates unfair competition for honest businesses
- is breaking the law
- may result in fines, penalties and even imprisonment

## Tobacco Retailers Must

- have a valid Retail Sales Tax Vendor Permit
- purchase tobacco from Ontario-registered tobacco wholesalers only
- only sell packages of cigarettes with Ontario's yellow tear tape

CANADA DUTY PAID – DROIT ACQUITTÉ – ONTARIO –

- (the letters "ON" must also be visible somewhere on the package)
- not sell packages of cigarettes with peach\* or other coloured tear tape, packages with no tear tape, or cigarettes in clear plastic bags
- be aware that provincial and federal taxes add up to at least \$43.79 per carton of cigarettes; cartons sold for less are almost certainly illegal

\* 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*.

## What to Expect During a Tobacco Inspection

- A tobacco inspection may take a few hours to complete.
- Inspectors and auditors will determine the full tobacco inventory and examine books and records.
- The retailer must provide documents such as receipts, invoices and shipping documents to prove payment of tobacco tax.
- Retailers must keep books and records for seven years.
- If illegal tobacco is found, the inspector will assess a penalty and confiscate the illegal tobacco.
- Retailers have the right to object to an assessment by filing a Notice of Objection.

## Temporary Prohibition Program

- Retailers who violate the *Tobacco Tax Act* or the *Smoke-Free Ontario Act* twice or more within five years may be temporarily banned from selling any tobacco.
- The prohibition period may range up to 180 days, depending on the number and nature of the violations.
- A retailer under a temporary prohibition:
  - cannot sell, offer for sale or store tobacco
  - will not receive delivery of tobacco from suppliers
  - may have their name and store locations published on the Ministry of Revenue website
  - must post signs in their store to notify the public of the prohibition
- Failure to observe the temporary prohibition could result in penalties or fines ranging from \$5,000 to \$50,000. In addition, all tobacco in the store location could be confiscated.



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## For More Information

Please refer to the following information bulletins:

- [TT 1-2008 - Summary of Tobacco Tax Rules for Retail Dealers](#)
- [TT 2-2008 - What to Expect from a Tobacco Inspection](#)
- [TT 3-2008 - Program to Temporarily Prohibit the Selling, Offering for Sale and Storing of Tobacco](#)

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