



Requirements for Tear Tape Manufacturers and Markers of Cigarettes under the *Tobacco Tax Act*

This bulletin contains important information for tear tape manufacturers, as well as markers of cigarettes under the *Tobacco Tax Act* (Act). This information is provided only as a guideline. It is not exhaustive and should not be considered as a substitute for the *Tobacco Tax Act* ("Act") and Regulations.

Background

Ontario's Tobacco Marking Program

In 1990, Ontario introduced a system of marking taxable cigarettes to improve compliance with the Act. Under this system, distinctive marking on the tear tape is required on all packages of taxable cigarettes intended for sale in Ontario. The marking signifies that tobacco tax has been properly accounted for.

Exception

The prescribed markings are not applicable to cigarette packages destined for export or use by First Nations individuals and diplomats.

Registered Markers

Domestic cigarettes intended for taxable sale in Ontario are marked by manufacturers who hold a valid permit to mark cigarettes issued by the Minister of Revenue.

Unmarked Cigarette Dealer's Permit

Wholesalers who require unmarked cigarettes for export or tax-exempt sales to First Nations individuals and diplomats must obtain from the Minister a permit to acquire and store unmarked cigarettes.

Under the Act, no person shall purchase, possess, store or sell unmarked cigarettes in Ontario without a valid permit to do so.

Tear Tape Control

Effective July 1, 2004, the Act and regulations were amended to establish a system for monitoring the manufacture, distribution, inventory, safeguarding, sale and use of tear tape for Ontario. Fines and penalties for failure to comply with these provisions have also been enacted.

Definitions

"indicium" means a prescribed word or mark or both, and "indicia" means more than one indicium.

"marked cigarettes" means packages of cigarettes, cartons and cases that are marked or stamped with an indicium as required under the regulations.

"tear tape" means the pressure-sensitive plastic ribbon that is wrapped around a package of cigarettes to facilitate the opening of the cellophane wrapping that encloses the package.

"tear tape manufacturer" means a person who manufactures tear tape for use in respect of the manufacture or production of cigarettes in packages for sale in Ontario.

Requirements for Tear Tape Manufacturers

Tear Tape Manufacturers Must Register	Every tear tape manufacturer is required to apply to the Ministry to obtain a permit to manufacture tear tape marked for use in Ontario. For information about obtaining an application for a permit to manufacture tear tape please refer to the Additional Information section at the end of this bulletin.
Conditions and Restrictions	The Minister may impose conditions and restrictions on any permit issued.
Filing Requirements	Every registered tear tape manufacturer must deliver to the Minister a return on or before the 28 th day of each month with respect to all tear tape manufactured in the immediately preceding month.
Maintaining Records to Account for Tear Tape	Every tear tape manufacturer shall maintain accurate records of the following: <ul style="list-style-type: none"> • quantities of tear tape manufactured, • quantities of tear tape sold, • name and address of persons to whom tear tape is sold, • dates of sales of tear tape, • dates of shipment for sales of tear tape, and • reference numbers of all invoices issued on sales of tear tape.

Control of Tear Tape

Tear Tape to be Sold Only to Registered Markers	Tear tape manufacturers must sell, distribute or deliver tear tape only to registered markers.
Marking and Safeguarding Requirements	Every registered tear tape manufacturer is required to: <ol style="list-style-type: none"> a) mark the tear tape it manufactures for use in Ontario in accordance with the <i>Tobacco Tax Act</i> regulations; and b) take reasonable steps to safeguard tear tape within its possession.
Minister may Cancel or Suspend	The Minister may cancel or suspend a permit to manufacture tear tape for failure to comply with these or any other conditions or restrictions imposed.

Requirements for Registered Markers of Cigarettes

Tear Tape to be Obtained Only From Registered Manufacturers	Every marker must obtain all tear tape used in marking packages of cigarettes for sale in Ontario from a holder of a valid permit to manufacture tear tape. It is prohibited to obtain tear tape from anyone else.
Accounting for Tear Tape	Every marker of cigarettes must account for all tear tape received.
Prohibition on Distribution of Tear Tape	A marker is prohibited from providing tear tape to anyone.
Filing Requirements	Every marker must deliver to the Minister a return on or before the 28 th day of each month with respect to all tear tape received and used in the immediately preceding month.

Where a marker has filed a return by the 10th of the month pursuant to subsection 13(1) of Ontario Regulation 1034, together with supporting schedules with respect to all tear tape received and used in the immediately preceding month, there is no need to file a separate return on the 28th of that month.

It is recommended that those markers who regularly file returns by the 10th of the month report acquisitions and uses of tear tape with that return.

Books and Records

Requirement for Tear Tape Manufacturers and Markers

Every registered marker or tear tape manufacturer is required to keep at its principal place of business, records and books of account in the form and containing the information that will enable the accurate determination of the quantity of tear tape manufactured for use in Ontario or used in marking packages of cigarettes for sale in Ontario. This information is to be kept for a period of seven years following the end of the person's fiscal year to which the records relate unless written permission for their disposal is received from the Minister.

Consequences of Non-Compliance

Consequences for Non-compliant Tear Tape Manufacturers and Markers

If you do not comply with the requirements of the Act, you may be subject to:

- penalties equal to the tax value of the tear tape (the value of the tax that would have been payable had the tear tape been affixed to packages of cigarettes and sold to a consumer liable to pay the tax),
- an additional penalty and significant fines of up to \$10,000 in some instances,
- suspension of driver's licence, and
- imprisonment.

Additional Information

If this bulletin does not completely address your particular situation, refer to the Act and related regulations, or contact the:

Ministry of Revenue
Tobacco Tax Program
33 King Street West
Oshawa, ON L1H 8H9

Tel.: 1 866 ONT-TAXS (1 866 668-8297)
Fax: 905 436-4511
Teletypewriter (TTY): 1 800 263-7776

This bulletin and various other English and French tax materials published by the Ministry of Revenue may be obtained online at ontario.ca/revenue.

The *Tobacco Tax Act* and Ontario's other public statutes and regulations may be obtained online at ontario.ca/e-laws.

Cette publication est disponible en français sous le titre « Exigences à l'égard des fabricants de languettes et des marqueurs de cigarettes ». Vous pouvez en obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297) ou en visitant ontario.ca/revenu.

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ISBN: 0-7794-4342-X (PDF)
ISBN: 0-7794-4343-8 (HTML)