



Important Notice Concerning Changes to Tobacco Tax Rates

This bulletin was revised June 2008 to incorporate formatting changes and changes in ministry name and contact information only.

- On January 31, 2006, the Minister of Finance announced an increase in tobacco tax rates, to be effective at midnight.
- Wholesalers are required to complete Tobacco Products Inventory Reports.
- This bulletin provides general information. It is not exhaustive and should not be considered as a substitute for the *Tobacco Tax Act* and its regulations.

Tobacco Tax Rate Increases

Regulation to Increase Tobacco Tax Rates

On January 31, 2006, the Minister of Finance announced an increase in tobacco tax rates as of 12:01 a.m., February 1, 2006. The increase was implemented by a regulation made by the Minister under the *Tobacco Tax Act*.

As of February 1, 2006, Ontario's tax rates for cigarettes and cut tobacco increased from 11.725 cents to 12.35 cents per cigarette and from 11.725 cents to 12.35 cents per gram of cut tobacco. The tax rate for cigars remains unchanged at 56.6% of the taxable price. The following is a summary of the old and new rates:

	New Rate	Old Rate	Increase
Cigarettes Per Cigarette/Cigarette Stick	\$0.1235	\$0.11725	\$0.00625
Cut Tobacco Per Gram or Part Gram of Coarse/Fine Cut, Snuff, Chewing Tobacco and Raw Leaf Tobacco	\$0.1235	\$0.11725	\$0.00625
Cigars	56.6% of taxable price	56.6% of taxable price	no change

Effective Date of Rate Increases

The tobacco tax rate increases are effective February 1, 2006.

Tobacco wholesalers are expected to collect and remit tobacco tax at the new rates on and after February 1, 2006.

Inventory Requirements - Wholesalers Only

Tobacco Products Inventory Report	<p>To ensure compliance with the regulation, wholesalers of tobacco products are required to take an inventory of all cigarettes and cut tobacco held as of 12:01 a.m., February 1, 2006 and remit to the Minister of Revenue the additional tobacco tax on that inventory, based on the difference between the old and new tax rates. In order to calculate the additional tax, the wholesaler must complete a Tobacco Products Inventory Report (see copy attached to this bulletin).</p> <p>As an exception, wholesalers who have been designated by the Minister of Revenue as Tobacco Tax Collectors and who calculate and remit tobacco tax based on actual sales are not subject to the inventory requirements.</p>
Due Date	<p>Tobacco Products Inventory Reports and payment of the additional tax are to be delivered to the Ministry of Revenue, on or before February 28, 2006.</p>
Tobacco Products to be Included in the Inventory Report	<p>All tobacco products, except cigars, must be counted and included in the Tobacco Products Inventory Report. More specifically, if you are a wholesaler of tobacco products, you must include in your Inventory Report:</p> <p style="padding-left: 40px;">All Ontario-marked cigarettes, tobacco sticks, coarse or fine cut tobacco, snuff, chewing tobacco and raw leaf tobacco stored in your retail outlets, store display areas, store rooms, warehouses, cash and carry outlets, delivery trucks or any other location where tobacco products are stored.</p>
Undelivered Tobacco Products	<p>All tobacco products (other than cigars) ordered or sold, but not delivered before 12:01 a.m., February 1, 2006, must be included in the Inventory Report of the wholesaler who took the order or made the sale.</p>
Consolidated Inventory Report	<p>Wholesalers who have tobacco products at more than one location should consolidate their tobacco products inventory onto a single Tobacco Products Inventory Report.</p>
Five Per Cent Compensation	<p>As compensation for compiling the inventory and remitting the additional tax, the wholesaler may deduct an amount of five per cent from the additional tax amount. However, no deduction may be made if the wholesaler fails to deliver the inventory report or remit the additional tax by the due date of February 28, 2006.</p>
Supporting Documents	<p>Documentation in support of the Inventory Report must be maintained for a period of seven years.</p>

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
Client Accounts and Services Branch
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 www.e-laws.gov.on.ca.

Ce bulletin est disponible en français.

ISBN: 1-4249-0025-5

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Ministry of Revenue
 Client Accounts and Services Branch
 P.O. Box 625
 33 King Street West
 Oshawa ON L1H 8H9

Tobacco Products Inventory Report
 under subsection 23 (7) of the *Tobacco Tax Act*

Wholesalers of tobacco products in Ontario (other than ministry-designated tobacco tax collectors who calculate and remit tax based on actual sales) must complete this Inventory Report and forward it, together with a cheque made payable to the **Minister of Finance**, to the above address. Please retain a copy of this Inventory Report for your own records.

If you have inventory at more than one location, you should consolidate the inventory from all locations onto one Tobacco Products Inventory Report.

Legal Name of Tobacco Wholesaler	MFTT Reference No.
Address	Due Date February 28, 2006

Tobacco Products Inventory as at 12:01 a.m., February 1, 2006

Type of Package	A Quantity	B Tax Increase	C Tobacco Tax Due and Payable (A x B)
No. of Cases of 10,000 Cigarettes		\$62.50	\$
No. of Cartons of 200 Cigarettes		\$ 1.25	\$
No. of Packages of 25 Cigarettes		\$ 0.15625	\$
No. of Packages of 20 Cigarettes		\$ 0.125	\$
Individual Cigarettes/Tobacco Sticks		\$ 0.00625	\$
Cut Tobacco (total weight in grams)		\$ 0.00625	\$
D Total Tax Due and Payable (Add together amounts in Column C)			\$
E Deduct Compensation (5% of D) <i>Reports or payments received after the due date will result in a loss of the 5% compensation.</i>			(\$)
F Net Tax Due and Payable (D - E) <i>Cheques are to be made payable to the Minister of Finance. Payment cannot be made at financial institutions.</i>			\$

Certification

I certify that I have (or caused to be) conducted an inventory of tobacco (excluding cigars and unmarked cigarettes) present at the above noted location as at 12:01 a.m., February 1, 2006, and the said inventory, as shown above, is true and correct in every respect.	
Name of Authorized Officer <i>(Please print)</i> :	Title:
Signature of Authorized Officer:	Date: