



Cigar Tax Changes under the *Tobacco Tax Act*

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

- [Ontario Tax Bulletin TT 1-2001, Cigar Tax Changes](#), issued February 2001, stated the details of the upcoming changes to the tax on cigars.
- [Ontario Tax Bulletin TT 4-2001, Cigar Tax Changes](#), issued May 2001 stated that the effective date of the changes would be August 1, 2001. It also explained that where the **taxable price** of a cigar includes a prescribed percentage, that percentage would be 22%.
- This bulletin deals with remaining issues that are a result of changes to cigar tax.
- 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.

General

Invoices

Every wholesaler (i.e. a person who sells cigars for resale) must provide an invoice to every person to whom the wholesaler sells cigars. The invoice must include the following information:

- name and address of vendor;
- price of purchase by retailer* of "each cigar";
- the prescribed percentage (now 22%);
- the amount of tax charged for each cigar;
- quantity of "each cigar" purchased by a retail dealer; and
- the date of purchase.

* The "**price of purchase by retailer**" includes all consideration given by the retailer of the cigar as well as federal excise, federal duty excluding GST, and all costs and charges relating to mailing, delivery and transportation.

Retailers are required (by invoice or other reasonable means) to inform purchasers of the amount of Ontario cigar tax.

Refunds on Tax Paid Cigar Inventory

Where tax has been paid on cigars held in inventory by a dealer as of midnight July 31, 2001, a refund may be available as a result of the cigar tax changes.

Existing Tobacco Tax Collectors

Existing designated tobacco tax collectors on the purchase based reporting method (these collectors will have a Remittance Agreement with the Minister) may claim a refund equal to the amount of tax that has been paid on the cigars in inventory. The amount claimed should be shown as an adjustment on the collector's return for July, 2001. This return is due on August 28, 2001.

Non-collector Wholesalers	Non-collector wholesalers (these wholesalers will have a wholesale dealer's permit) who have become designated cigar tax collectors may claim an amount equal to the tax the wholesaler has paid on the cigars in inventory. The amount claimed should be shown as an adjustment on the wholesaler's cigar tax collector return for August, 2001. This return is due on September 10, 2001.
Retailers	If the amount of tax retailers have paid to their supplier(s) on the cigars held in inventory is greater than the amount of tax that will be due under the cigar tax changes, retailers may claim a refund.
Refund Applications	<p>All refund applications must be:</p> <ul style="list-style-type: none"> • received by the ministry no later than August 31, 2002; and • supported by a physical inventory of cigars taken as of 00:01 a.m., August 1, 2001.
Compliance	<p>No interest is payable on the refund amount. All refund applications are subject to audit, and penalties may be imposed for failure to comply. Supporting documentation must be retained by the applicant. The refund application forms will be available in early July, 2001.</p> <p>If you do not receive the application form, please call the ministry.</p> <p>Wholesalers, manufacturers and importers dealing in cigars (including those already designated as tobacco tax collectors) are required to be designated as a cigar tax collector before August 1, 2001. This will facilitate the tax exempt purchase and sale of cigars among cigar tax collectors.</p> <p>Failure of a person wholesaling cigars to become designated as a cigar tax collector may lead to the Minister suspending or cancelling your wholesaler's permit, which would prohibit you from selling or delivering in Ontario tobacco for resale. Others are prohibited from purchasing or taking delivery of tobacco from you if you do not have a subsisting wholesaler's permit. There are fines and penalties for breaching the prohibitions.</p> <p>Retailers may only purchase cigars from designated cigar tax collectors. Retailers must not wholesale tobacco products (e.g. sales to golf courses) unless they hold a wholesaler's permit.</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.