

## Wholesale Dealers, Security Payments, Exemptions and Refunds

### *Tobacco Tax Act*

This bulletin outlines obligations placed on wholesalers to pay security on tobacco acquired for sale in British Columbia. Wholesalers should also refer to [Bulletin TTA 006](#), *British Columbia's Tobacco Marking Program*, for information on their obligations under the province's tobacco marking program, and the penalties for contravening these requirements.

For general social service tax, also called provincial sales tax (PST), information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

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## Permit Requirements

### Wholesale Dealer's Permit

A person is not permitted to sell tobacco products at wholesale in British Columbia unless that person holds a valid *Wholesale Dealer's Permit* (FIN 393) issued by the ministry.

Persons who only sell cigars at wholesale may be issued a *Cigar Wholesale Dealer's Permit*. Under this permit, the wholesaler may only sell cigars. If the wholesaler

wishes to sell other tobacco products at wholesale, application must be made for a *Wholesale Dealer's Permit* (FIN 393).

## **Bond Deposit**

As a condition of obtaining a permit, all new wholesale dealers are required to post a bond. The amount of the bond may vary depending on the permit requirement. The maximum bond amount is an amount equal to six times the tax that would normally be collected by the dealer each month. Where sales projections do not support a greater amount, the minimum bond is \$1 million for applicants who sell cigarettes and \$100,000 for applicants who only sell cigars.

## **Obtaining a Permit**

Information on applying for a permit and conditions for holding a permit may be obtained by contacting the Tobacco Tax Section, Consumer Taxation Programs Branch, PO Box 9442 Stn Prov Govt Victoria BC V8W 9V4. Telephone: 250 356-1399 or 250 387-1856.

## **Security Payments**

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### **Tobacco Acquired for Resale**

With the exceptions noted below, wholesale dealers are required to pay the province a security on all tobacco they acquire for resale. The security is an amount equal to the tobacco tax collectable on the subsequent retail sale of the tobacco. The security must be paid to the Minister of Finance by the 20th day of the month following the month in which the wholesaler receives delivery of the tobacco.

Unless otherwise authorized by the ministry, the wholesaler is required to collect a security on all tobacco sold to retailers. The security is an amount equal to the tax collectable on the subsequent retail sale of the tobacco. The wholesaler may retain this security as reimbursement for the security paid to the province on that tobacco.

Under the *Tobacco Tax Act*, unless authorized by the ministry, wholesale dealers are prohibited from selling tobacco to any person who does not hold a valid authorization or permit under the Act.

Effective June 1, 2008, the *Tobacco Retail Authorization* (TRA) certificate will replace the *PST Certificate of Registration* as a vendor's authorization to sell taxable tobacco at retail. All vendors selling taxable tobacco at retail will be required to hold and prominently display a valid TRA certificate with a unique permit number assigned to each retail location.

Effective September 1, 2007, all new tobacco retailer registrants will be issued a TRA certificate upon registration with the ministry. Existing tobacco retailers holding a valid PST *Certificate of Registration* will be required to hold a valid TRA certificate for each tobacco retail location by June 1, 2008.

Wholesale dealers can accept the TRA certificate as authorization to sell tobacco at retail as of September 1, 2007. Wholesale dealers can also continue to accept a valid PST *Certificate of Registration* as authorization to sell tobacco at retail until May 31, 2008.

Effective June 1, 2008, PST certificates of registration can no longer be accepted as authorization to sell tobacco at retail. Wholesale dealers will be required to ensure all retailers purchasing tobacco products hold a valid TRA certificate.

For more information on tobacco retail authorization requirements, please see [Bulletin TTA 003](#), *Tobacco Retailers*.

### **Sales to Other British Columbia Collectors**

Wholesale dealers are not required to collect security on tobacco products that they sell to other dealers who hold a current *Wholesale Dealer's Permit* (FIN 393) issued by the ministry.

### **Sales to Out-of-Province Locations**

Wholesale dealers who make sales to out-of-province locations must either pay the security or apply for a pre-authorized exemption from the requirement to pay a security on those sales.

An application for a pre-authorized exemption from the requirement to pay a security must be forwarded to the Director, Consumer Taxation Programs Branch, at the address indicated below. The application must be in writing and include the following information:

- name, address and permit number of applicant,
- name and address of the customer(s) to whom the tobacco products will be shipped,
- quantity of tobacco products being shipped,
- date of shipment or frequency of shipments to that customer(s),
- amount of the security for which exemption is requested, and
- applicant's or customer's registration in the receiving jurisdiction.

If pre-authorization is not obtained, the wholesale dealer may apply for a refund of the security payment made on tobacco products that are subsequently delivered to

out-of-province locations. An application for a refund must be in writing and include the following information:

- name, address and permit number of applicant,
- name and address of the customer(s) to whom the tobacco products were shipped,
- quantity of tobacco shipped,
- documentation verifying payment of the security on that shipment of tobacco,
- documentation verifying receipt of the tobacco at the out-of-province location,
- proof that the shipment will be resold out-of-province (e.g. verification of payment of tax to the receiving jurisdiction), and
- copies of sales invoices.

### **Failure to Pay a Security**

A wholesaler who fails to pay a security as required under the Act may be assessed a penalty in the amount that should have been paid, plus interest on that amount. In addition, the wholesaler's dealer permit may be suspended, which will prohibit that dealer from selling tobacco in British Columbia.

## **Refunds for Security Payments**

### **Loss of Tobacco Through Theft, Fire, etc.**

When tobacco products on which a security has been paid are not resold due to loss through fire, theft or other circumstances, the dealer may apply to the ministry for a refund of the security payment made on those products.

### **Applying for a Refund**

Applications for a refund must be in writing and include the following information:

- name, address and permit or registration number of applicant,
- quantity of tobacco on which a refund is claimed,
- documentation verifying that a security was paid on those products, and
- documentation verifying the quantity lost and cause of the loss.

**Please note:** Dealers may not claim the security paid on lost tobacco as a credit on their tobacco tax *Collector's Return* ([FIN 125](#)). They must apply for a refund as outlined above.

Forward applications for refunds of security payments or for pre-authorized exemptions to the Tobacco Tax Section, Consumer Taxation Programs Branch, PO Box 9442 Stn Prov Govt Victoria BC V8W 9V4.

## Refund Limitations

Refund claims must be submitted within four years from the date the security was paid.  
No refund for amounts of less than \$10 will be made.

### Need more info?

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Tobacco Tax Act* and Regulations are on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Tobacco\\_Tax/bulletins-leg-notices.ht](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Tobacco_Tax/bulletins-leg-notices.ht)

References: *Tobacco Tax Act*, Sections 1, 5, 6, 11 and 17-19, and Regulations 1, 4, 5, 6.3 and 14