



CANNABIS TAXATION PROGRAM CANADA REVENUE AGENCY

The information included in this is based on the Excise Act, 2001 and its regulations.

Introduction

- The Canada Revenue Agency (CRA) administers the Excise Act, 2001 (EA2001) and is responsible for the provisions relating to the imposition of excise duties on cannabis products.
- This presentation describes the CRA's licensing role in the administration of the excise duty on cannabis products under the EA2001.

Licensing - Objective

- The licensing objectives under the Cannabis Act administered by Health Canada and the licensing objectives under the EA2001 administered by the CRA are different.
- The objectives of issuing licences under the EA2001 are to:
 - Ensure the imposition and payment of an excise duty on cannabis and cannabis products;
 - Control the production of cannabis and the possession of non-duty paid products; and
 - Ensure the stamping requirements for packaged cannabis products are met.

Licensing - Scope

- Who needs to be licensed under the EA2001?
 - Cultivators: Persons that grow and sell unpackaged cannabis products;
 - Producers: Persons that produce cannabis products; and
 - Packagers: Persons that package cannabis products destined for the final retail customer.
 - The licensing requirements apply to production of both medical and non-medical (recreational) cannabis products.
 - This includes persons who grow and produce cannabis products for research or educational purposes.
- There is only one licence type under the EA2001 to cultivate, produce or package cannabis products and a licensee may perform one or more of the licensed activities.

Licensing - Scope

- Industrial hemp growers who produce industrial hemp by-products are not required to be licensed.
- Industrial hemp by-products used to produce cannabis products are, however, subject to the excise duty and persons who will use industrial hemp by-products to produce a cannabis product must be licensed under the EA2001.
- For example, cannabis oil which is produced from flowering material from a hemp plant may be subject to the excise duty and the person producing the cannabis oil is required to obtain a licence with the CRA.

Licensing - Conditions

- There are a number of requirements to acquire and maintain a CRA licence:
 - Hold a valid business address in Canada;
 - Provide a clear, concise and realistic business plan including the following information:
 - the business locations and anticipated activities that will be occurring at each location;
 - anticipated cannabis products and package sizes to be produced;
 - projected customer base;
 - projected quantities of dried cannabis to be sold over the first 12 months; and
 - projected quantities of milligrams of total THC to be sold over the first 12 months.

Licensing – Conditions

- There are a number of requirements to acquire and maintain a CRA licence (continued):
 - Provide a list of premises that will be cultivating, producing, and/or packaging cannabis products;
 - Provide relevant SOPs;
 - Provide financial security sufficient to cover a licensee's liability under the EA2001 for one month; and
 - Hold a valid licence from Health Canada issued under the Cannabis Act.

Licence - Duration

- Licence is valid for a maximum period of two years.
- Licensee must continue to meet the requirements of a licence during the period in which they are licensed.
- Licence holder must apply for a licence renewal at least 30-days prior to the current licence expiry date.
- Application for a licence renewal requires the applicant to meet the same requirements as those from the original application, as per the Regulations Respecting Excise Licenses and Registrations.

Licensee's Obligations

- **All licensees** are required to:
 - Complete a monthly return and, if applicable, calculate all duty payable during the month;
 - File the monthly return and, if applicable, remit payment by the end of the month following the month in which it became payable.
 - Failing to file a return on time, could result in a penalty.
 - A late or insufficient payment, could be subject to interest and/or penalties on the overdue amount; and
 - Maintain, for at least 6 years, adequate books and records supporting all aspects of their operations and make them available for review if requested.

Licence – Financial Security

- As a condition of holding a licence, cannabis licensees are required to maintain adequate financial security for the duration of the licence.
- The amount of financial security must be sufficient to cover the estimated duty liability for one month under the EA2001.
- The minimum security is \$5,000 and the maximum is \$5 million.
- Only specific forms of security can be held by the CRA: cash, certified cheque, a transferable bond issued by the Government of Canada, or surety bond.

Licence – Financial Security

Calculating Financial Security:

- Financial security for licensees who are only **cultivating and/or producing** cannabis products would be \$5,000, since there is no direct duty liability associated with these activities.
- Security for licensees who are **packaging** cannabis products would be calculated based on:

$$\frac{[(\text{estimated number of grams of dried cannabis that will be sold over the first 12 months} \times \$1.00) + (\text{estimated number of milligrams of total THC that will be sold over the first 12 months} \times \$0.01)]}{12 \text{ months}}$$

Do you need a CRA licence?

Health Canada Licence	CRA Licence Required?	CRA Stamp Registration Required?
Standard Cultivation Licence	Yes	Yes*
Micro-Cultivation Licence	Yes	Yes*
Nursery Licence	Yes	No
Industrial Hemp Licence	No	No
Standard Processing Licence	Yes	Yes*
Micro-Processing Licence	Yes	Yes*
Federal Sale Licence (Medical)	No	No
Analytical Testing Licence	No	No
Research Authorization	Maybe	No
Import and Export Permits	Maybe	Maybe
Authorized Provincial and Territorial (P/T) Sale**	No	No

* If packaging & selling cannabis products.

** This represents the retail portion of the supply chain and does not require a Health Canada licence.

Other Important Information

- The CRA and HC licence applications should be submitted to the respective departments at the same time.
- It normally takes the CRA 30 days to approve a licence.
- There is no licence application fee.
- You must obtain a CRA licence prior to possessing any cannabis.
 - Failure to do so may result in financial penalties or seizure of goods.

Licensing – Resources

- For more information on licensing, please refer to [EDN52, Obtaining and Renewing a Cannabis Licence](#).
- For more information on the acceptable forms of security, refer to [Excise Duty Memoranda EDM2-2-3, Government of Canada Bonds and Surety Bonds](#), and [EDM2-2-4, Approved Financial Institutions and Acceptable Bonding Companies](#).

Cannabis Excise Stamp - Purpose

- **Licensees who are packaging cannabis products** for sale are required to affix a cannabis excise stamp prior to delivery to a purchaser.
- The cannabis excise stamp indicates that the cannabis product was intended for the excise duty-paid market and that the excise duty has been paid.
- The cannabis excise stamp contains security features that allow law enforcement agencies, retailers and consumers to more easily identify illicit products.
- In addition, certain hidden security features can only be detected by federal and provincial law enforcement.

Cannabis Excise Stamp - Requirements

- The CRA has sole authority to issue and limit the number of cannabis excise stamps.
- All licensees who are or will be packaging cannabis products are required to register with the CRA for the cannabis stamping regime.
- Only persons authorized to be in possession of cannabis excise stamps under the EA2001 are allowed.
- **All cannabis stamp registrants** are required to:
 - Report monthly on cannabis excise stamps purchased, used or destroyed.
 - Maintain, for at least 6 years, adequate books and records supporting all aspects of their operations and make them available for review if requested.
- There is a penalty for unaccounted cannabis excise stamps.

Cannabis Excise Stamp – Placement Requirements

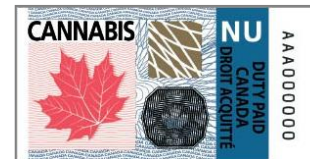
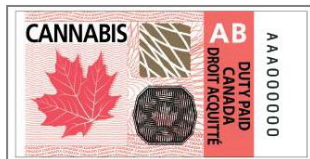
The Stamping and Marking of Tobacco and Cannabis Products Regulations outline requirements with respect to the placement of the cannabis excise stamp on the package as follows:

- Conspicuous place on package;
- Seals the package;
- Remains affixed after package is opened;
- Does not interfere with security features; and
- Does not obstruct information required by an Act of Parliament – such as labelling requirements from Health Canada.

Cannabis Excise Stamp – Order Process

- Licensees must register with CRA to receive stamps – separate from licensing but can be done at the same time as licensing.
- Only licensees packaging cannabis products are required to register with the CRA to obtain stamps.
- Stamp orders are placed through the on-line excise stamp ordering system (DMS) www.canadaexcisestamp.ca.
- CRA reviews and approves stamp orders.
- The stamp provider processes and arranges secure delivery of the stamps – costs borne by licensee.
- The licensee acknowledges receipt of all stamps delivered.
- The licensee is accountable for stamps and a penalty may be imposed on missing stamps.

What does the cannabis excise stamp look like?



Cannabis Excise Stamp - Resources

- For more information on the cannabis excise stamp regime please refer to [EDN54 – General Overview of the Cannabis Excise Stamp](#)

Communication

Available resources for taxpayers:

Website

- canada.ca/cannabis-excise

Technical inquiries

- cannabis@cra-arc.gc.ca
- 1-866-330-3304

Licensing

- Contact the nearest Regional Excise Duty Office (see [Contact Information – Excise Duties, Excise Taxes, Fuel Charge and Air Travellers Security Charge](#) for contact information)

Returns and Payments

- 1-800-959-5525

Questions?