
Explanatory Notes Relating to the Excise Act, 2001, the Excise Tax Act and Related Regulations

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Preface

These explanatory notes describe proposed amendments to the *Excise Act, 2001*, the *Excise Tax Act* and to related regulations. These explanatory notes describe these proposed amendments, clause by clause, for the assistance of Members of Parliament, taxpayers and their professional advisors.

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These notes are intended for information purposes only and should not be construed as an official interpretation of the provisions they describe.

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Excise Act, 2001

Clause 1

Definitions

EA, 2001

2

Section 2 of the *Excise Act, 2001* (the “Act”) defines terms used in the Act. Certain existing definitions are amended and new definitions are added consequential to the addition of new Part 4.1 of the Act, which relates to cannabis.

These amendments to section 2 come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Subclause 1(1)

“container”

EA, 2001

2

The existing definition “container” of tobacco products in section 2 of the Act means any type of container containing tobacco products.

The definition “container” is amended to include any type of container containing cannabis products. The new definition also specifically identifies bottles and vials as types of containers.

Subclause 1(2)

“excise stamp”

EA, 2001

2

The existing definition “excise stamp” in section 2 of the Act means a stamp that is issued by the Minister of National Revenue under subsection 25.1(1) of the Act and that has not been cancelled under section 25.5 of the Act. The definition is relevant for the purposes of the enhanced stamping regime for tobacco products under sections 25.1 to 25.5 of the Act.

The definition “excise stamp” is amended to identify the two new definitions of “tobacco excise stamp” and “cannabis excise stamp” (see commentary for these two new definitions).

Subclause 1(3)**“stamped”**

EA, 2001

2

The existing definition “stamped” in section 2 of the Act, when referring to a tobacco product, means that an excise stamp, and all prescribed information in a prescribed format, have been affixed to, impressed on or otherwise applied to the tobacco product or its container to indicate that duty, other than special duty, has been paid.

The definition “stamped” is amended to differentiate between stamped tobacco products and stamped cannabis products. “Stamped” in respect of a tobacco product means that a tobacco excise stamp and all prescribed information is stamped, impressed, printed, marked on, indented into or affixed to the tobacco product or its container in the prescribed manner to indicate that the duty (other than special duty) has been paid. Similarly, “stamped” in respect of a cannabis product means that a cannabis excise stamp and all prescribed information is stamped, impressed, printed, marked on, indented into or affixed to the cannabis product or its container in the prescribed manner to indicate that the duty has been paid.

Subclause 1(4)**“take for use”**

EA, 2001

2

The existing definition “take for use” in section 2 of the Act in regard to alcohol, means alcohol taken for consumption, analysis, destruction or for any purpose that results in a product other than alcohol. Generally speaking, duty is payable when alcohol is taken for use. Duty is not payable, however, on alcohol used in an approved formulation (section 144 of the Act), for analysis or destruction in an approved manner (section 145 of the Act) or for the production of vinegar, if a minimum standard is achieved (subsection 146 of the Act).

The definition “take for use” is amended in regard to cannabis to include a cannabis product taken for consumption, analysis or destruction. Generally speaking, duty is payable on an unpackaged cannabis product when taken for use (see commentary for new section 158.25 of the Act). Duty is not payable, however, on an unpackaged cannabis product that is taken for analysis or destroyed in certain circumstances such as when taken for analysis or destroyed by the Minister of Health, or when taken for analysis or destroyed by a cannabis licensee in a manner approved by the Minister (see commentary for new section 158.29 of the Act).

Subclause 1(5)**“packaged”**

EA, 2001
2

The existing definition “packaged” in section 2 of the Act means, in the case of a tobacco product, packaged in a prescribed package. In the case of spirits and wine, “packaged” means packaged in either a container ordinarily sold to consumers that is less than a certain size or a marked special container.

The definition “packaged” is amended to specify that a cannabis product, as is the case with a tobacco product, is “packaged” when it is packaged in a package prescribed by regulations.

Subclause 1(6)**“produce”**

EA, 2001
2

The existing definition “produce” in section 2 of the Act in respect of spirits means to make spirits by any means or to recover them. In respect of wine, “produce” means to make wine by fermentation.

The definition “produce” is amended to specify that a cannabis product is produced when it is produced within the meaning of subsection 2(1) of the *Cannabis Act* and also when it is packaged. The *Cannabis Act* defines “produce” to generally mean obtaining cannabis by any method or process, including by manufacturing, synthesis, altering its chemical or physical properties by any means, or cultivating, propagating or harvesting it or any living thing from which it may be extracted or otherwise obtained.

Subclause 1(7)**New Definitions**

EA, 2001
2

New definitions are added to section 2 of the Act relating to the new taxation regime for cannabis under the Act.

“additional cannabis duty”

The new definition “additional cannabis duty” in section 2 of the Act means the additional cannabis duties imposed by new sections 158.2 and 158.22 of the Act. This new definition is relevant to the new cannabis stamping regime under the Act.

In addition to the duty on cannabis products produced in Canada under new section 158.19 of the Act, section 158.2 imposes a duty in respect of a specified province on cannabis products

produced in Canada in circumstances prescribed by regulations (see commentary for new section 158.2).

In addition to the duty on imported cannabis products determined under new section 158.21 of the Act, new section 158.22 imposes a duty in respect of a specified province on cannabis products imported into Canada in circumstances prescribed by regulations (see commentary for new section 158.22).

“cannabis”

The new definition “cannabis” in section 2 of the Act has the same meaning as in subsection 2(1) of the *Cannabis Act*. Subsection 2(1) of the *Cannabis Act* generally defines cannabis as including: any part of a cannabis plant, including the phytocannabinoids produced by, or found in, such a plant, regardless of whether that part has been processed or not; any substance or mixture of substances that contains or has on it any part of such a plant; and, any substance that is identical to any phytocannabinoid produced by, or found in, such a plant, regardless of how the substance was obtained. The definition “cannabis” in the *Cannabis Act* excludes the following: non-viable seeds of a cannabis plant; a mature stalk without any leaf, flower, seed or branch; fibre derived from a stalk; and the root of a cannabis plant.

“cannabis duty”

The new definition “cannabis duty” in section 2 of the Act means the duty imposed under either of new sections 158.19 or 158.21 of the Act.

New section 158.19 requires a cannabis licensee to pay a duty on cannabis products produced in Canada. New section 158.21 imposes a duty on cannabis products imported into Canada. For further details, see the commentary for those sections.

“cannabis excise stamp”

The new definition “cannabis excise stamp” in section 2 of the Act means a stamp issued by the Minister of National Revenue pursuant to new subsection 158.03(1) of the Act that has not been cancelled under new section 158.07 of the Act. New subsection 158.03(1) specifies that the Minister may issue cannabis excise stamps to a cannabis licensee and that such stamps are to be used to indicate that cannabis duty and additional cannabis duty, if applicable, have been paid on a packaged cannabis product (see commentary for new section 158.03 of the Act). Under new section 158.07, the Minister may cancel issued cannabis excise stamps or the Minister may direct that such stamps be returned or destroyed (see commentary for new section 158.07).

“cannabis licensee”

The new definition “cannabis licensee” in section 2 of the Act means a person that has applied for and has been issued a cannabis licence by the Minister of National Revenue under new subsection 14(1.1) of the Act (see commentary for section 14 of the Act).

“cannabis plant”

The new definition “cannabis plant” in section 2 of the Act has the same meaning as in subsection 2(1) of the *Cannabis Act*, being a plant that belongs to the genus *Cannabis*.

“cannabis product”

The new definition “cannabis product” in section 2 of the Act means three things. First, it means a product that is cannabis as defined in subsection 2(1) the *Cannabis Act*, but that is not industrial hemp produced or imported in accordance with the *Cannabis Act* or the *Industrial Hemp Regulations*. Subsection 2(1) of the *Cannabis Act* generally defines cannabis as including: any part of a cannabis plant, including the phytocannabinoids produced by, or found in, such a plant, regardless of whether that part has been processed or not; any substance or mixture of substances that contains or has on it any part of such a plant; and any substance that is identical to any phytocannabinoid produced by, or found in, such a plant, regardless of how the substance was obtained. The definition “cannabis” in the *Cannabis Act* excludes the following: non-viable seeds of a cannabis plant; a mature stalk without any leaf, flower, seed or branch; fibre derived from a stalk; and the root of a cannabis plant.

Second, it means a product that is an industrial hemp by-product (see commentary for new definition “industrial hemp by-product”).

Third, it means anything that is made with or contains a product that is cannabis as defined in subsection 2(1) the *Cannabis Act* (but that is not industrial hemp for the purposes of the *Cannabis Act* or the *Industrial Hemp Regulations*) or that is made with or contains an industrial hemp by-product.

“dutiabale amount”

The new definition “dutiabale amount” in section 2 of the Act is used to determined the amount of an *ad valorem* duty on cannabis products. It means the amount on which a rate of duty is applied to determine an *ad valorem* cannabis duty. The dutiabale amount, as specified by the formula in the definition, is determined by multiplying a particular amount by a percentage.

The particular amount is generally the amount of consideration for a sale of cannabis products on which the goods and services tax or the harmonized sales tax (GST/HST) is applied in respect that sale. It may also include additional amounts in certain circumstances such as when an additional consideration, as determined for the purposes of the GST/HST, for a container in which the cannabis product is contained is charged to the purchaser.

The percentage represents the percentage that is obtained by dividing 100 % by the total of (1) 100%; (2) the percentage set out in section 2 of schedule 7; and (3) if additional cannabis duty in respect of a specified province is imposed on the cannabis product, a percentage prescribed by regulations in respect of the specified province.

The formula generally has the effect of applying the *ad valorem* rate of duty to an amount that is lower than the total consideration payable in respect of a sale of cannabis products. The lower amount is determined as a function of the rates of *ad valorem* duty that are applicable on the cannabis products.

“flowering material”

The new definition “flowering material” in section 2 of the Act means the whole or any part of the inflorescence of a cannabis plant (which includes any part of a flowering head of a cannabis plant such as the flowers, their associated bracts and young foliage and the branching system subtending these) at any stage of development. The new definition also includes the

infructescence of the cannabis plant during that stage of development (generally the inflorescence of the cannabis plant at the stage of development when it is producing fruit). However, viable seeds are excluded from the definition.

“industrial hemp”

The new definition “industrial hemp” in section 2 of the Act means cannabis that is industrial hemp for the purposes of the *Cannabis Act* or the *Industrial Hemp Regulations*.

The *Industrial Hemp Regulations* defines “industrial hemp” to mean the plants and plant parts of the genera *Cannabis*, the leaves and flowering heads of which do not contain more than 0.3% THC w/w (weight to weight ratio), and includes the derivatives of such plants and plant parts. The definition also includes the derivatives of non-viable cannabis seeds. The definition does not include plant parts of the genera *Cannabis* that consist of non-viable cannabis seed, other than its derivatives, or of mature cannabis stalks that do not include leaves, flowers, seeds or branches, or of fibre derived from those stalks.

For the purposes of the *Cannabis Act*, “industrial hemp” is to be defined by regulations.

“industrial hemp by-product”

The new definition “industrial hemp by-product” in section 2 of the Act means flowering material (other than viable achenes) or non-flowering material (see commentary for new definitions “flowering material” and “non-flowering material”) that has been removed or separated from industrial hemp plants (see commentary for new definition “industrial hemp plant”) and that has not been disposed of by retting or by otherwise rendering them into a condition such that they cannot be used for any purpose not permitted under the *Controlled Drugs and Substances Act* or disposed of in a similar manner under the *Cannabis Act*.

“industrial hemp grower”

The new definition “industrial hemp grower” in section 2 of the Act means a person that holds a licence or permit under the *Controlled Drugs and Substances Act* or the *Cannabis Act* authorizing the person to produce industrial hemp plants.

“industrial hemp plant”

The new definition “industrial hemp plant” in section 2 of the Act means a cannabis plant, including a seedling, that is industrial hemp (see commentary for new definition “industrial hemp”).

“non-flowering material”

The new definition “non-flowering material” in section 2 of the Act is defined as any remainder parts of a cannabis plant that are not the flowering material (see commentary for the new definition “flowering material”), viable seeds and those parts of the cannabis plant referred to in Schedule 2 of the *Cannabis Act*. The parts of the cannabis plant referred to in that schedule are generally the following: non-viable seeds of a cannabis plant, a mature stalk without any leaf, flower, seed or branch; fibre derived from such a stalk; and the root or any part of the root of a cannabis plant. As a consequence, non-flowering material for the purpose of the Act will

generally consist of leaves and twigs not included in the other parts of the plant that are referred to above.

“specified province”

The new definition “specified province” in section 2 of the Act means a province prescribed by regulations. These provinces would be provinces that have entered into an agreement with Canada in respect of the coordination of cannabis taxation.

“tobacco excise stamp”

The new definition “tobacco excise stamp” in section 2 of the Act draws from the existing definition “excise stamp”. The new definition “tobacco excise stamp” means a stamp that is issued by the Minister of National Revenue under subsection 25.1(1) of the Act and that has not been cancelled under section 25.5 of the Act. The definition is relevant for the purposes of the stamping regime for tobacco products under the Act.

“vegetative cannabis plant”

The new definition “vegetative cannabis plant” in section 2 of the Act means a cannabis plant, including a seedling, that has not yet produced reproductive structures, including flowers, fruits or seeds.

“viable seed”

The new definition “viable seed” means a viable seed of a cannabis plant that is not an industrial hemp plant (see commentary for definition “industrial hemp plant”).

Clause 2

Constructive possession and meaning of *possession*

EA, 2001

5

Existing subsection 5(1) of the Act provides that possession of counterfeit tobacco excise stamps, unpackaged or unstamped raw leaf tobacco, unstamped tobacco products, tobacco manufacturing equipment, a still, bulk alcohol, non-duty-paid packaged alcohol or property obtained from offences by one person is deemed to be possession by other persons, where there is knowledge of and consent to the person’s possession.

Existing subsection 5(2) of the Act provides that possession of counterfeit tobacco excise stamps, unpackaged or unstamped raw leaf tobacco, unstamped tobacco products, tobacco manufacturing equipment, a still, bulk alcohol, non-duty-paid packaged alcohol is given an extended meaning to include possession by another person or having in a place for one’s own use or benefit or the use or benefit of another person.

Amended subsection 5(1) provides that, in addition to possession of those items identified in the existing subsection, the possession of counterfeit cannabis excise stamps or the unlawful possession of cannabis excise stamps or unstamped cannabis products by one person is

deemed to be possession by other persons, where there is knowledge of and consent to the person's possession.

Amended subsection 5(2) provides that, in addition to possession of those items identified by the existing subsection, the possession of counterfeit cannabis excise stamps or the unlawful possession of cannabis excise stamps or unstamped cannabis products means not only having such items in one's own possession but also knowingly having such items in the possession or custody of another person or having such items in any place for one's own use or benefit or that of another person.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 3

Cannabis licence

EA, 2001
14(1.1) and (1.2)

New subsection 14(1.1) of the Act provides that, subject to regulations prescribing requirements to be met by an applicant, on application, the Minister of National Revenue may issue a cannabis licence to a person for the purposes of the Act.

New subsection 14(1.2) of the Act specifies that a licence issued under new subsection 14(1.1) will not have effect until a licence or permit issued to the person pursuant to subsection 62(1) of the *Cannabis Act* comes into effect. A licence under subsection 62(1) of the *Cannabis Act* may generally be issued to authorize the importation, exportation, production, testing, packaging, labelling, sending, delivery, transportation, sale, possession or disposal of cannabis.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 4

Cancellation and conditions of cannabis licence

EA, 2001
23

Existing section 23 of the Act specifies that the Minister of National Revenue may refuse to issue a licence or registration for any reason the Minister considers sufficient in the public interest. The Minister may also, subject to the regulations, amend, suspend, renew, cancel, or reinstate a licence or registration.

New paragraph 23(2.1)(a.1) specifies that the Minister of National Revenue may amend, suspend or cancel a cannabis licence if the person's licence or permit issued pursuant to subsection 62(1) of the *Cannabis Act* is amended, suspended or revoked.

Existing subsection 23(3) outlines the conditions that the Minister of National Revenue may or must impose on a licence granted under the Act. The conditions attached to granting a licence include: specifying where and what activities may be conducted under a licence; specifying the amount and form of security required for granting a licence; and, specifying any other conditions that the Minister considers appropriate.

Amended paragraph 23(3)(b) specifies that security in a form satisfactory to the Minister and in an amount determined in accordance with the regulations is required for a cannabis licence.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 5

Cannabis

EA, 2001
Part 4.1

The Act is amended by adding new Part 4.1 that provides rules related to cannabis production and stamping, responsibility for cannabis, and imposition and payment of duty on cannabis.

The amendments generally come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent. However, most taxing provisions of new Part 4.1 only apply when certain circumstances are met on or after commencement day, as indicated below in the description of those provisions. In addition, new sections 158.02, 158.09 to 158.12, 158.15 and 158.16 only come into force on commencement day. Commencement day has the same meaning as in section 152 of the *Cannabis Act*. It represents the day on which adults will start to be able to legally purchase and possess cannabis subject to conditions under the *Cannabis Act*.

Non-application

New section 158.01 of the Act specifies those cannabis products to which Part 4.1 of the Act does not apply. Paragraphs 158.01(a) to (c) specify that Part 4.1 does not apply to:

- cannabis products that are produced in Canada by an individual for their personal use and in accordance with the *Cannabis Act*, but only to the extent that those cannabis products are not used in a prohibited manner under that Act;
- cannabis products that are produced in Canada by an individual for their own medical purposes and in accordance with the *Controlled Drugs and Substances Act* or the *Cannabis Act*, but only to the extent that those cannabis products are not used in a manner prohibited under one of those Acts; or
- cannabis products that are produced in Canada by a designated person (being an individual who is authorized under the *Controlled Drugs and Substances Act* or the *Cannabis Act* to produce cannabis for the medical purposes of another individual) for the medical purposes of another individual and in accordance with the *Controlled Drugs and*

Substances Act or the *Cannabis Act*, but only to the extent that those cannabis products are not used in a manner prohibited under one of those Acts.

Production without licence prohibited

New subsection 158.02(1) of the Act prohibits a person other than a cannabis licensee from producing cannabis products. Under new subsection 158.02(2) of the Act, a person who provides equipment to another person to produce that other person's own cannabis products in the person's place of business is deemed to be the producer of the cannabis products and the other person is deemed not to be a producer.

New subsection 158.02(3) of the Act contains exceptions to the prohibitions found in new subsection 158.02(1). Subsection 158.02(3) provides that the prohibition under subsection 158.02(1) does not apply in respect of:

- the production of industrial hemp by-products (see commentary for new definition "industrial hemp by-products") by an industrial hemp grower (see commentary for new definition "industrial hemp grower"); and
- a person prescribed by regulations that produces cannabis products in circumstances prescribed by regulations or for a purpose prescribed by regulations.

Issuance of cannabis excise stamps

New section 158.03 of the Act sets out the rules related to the issuance of cannabis excise stamps.

New subsections 158.03(1) and (2) enable the Minister of National Revenue to issue cannabis excise stamps and to limit the quantity of stamps that may be issued to a cannabis licensee.

New subsection 158.03(3) requires that any security required by regulation be provided in a form satisfactory to the Minister before the issuance of cannabis excise stamps. New subsection 158.03(4) provides that the Minister may authorize a producer of cannabis excise stamps to supply cannabis excise stamps to a person to whom the Minister agreed to issue stamps under subsection 158.03(1).

New subsection 158.03(5) provides that the design and construction of cannabis excise stamps shall be subject to the Minister's approval.

Counterfeiting cannabis excise stamps

New section 158.04 of the Act generally prohibits a person from producing, possessing, selling or otherwise supplying, or offering to supply, anything that is intended to pass for a cannabis excise stamp without lawful justification or excuse.

Unlawful possession of cannabis excise stamps

New section 158.05 of the Act establishes prohibitions on who may possess cannabis excise stamps. New subsection 158.05(1) prohibits the possession of cannabis excise stamps that have not been affixed to a cannabis product or its container to indicate that duty has been paid on the product. A cannabis excise stamp must be affixed to a cannabis product in the manner

prescribed by regulations for the purposes of the definition “stamped” in section 2 of the Act (see commentary for the definition “stamped”). New subsection 158.05(2) sets out the exceptions to this prohibition, which include the person who lawfully produced the stamps and persons to whom the stamps were issued by the Minister of National Revenue.

Unlawful supply of cannabis excise stamps

New section 158.06 of the Act prohibits a person from disposing of, selling or otherwise supplying, or offering to supply, cannabis excise stamps unless it is done in accordance with the Act.

Cancellation, return and destruction of cannabis excise stamps

New section 158.07 of the Act provides that the Minister of National Revenue may cancel cannabis excise stamps that have been issued. The Minister may also direct that the stamps be returned or destroyed in a manner specified by the Minister.

Unlawful packaging or stamping

New section 158.08 of the Act provides that a person is prohibited from packaging or stamping cannabis products unless the person is a cannabis licensee or a person prescribed by regulations.

Unlawful removal

New subsection 158.09(1) of the Act prohibits anyone from removing cannabis products from the premises of a cannabis licensee unless they are packaged. Furthermore, if cannabis products are intended for the duty-paid market, they must be stamped to indicate that cannabis duty has been paid and, if additional cannabis duty in respect of a specified province is imposed on the cannabis product, to indicate that the additional cannabis duty has been paid. If cannabis products are not intended for the duty-paid market, all information prescribed by regulations must be printed on or affixed to its container.

However, new subsection 158.09(2) of the Act provides exceptions from the prohibitions in subsection 158.09(1). Licenced cannabis producers may remove unpackaged cannabis products from their premises for delivery to another licensee, for export as permitted under the *Cannabis Act*, for delivery to a person for analysis or destruction in accordance with paragraph 158.29(e) or in circumstances prescribed by regulations or for a purpose prescribed by regulations.

Prohibition – cannabis for sale

New section 158.1 of the Act prohibits any person from purchasing or otherwise receiving for sale the following cannabis products:

- cannabis products from a producer that the person knows, or ought to know, is not a cannabis licensee or, in the case of an industrial hemp by-product, a producer that the person knows, or ought to know, is not an industrial hemp grower;
- cannabis products that are not packaged and stamped as required by the Act; or

- cannabis products that the person knows, or ought to know, are fraudulently stamped.

Selling, etc., unstamped cannabis

New subsection 158.11(1) of the Act provides that a person that is not a cannabis licensee may not dispose of, sell, offer for sale, purchase or possess cannabis products unless they are packaged and properly stamped (including being stamped to indicate that additional cannabis duty has been paid, if applicable). New subsection 158.11(2) provides that a person that is not a cannabis licensee may not dispose of, sell, offer for sale, purchase or possess a cannabis product in a specified province (see commentary for the new definition “specified province”) unless it is stamped to indicate that additional cannabis duty in respect of the specified province has been paid.

New subsections 158.11(3) to (5) specify exceptions to the prohibitions in subsections 158.11(1) and (2). New subsection 158.11(3) provides that the prohibitions in subsections 158.11(1) and (2) do not apply to the possession of a cannabis product by

- a person prescribed by regulations that is transporting the cannabis product under circumstances and conditions prescribed by regulations;
- an individual if the cannabis product was imported for their own medical purposes in accordance with the *Controlled Drugs and Substances Act* or the *Cannabis Act*;
- a person that possesses the cannabis product for analysis or destruction in accordance with paragraph 158.29(e) of the Act; or
- a person that possesses the cannabis products in circumstances or for purposes prescribed by regulations.

New subsection 158.11(4) provides that the prohibitions in subsections 158.11(1) and (2) do not apply to disposing, selling, offering to sell or purchasing cannabis products by a person prescribed by regulations in circumstances or for purposes prescribed by regulations.

New subsection 158.11(5) provides that the prohibitions in subsections 158.11(1) and (2) do not apply to the possession of an industrial hemp by-product by the industrial hemp grower (see commentary for those two new definitions) that produced it if the product is on the grower’s property or being transported by the grower for delivery to or return from a cannabis licensee. Further, subsection 158.11(5) provides that the prohibitions in subsections 158.11(1) and (2) do not apply to disposing, selling or offering to sell an industrial hemp by-product to a cannabis licensee by the industrial hemp grower that produced it.

Sale or distribution by a licensee

New section 158.12 of the Act limits a cannabis licensee’s ability to distribute, sell or offer to sell a cannabis product to a person. New subsection 158.12(1) provides that a cannabis licensee is prohibited from distributing a cannabis product or selling or offering to sell a cannabis product to a person unless the cannabis product is packaged and properly stamped (including being stamped to indicate that additional cannabis duty has been paid, if applicable). New subsection 158.12(2) provides that the prohibitions in subsection 158.12(1) do not apply if the cannabis licensee is distributing, selling or offering for sale the cannabis products to another cannabis licensee, to a person if the cannabis product is exported by the cannabis licensee in accordance

with the *Cannabis Act* or to a person prescribed by regulations in circumstances or for purposes prescribed by regulations.

Packaging and stamping of cannabis

New section 158.13 of the Act prohibits a cannabis licensee from entering the cannabis products the licensee produces into the duty-paid market, unless the products have been packaged and properly stamped by the licensee (including being stamped to indicate that the additional cannabis duty has been paid, if applicable) and have information prescribed by regulations printed on the packages, if applicable. Also, the cannabis products are required to be stamped at the time of packaging.

New section 158.13 comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent, but this section only applies to cannabis products that are entered in the duty-paid market on or after commencement day, including those that are delivered at any time to a purchaser for sale or distribution on or after commencement day.

Notice – absence of stamping

New section 158.14 of the Act provides that the absence of stamping on a cannabis product, as required by the Act, is notice to all persons that the duty has not been paid on that product. It also provides that the absence on a cannabis product of stamping that indicates that additional cannabis duty in respect of a specified province has been paid is notice to all persons that additional cannabis duty in respect of the specified province has not been paid on the cannabis product.

Cannabis – waste removal

New section 158.15 of the Act provides that a cannabis product that is waste is permitted to be removed from the premises of a cannabis licensee only by the licensee or a person authorized by the Minister of National Revenue. The cannabis product so removed shall be dealt with in the manner authorized by the Minister of National Revenue.

Re-working or destruction of cannabis

New section 158.16 of the Act provides that the Minister of National Revenue may authorize the manner in which cannabis products may be re-worked or destroyed by a cannabis licensee.

Responsibility

New section 158.17 of the Act sets out the basic rules for determining the responsible person in respect of cannabis products. The responsible person at a particular time is:

- the cannabis licensee that is the owner of the cannabis products at that time;
- the cannabis licensee that last owned the cannabis products, where they are not owned by a cannabis licensee; or
- the person prescribed by regulations or that meets the conditions prescribed by regulations.

Person not responsible

New section 158.18 of the Act provides that a person who is responsible for cannabis products ceases to be responsible for them if they are:

- packaged and stamped and the duty on them is paid;
- taken for use and the duty on them is paid;
- taken for use in accordance with new section 158.29 of the Act (see commentary for new section 158.29);
- exported in accordance with the *Cannabis Act*;
- lost, under circumstances prescribed by regulations if the person fulfils any conditions prescribed by regulations.

New section 158.18 of the Act also provides that a person who is responsible for cannabis products ceases to be responsible for them if prescribed conditions are met.

Imposition – flat rate and ad valorem duties

New section 158.19 of the Act imposes duty on cannabis products produced in Canada. New subsection 158.19(1) imposes a flat-rate duty on cannabis products produced in Canada at the time they are packaged. The amount of the flat-rate duty is determined under section 1 of Schedule 7 to the Act. New subsection 158.19(2) imposes an *ad valorem* duty (i.e., a duty based on a percentage of the “dutiabale amount” as newly defined in section 2 of the Act) on cannabis products produced in Canada at the time they are delivered to a purchaser. The amount of the *ad valorem* duty is determined under section 2 of Schedule 7 to the Act.

New subsection 158.19(3) provides that only the greater of the flat-rate and *ad valorem* duties imposed under subsections 158.19(1) and (2) is payable by the cannabis licensee that packaged the cannabis product at the time of its delivery to a purchaser. The lesser of those two duties is relieved.

New subsection 158.19(4) provides that if the flat-rate and *ad valorem* duties imposed under subsections 158.19(1) and (2) are equal, then only the flat-rate duty is payable and the cannabis products are relieved of the *ad valorem* duty.

New section 158.19 comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent, but this section only applies to packaged cannabis products that are delivered to a purchaser on or after commencement day.

Imposition – additional cannabis duty

In addition to the duties imposed under new section 158.19 of the Act, new section 158.2 of the Act imposes a duty in respect of a specified province on cannabis products produced in Canada in circumstances prescribed by regulations in the amount determined in a prescribed manner. This additional cannabis duty under new section 158.2 is payable by the cannabis licensee that packaged the cannabis product at the time it is delivered to a purchaser. The additional

cannabis duty would apply in respect of provinces that have entered into an agreement with Canada in respect of the coordination of cannabis taxation.

New section 158.2 comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent, but this section only applies to packaged cannabis products that are delivered to a purchaser on or after commencement day.

Duty on imported cannabis

New section 158.21 of the Act imposes duty on imported cannabis products. New subsection 158.21(1) imposes a duty on the imported cannabis products that is equal to the greater of the amounts determined under sections 1 and 3 of Schedule 7 to the Act. New subsection 158.21(2) specifies that the duty imposed under subsection 158.21(1) is payable by the importer, owner or another person that would be liable under the *Customs Act* to pay a duty levied under section 20 of the *Customs Tariff* on the cannabis product if it were subject to that duty.

New section 158.21 comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent, but this section only applies to cannabis products that are imported into Canada or released (as defined in the *Customs Act*) on or after commencement day.

Additional cannabis duty on imported cannabis

In addition to the duty on imported cannabis products imposed under new section 158.21 of the Act, new section 158.22 of the Act imposes a duty in respect of a specified province on imported cannabis products in circumstances prescribed by regulations. The amount of the additional duty on imported cannabis products is determined in a manner prescribed by regulations and is payable by the importer or owner or another person that would be liable under the *Customs Act* to pay a duty levied under section 20 of the *Customs Tariff* on the cannabis product if it were subject to that duty. This duty would apply in respect of provinces that have entered into an agreement with Canada in respect of the coordination of cannabis taxation.

New section 158.22 comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent, but this section only applies to cannabis products that are imported into Canada or released (as defined in the *Customs Act*) on or after commencement day.

Application of Customs Act

New section 158.23 of the Act provides that the duties on imported cannabis products imposed under sections 158.21 and 158.22 of the Act must be paid and collected under the *Customs Act* as if they were duties levied under the *Customs Tariff*.

Value for duty

New section 158.24 of the Act specifies the value of an imported cannabis product for the purposes of determining a duty under new sections 158.21 and 158.22 of the Act. New paragraph 158.24(a) provides that the value of the imported cannabis product for the purpose of section 3 of Schedule 7 to the Act and of any regulations made for the purposes of section

158.22 is its value as it would be determined under the *Customs Act* whether or not the cannabis product is subject to that Act. New paragraph 158.24(b) provides that in certain circumstances prescribed by regulations, the value of the imported cannabis product shall be determined in a manner prescribed by regulations.

Duty on cannabis taken for use

New section 158.25 of the Act provides an exception to the principle that duty on cannabis products is payable at the time of packaging. New subsection 158.25(1) provides that if cannabis products are taken for use (see commentary for the definition “take for use”) before they are packaged then a duty is imposed that is equal to the greater of the amount determined under section 1 of Schedule 7 to the Act and the amount determined under section 4 of Schedule 7 to the Act.

In addition to the duty imposed by new subsection 158.25(1), new subsection 158.25(2) provides that if cannabis products are taken for use before they are packaged then a duty in respect of a specified province is imposed on the cannabis products in circumstances prescribed by regulations in the amount determined in a manner prescribed by regulations. This duty would apply in respect of provinces that have entered into an agreement with Canada in respect of the coordination of cannabis taxation.

New subsection 158.25(3) provides that the duty imposed by new subsection 158.25(1) or (2) is payable at the time the cannabis products are taken for use by the person responsible for the cannabis products at the time they are taken for use.

New section 158.25 applies to cannabis products that are taken for use on or after commencement day.

Duty on unaccounted cannabis

New section 158.26 of the Act provides that duty is payable on unpackaged cannabis products that are not accounted for. New subsection 158.26(1) provides that a duty is imposed on cannabis products if a person responsible for that cannabis product cannot account for that product as being in the possession of a cannabis licensee or in the possession of a person in accordance with subsections 158.11(3) and 158.11(5) of the Act (see commentary for these new subsections). The duty is equal to the greater of the amount determined in respect of the cannabis product under section 1 of Schedule 7 to the Act, and the amount determined in respect of the cannabis product under section 4 of Schedule 7 to the Act.

In addition to the duty imposed by new subsection 158.26(1), new subsection 158.26(2) provides that if a cannabis product cannot be accounted for as described above then a duty in respect of a specified province is imposed in circumstances prescribed by regulations in the amount determined in a manner prescribed by regulations. This duty would apply in respect of provinces that have entered into an agreement with Canada in respect of the coordination of cannabis taxation.

New subsection 158.26(3) provides that the duty imposed by new subsection 158.26(1) or (2) is payable by the person responsible for the cannabis product at the particular time that the cannabis product cannot be accounted for.

New section 158.26 applies to cannabis products that, on or after commencement day, cannot be accounted for as being in the possession of a cannabis licensee or a person that is described above.

Duty relieved – cannabis imported by licensee

New section 158.27 of the Act provides for relief from the duty imposed by new sections 158.21 and 158.22 of the Act on unpackaged cannabis products that are imported by a cannabis licensee or by a person prescribed by regulations in circumstances prescribed by regulations or for a purpose prescribed by regulations.

Duty relieved – prescribed circumstances

New section 158.28 of the Act provides for relief from the duty imposed by any of new sections 158.19 to 158.22 of the Act on cannabis products in circumstances prescribed by regulations or if conditions prescribed by regulations are met.

Duty not payable – cannabis taken for analysis, destruction, etc.

New section 158.29 of the Act provides that duty is not payable on unpackaged cannabis products if:

- the cannabis product is taken for analysis or destroyed by the Minister of National Revenue or by the Minister as defined in subsection 2(1) of the *Cannabis Act*;
- the cannabis product is taken for analysis by a cannabis licensee in a manner approved by the Minister of National Revenue;
- the cannabis product is destroyed by a cannabis licensee in a manner approved by the Minister of National Revenue;
- the cannabis product is delivered to another person for analysis or destruction in a manner approved by the Minister of National Revenue; or
- the cannabis product is delivered to a person prescribed by regulations in circumstances prescribed by regulations or for a purpose prescribed by regulations.

Duty on cannabis – production before commencement day

New section 158.3 of the Act imposes a duty on cannabis products that are produced and delivered before commencement day. The new definition “commencement day” in new subsection 158.3(1) has the same meaning as in section 152 of the *Cannabis Act*. It represents the day on which adults will start to be able to legally purchase and possess cannabis subject to conditions under the *Cannabis Act*.

New subsection 158.3(2) provides that duty is imposed on cannabis products that are produced in Canada and delivered to a purchaser before commencement day for sale or distribution after that day. The amount of the duty is equal to the greater of the amount determined under section 1 of Schedule 7 to the Act and the amount determined under section 2 of Schedule 7 to the Act.

New subsection 158.3(3) provides that the duty under 158.3(2) is payable on commencement day by the cannabis licensee that packaged the cannabis products.

New subsection 158.3(4) provides an exception to the duty imposed under subsection 158.3(2) for cannabis products that are delivered to a person prescribed by regulations in circumstances prescribed by regulations or for a purpose prescribed by regulations.

Quantity of cannabis

New section 158.31 of the Act provides rules for determining the quantity of cannabis to be included in the determination of an amount of duty under section 1 of Schedule 7 in respect of a cannabis product. New paragraph 158.31(a) specifies that the quantity of flowering material and non-flowering material (see commentary for the definitions of those terms in section 2 of the Act) included in a cannabis product or used in the production of the cannabis product is to be determined in a manner prescribed by regulations in circumstances prescribed by regulations. New paragraph 158.31(b) applies in circumstances where paragraph (a) does not apply. Subparagraph 158.31(b)(i) provides that the quantity of flowering material and non-flowering material included in a cannabis product or used in the production of the cannabis product is to be determined at the time the flowering material and non-flowering material are so included or used and in a manner satisfactory to the Minister. New paragraph 158.31(b)(ii) further provides that, if the quantity of flowering material included in the cannabis product or used in the production of the cannabis product is determined in accordance with subparagraph 158.31(b)(i), the quantity of flowering material that is industrial hemp by-product (see commentary for new definition “industrial hemp by-product” in section 2 of the Act) is deemed to be non-flowering material if that quantity is determined in a manner satisfactory to the Minister.

Delivery to a purchaser

New section 158.32 of the Act clarifies, for greater certainty, the meaning of the concept of delivery to a purchaser of cannabis products for the purposes of determining the cannabis duty under section 158.19 of the Act, the additional cannabis duty under section 158.2 of the Act, the transitional duty imposed on commencement day under section 158.3 of the Act and for the purposes of the rules related to packaged cannabis products taken for use under section 158.33 of the Act. Section 158.32 specifies that delivery to a purchaser includes delivering or making the cannabis product available to a person other than the purchaser on behalf of or under the direction of the purchaser and delivering or making the cannabis product available to a person that obtains them otherwise than by means of a purchase. Delivery to a purchaser also includes delivering or making the cannabis product available in circumstances prescribed by regulations.

Taking for use of packaged product

New section 158.33 of the Act provides rules relating to packaged cannabis products that are taken for use by the cannabis licensee that packaged them. Paragraph 158.33(a) provides that, for the purposes of sections 158.19 (flat rate and *ad valorem* cannabis duty), 158.2 (additional cannabis duty) and 158.3 (transitional duty imposed on commencement day) of the Act, cannabis products that are taken for use by the cannabis licensee that packaged them are deemed to be delivered to a purchaser at the time they are taken for use. Paragraph 158.33(b) provides that for the purpose of section 2 of Schedule 7 to the Act and for cannabis products that are taken for use by the cannabis licensee that packaged them, the dutiable amount of the cannabis products is deemed to be equal to the fair market value of the cannabis product at the time they are taken for use.

Time of delivery

New section 158.34 of the Act specifies how the time of delivery is determined for the purpose of the duties imposed under new sections 158.19, 158.2 and 158.3 (see commentary for these new sections). The time of delivery is deemed to be the earliest of (a) the time that the cannabis licensee delivers or makes the cannabis product available to the purchaser, (b) the time that the cannabis licensee causes physical possession of the cannabis product to be transferred to the purchaser, and (c) the time that the cannabis licensee causes physical possession of the cannabis products to be transferred to a carrier for delivery to the purchaser. The term “carrier” means a person that provides a service of transporting goods, including a service of delivering mail.

Dutiable amount

New section 158.35 of the Act specifies that for the purpose of section 2 of Schedule 7 of the Act, the dutiable amount of a cannabis product is deemed to be equal to the fair market value of the cannabis product in the following circumstances:

- if the cannabis product is delivered or made available to a person that obtains it otherwise than by means of a purchase; or
- in circumstances prescribed by regulations.

Clause 6

No refund on exported tobacco products or alcohol

EA, 2001
180

Existing section 180 of the Act provides that the duty paid on alcohol or tobacco products entered into the duty-paid market shall not be refunded if the alcohol or tobacco products are subsequently exported.

Section 180 is amended to specify that the duty paid on tobacco products, cannabis products or alcohol entered into the duty-paid market shall not be refunded if the tobacco products, cannabis products or alcohol are subsequently exported.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 7

Refund of duty – destroyed cannabis

EA, 2001
187.1

New section 187.1 of the Act provides that the Minister of National Revenue may refund the duty paid on a cannabis product to a cannabis licensee if that cannabis product is re-worked or

destroyed in accordance with new section 158.16 of the Act (see commentary for new section 158.16). To be eligible for such a refund, the cannabis licensee must apply for the refund within two years after the cannabis product has been re-worked or destroyed.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 8

Keeping records – general

EA, 2001
206(1) and (2)

Existing subsection 206(1) of the Act provides that every licensee, registrant, person required to file a return, person applying for a refund and person who transports non-duty-paid packaged alcohol or unstamped tobacco products is required to keep records sufficient to enable a determination to be made of whether they have complied with the Act. Existing subsection 206(2) of the Act provides that tobacco growers and provincial tobacco marketing boards are also required to keep records relating to the amount of raw leaf tobacco they have grown, received or disposed of.

Two amendments are made to section 206 consequential to the addition of new Part 4.1 of the Act. The amendment to paragraph 206(1)(d) provides that a person that transports unstamped tobacco products or cannabis products is required to keep records sufficient to enable a determination to be made of whether they have complied with the Act. The addition of new subsection 206(2.01) of the Act provides that every cannabis licensee must retain records relating to the amount of cannabis product produced, received, used, packaged, sold and disposed of by the licensee.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 9

Confidentiality

EA, 2001
211

Existing section 211 provides for the confidentiality of information obtained by the Minister of National Revenue in the administration or enforcement of the Act that reveals, directly or indirectly, the identity of a person. This information cannot be used or communicated unless specifically authorized by one or more of the exceptions contained in the section.

Paragraph 211(6)(e) is amended by adding new subparagraph 211(6)(e)(x) to specify that an official may share confidential information with an official solely for the purpose of administering and enforcing the *Cannabis Act*.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 10

Unlawful production, sale, etc. of tobacco, alcohol or cannabis

EA, 2001
214

Existing section 214 of the Act provides that the following activities constitute offences under the Act:

- manufacturing a tobacco product without a tobacco licence (section 25 of the Act);
- counterfeiting or unlawfully possessing or supplying tobacco excise stamps (sections 25.2 to 25.4 of the Act);
- packaging or stamping a tobacco product or raw leaf tobacco without a tobacco licence (section 27 of the Act);
- knowingly purchasing or receiving for sale tobacco products from unlicensed tobacco manufacturers, tobacco products that are not properly packaged and stamped, or fraudulently stamped tobacco products (section 29 of the Act);
- producing or packaging spirits without a spirits licence (section 60 of the Act); or
- producing or packaging wine without a wine licence (section 62 of the Act).

Existing section 214 is amended consequential to the addition of new Part 4.1 of the Act relating to cannabis.

First, section 214 is amended to provide that it is also an offence under the Act:

- to counterfeit or unlawfully possess or supply cannabis excise stamps (new sections 158.04 to 158.06 of the Act); or
- to package or stamp a cannabis product unless it is done by a cannabis licensee or a person prescribed by regulations (new section 158.08 of the Act).

This first amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Second, section 214 is amended to provide that it is also an offence under the Act:

- to produce cannabis products without a cannabis licence (new section 158.02 of the Act); or
- to purchase or receive for sale:

- a cannabis product from a producer that the purchaser knows or ought to know is not a cannabis licensee, or, in the case of an industrial hemp by-product, an industrial hemp grower;
- a cannabis product that is not packaged and stamped in accordance with the Act; or
- a cannabis product that the person knows or ought to know is fraudulently stamped (new section 158.1 of the Act).

This second amendment comes into force on commencement day.

Clause 11

Punishment – sections 158.11 and 158.12

EA, 2001
218.1

New section 218.1 of the Act provides that any person that contravenes new section 158.11 or 158.12 of the Act (see commentary for new sections 158.11 and 158.12) is guilty of an offence and liable to a fine or imprisonment or to both.

New paragraph 218.1(1)(a) provides that a person that contravenes section 158.11 or 158.12 and is convicted by way of indictment is liable to pay a fine or to imprisonment for a term of not more than five years, or to both. The minimum amount of a fine under paragraph 218.1(1)(a) is the greater of \$1,000 and the amount determined under section 1 of Schedule 7 to the Act multiplied by 200% (or 400% if the offence occurred in a specified province). The maximum amount of a fine under paragraph 218.1(1)(a) is the greater of \$2,000 and the amount determined under section 1 of Schedule 7 multiplied by 300% (or 600% if the offence occurred in a specified province).

New paragraph 218.1(1)(b) provides that a person that contravenes section 158.11 or 158.12 and is convicted by way of summary conviction is liable to pay a fine or to imprisonment for a term of not more than 18 months, or to both. The minimum amount of a fine under paragraph 218.1(1)(b) is the greater of \$500 and the amount determined under section 1 of Schedule 7 of the Act multiplied by 200% (or 400% if the offence occurred in a specified province). The maximum amount of a fine under paragraph 218.1(1)(b) is the greater of \$1,000 and the amount determined under section 1 of Schedule 7 multiplied by 300% (or 600% if the offence occurred in a specified province), which amount is not to exceed \$500,000.

This amendment comes into force on commencement day.

Clause 12

Property obtained from offences

EA, 2001
230

Existing section 230 of the Act makes it an offence to knowingly possess property or proceeds of property that were acquired by reason of the commission of or conspiracy to commit a tobacco or alcohol offence under:

- section 214 of the Act (unlawful manufacturing, packaging or stamping of tobacco products or unlawful production or packaging of spirits or wine);
- subsection 216(1) of the Act (unlawful possession or sale of unstamped tobacco products);
- subsection 218(1) of the Act (certain serious alcohol offences); or
- subsection 231(1) of the Act (concealing property or proceeds obtained by the commission of offences).

A person convicted by way of indictment is liable to a fine of up to \$500,000, imprisonment for up to five years or both. On summary conviction the person is liable to a fine of up to \$100,000, imprisonment for up to 18 months or both.

Consequential to the addition of new Part 4.1 of the Act relating to cannabis, paragraph 230(1)(a) is amended by also making it an offence to knowingly possess property or proceeds of property that were acquired by reason of the commission of or conspiracy to commit cannabis offences under new subsection 218.1(1) of the Act (see commentary for new section 218.1).

This amendment comes into force on commencement day.

Clause 13

Laundering proceed of certain offences

EA, 2001
231

Existing section 231 of the Act makes it an offence to deal with property or proceeds of property with intent to conceal, knowing that the property or proceeds were obtained by reason of the commission of or conspiracy to commit a tobacco or alcohol offence under:

- section 214 of the Act (unlawful manufacturing, packaging or stamping of tobacco products or unlawful production or packaging of spirits or wine);
- subsection 216(1) of the Act (unlawful possession or sale of unstamped tobacco products); or
- subsection 218(1) of the Act (certain serious alcohol offences).

A person found guilty of the offence on indictment is liable to a fine of up to \$500,000, imprisonment for up to five years or both. A person found guilty of the offence on summary conviction is liable to a fine of up to \$100,000, imprisonment for up to 18 months or both.

Consequential to the addition of new Part 4.1 of the Act relating to cannabis, subsection 231(1) is amended by also making it an offence to deal with the property or proceeds of property with intent to conceal, knowing that the property or proceeds were obtained by reason of the commission of or conspiracy to commit cannabis offences under new subsection 218.1(1) of the Act (see commentary for new section 218.1).

This amendment comes into force on the commencement day.

Clause 14

Part XII.2 of *Criminal Code* applicable

EA, 2001
232

Sections 462.3 and 462.32 to 462.5 of the *Criminal Code* allow for the seizure and forfeiture of proceeds derived from the commission of enterprise crime offences. Existing section 232 of the Act makes those provisions of the *Criminal Code* relating to enterprise crime offences applicable to proceedings concerning an offence under:

- section 214 (unlawful manufacturing, packaging or stamping of tobacco products or unlawful production or packaging of spirits or wine);
- subsection 216(1) (unlawful possession or sale of unstamped tobacco products);
- subsection 218(1) (certain serious alcohol offences);
- section 230 (possession of property or proceeds obtained by the commission of offences); or
- section 231 (concealing property or proceeds obtained by the commission of offences).

Consequential to the addition of new Part 4.1 of the Act relating to cannabis, subsection 232(1) is amended by also making those provisions of the *Criminal Code* relating to enterprise crime offences applicable to proceedings concerning an offence under new subsection 218.1(1) of the Act (see commentary for new section 218.1).

This amendment comes into force on commencement day.

Clause 15**Contravention of section 158.13**

EA, 2001
233.1

New section 233.1 of the Act provides that a cannabis licensee that contravenes section 158.13 of the Act (packaging and stamping of cannabis) is liable to a penalty equal to 200% multiplied by the greater of:

- the amount determined under section 1 of Schedule 7 to the Act (at the time the contravention occurred) in respect of the cannabis products to which the contravention relates; and
- the amount determined by multiplying the fair market value of the cannabis products to which the contravention relates (at the time the contravention occurred) by the percentage set out in section 4 of Schedule 7 to the Act.

New section 233.1 comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent, but this section only applies to cannabis products that are entered into the duty-paid market on or after commencement day, including cannabis products that are delivered at any time to a purchaser for sale or distribution on or after commencement day.

Clause 16**Contravention of section 38, 40, 49, 61, 62.1, 99, 149, 151 or 158.15**

EA, 2001
234

Existing section 234 of the Act specifies a penalty of up to \$25,000 for contraventions of:

- section 38 of the Act (requirement to have tobacco markings on containers of tobacco products entered into an excise warehouse);
- section 40 of the Act (removal of raw leaf tobacco or waste tobacco);
- section 49 of the Act (improper entering of a tobacco product into an excise warehouse);
- section 61 of the Act (prohibition on possession of a still);
- section 62.1 of the Act (prohibition on fortification of wine);
- section 99 of the Act (prohibition on sale of specially denatured alcohol);
- section 149 of the Act (improper entering of non-duty-paid packaged alcohol into an excise warehouse); or

- section 151 of the Act (improper removal of non-duty-paid packaged alcohol from an excise warehouse).

Consequential to the addition of new Part 4.1 of the Act relating to cannabis, new subsection 234(3) provides that every person that fails to return or destroy stamps as directed by the Minister of National Revenue under paragraph 158.07(b) is liable to a penalty of not more than \$25,000.

New subsection 234(3) comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

As well, subsection 234(1) is amended to also specify a penalty of up to \$25,000 for contraventions of new section 158.15 of the Act that relate to the removal of waste cannabis (see commentary for new section 158.15). New subsection 234(3) is also amended to provide that every person that fails to re-work or destroy a cannabis product in the manner authorized by the Minister under section 158.16 is liable to a penalty of not more than \$25,000.

These amendments come into force on commencement day.

Clause 17

Contravention of section 158.02, 158.1, 158.11 or 158.12

EA, 2001
234.1

New section 234.1 of the Act provides that any person that contravenes new section 158.02 of the Act (production of cannabis products without a licence), that receives for sale cannabis products in contravention of new section 158.1 of the Act (prohibition regarding cannabis products for sale, etc.) or that sells or offers to sell cannabis products in contravention of new sections 158.11 (selling unstamped cannabis) or 158.12 (sale or distribution by a licensee) of the Act is liable to a penalty equal to 200% multiplied by the greater of:

- the amount determined under section 1 of Schedule 7 to the Act (as it read at the time the contravention occurred) in respect of the cannabis products to which the contravention relates; and
- the amount determined by multiplying the fair market value of the cannabis products (at the time the contravention occurred) in respect of the cannabis products to which the contravention relates by the percentage set out in section 4 to Schedule 7 to the Act (as it read at that time).

This amendment comes into force on commencement day.

Clause 18

Penalty in respect of unaccounted excise stamps

EA, 2001
238.1

Existing section 238.1 of the Act establishes a penalty for unaccounted excise stamps.

Under existing subsection 238.1(1), a person who is issued excise stamps is liable to a penalty if the person cannot account for the stamps as being in their possession. The penalty would not apply if the person can demonstrate that the stamps were affixed to tobacco products or their containers in the manner prescribed by regulations for the purposes of the definition “stamped” and that duty, other than special duty, has been paid on the products. In the case of stamps that were cancelled, the penalty would not apply if the person can demonstrate that the stamps were returned or destroyed as directed by the Minister of National Revenue.

Existing subsection 238.1(2) establishes that the amount of the penalty for each excise stamp that cannot be accounted for is equal to the duty that would be imposed on a tobacco product for which the stamp was issued under subsection 25.1(1) of the Act.

Consequential to the addition of new Part 4.1 of the Act relating to cannabis, paragraph 238.1(1)(a) is amended to provide that a penalty would not apply if the person can demonstrate that the stamps were affixed to the tobacco products or cannabis products or their containers in the manner prescribed by regulations for the purposes of the definition “stamped” and that duty, other than special duty, has been paid on the tobacco products or cannabis products.

Similarly, subsection 238.1(2) is amended to establish that the amount of penalty for each excise stamp that cannot be accounted for is equal to:

- for tobacco excise stamps, the duty that would be imposed on a tobacco product for which the stamp was issued under subsection 25.1(1) of the Act; or
- for cannabis excise stamps, five times the dollar amount set out in paragraph 1(a) of Schedule 7 to the Act.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 19

Other diversions

EA, 2001
239

Existing section 239 of the Act provides that unless a penalty under section 237 of the Act applies, a person is liable to a penalty if the person acquires packaged alcohol or a tobacco product on a duty-free basis because of the purpose for which it was acquired or its destination and the alcohol or tobacco product is diverted to a use or destination in respect of which duty

would have been payable had it been acquired for that purpose or destination. The penalty is 200% of the duty that was imposed on the alcohol or tobacco product.

Consequential to the addition of new Part 4.1 of the Act relating to cannabis, section 239 is amended to provide that unless a penalty under section 237 applies, a person is liable to a penalty if the person acquires packaged alcohol, tobacco products or cannabis products on a duty-free basis because of the purpose for which it was acquired or its destination and the alcohol or tobacco product or cannabis product is diverted to a use or destination in respect of which duty would have been payable had it been acquired for that purpose or destination. The penalty is 200% of the duty that was imposed on the alcohol, tobacco products or cannabis products.

This amendment comes into force on commencement day.

Clause 20

Certain things not to be returned

EA, 2001
264

Existing section 264 of the Act provides that alcohol, specially denatured alcohol, restricted formulation, raw leaf tobacco, excise stamps or tobacco products seized under section 260 of the Act may not be returned to anyone. The exception to this rule is if the seizure was made in error. An item seized in error may be returned.

Consequential to the addition of new Part 4.1 of the Act relating to cannabis, section 264 is amended to also prevent a seized cannabis product from being returned to any person, except if the seizure was made in error. This amendment is consistent with other controls being introduced on the possession, use and disposal of cannabis products under the Act.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 21

Dealing with things seized

EA, 2001
266

Existing subsection 266(1) of the Act specifies that the Minister of National Revenue may sell, destroy or otherwise deal with any item seized in the course of an inspection under section 260 of the Act. However, under existing subsection 266(2) of the Act, the Minister may only sell seized spirits or specially denatured alcohol to a spirits licensee, seized wine to a wine licensee and seized raw leaf tobacco or tobacco products to a tobacco licensee.

Consequential to the addition of new Part 4.1 of the Act relating to cannabis, new paragraph 266(2)(e) is added to restrict the sale by the Minister of a seized cannabis product to a cannabis

licensee. This amendment is consistent with the new controls on the possession, use and disposal of cannabis products under the Act.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 22

Regulations – Governor in Council

EA, 2001
304

Existing section 304 of the Act provides authority to the Governor in Council to make regulations to carry out the purposes and provisions of the Act. Section 304 is amended consequential to the addition of new Part 4.1 of the Act relating to cannabis.

New paragraph 304(1)(c.1) provides authority to the Governor in Council to make regulations regarding to the types of security that are acceptable for the issuance of cannabis excise stamps and the manner of determining the amount of that security.

Paragraph 304(1)(f) is amended to provide authority to the Governor in Council to make regulations regarding the information to be provided on tobacco products, packaged alcohol and cannabis products and on containers of tobacco products, packaged alcohol and cannabis products.

Paragraph 304(1)(n) is amended to provide authority to the Governor in Council to make regulations regarding the sale of alcohol, tobacco products, raw leaf tobacco, specially denatured alcohol, restricted formulation and cannabis products seized under section 260 of the Act.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 23

Regulations – Governor in Council

EA, 2001
304.1 and 304.2

Coordinated cannabis duty system

New section 304.1 of the Act defines the “coordinated cannabis duty system” as the system for providing the payment, collection and remittance of duty imposed by sections 158.2 (additional cannabis duty in respect of a specified province on cannabis products produced in Canada) and 158.22 (additional cannabis duty in respect of a specified province on imported cannabis products) of the Act and by subsections 158.25(2) (duty in respect of a specified province on cannabis products taken for use) and 158.26(2) (duty in respect of a specified province on

unaccounted cannabis products) of the Act and by any provisions relating to duty imposed under those provisions. This system is relevant to the application of those duties in relation to provinces that have entered into an agreement with Canada in respect of the coordination of cannabis taxation

New section 304.1 provides the Governor in Council with various regulation-making authorities in respect of the coordinated cannabis duty system.

Cannabis duty system

New section 304.2 of the Act defines the “cannabis duty system” as the system providing for the payment, collection and remittance of the duties in respect of cannabis imposed under Part 4.1 of the Act and any provisions relating to duty imposed under that Part.

New section 304.2 provides the Governor in Council with regulation-making authorities in respect of the cannabis duty system for the purpose of facilitating the system’s implementation, application, administration or enforcement. In particular, the Governor in Council may, for that purpose, make regulations adapting any provision of the Act or of the regulations made under the Act to take into account the making of, or amendments to, regulations made under the *Cannabis Act*.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 24

Duty on Cannabis

EA, 2001
Schedule 7

Schedule 7 to the Act provides rules for determining the amount of duty imposed on cannabis products under various sections of the Act as well as amount of fines and penalties.

Section 1 of Schedule 7 specifies the duty imposed on cannabis products produced or imported into Canada. The amount of that duty is the total of the amounts imposed on the flowering material, non-flowering material, viable seeds and vegetative cannabis plant included in or used in the production of the cannabis product.

Section 2 of Schedule 7 specifies the duty imposed on cannabis products produced in Canada, the amount of which is determined by multiplying the dutiable amount for the cannabis product by a percentage.

Section 3 of the Schedule specifies the duty on imported cannabis products, the amount of which is determined by multiplying the value of the cannabis product by a percentage.

Section 4 of Schedule 7 specifies the duty on cannabis products taken for use or unaccounted for, the amount of which is determined by multiplying the fair market value of the cannabis product by a percentage.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Excise Tax Act

Clause 25

Definition

ETA
123(1)

The existing definition “excisable good” in subsection 123(1) of the *Excise Tax Act* (the “ETA”) means beer or malt liquor (within the meaning of section 4 of the *Excise Act*) and spirits, wine and tobacco products (within the meaning of section 2 of the Act).

Consequential to the addition of new Part 4.1 of the Act relating to the taxation of cannabis, the definition “excisable good” in subsection 123(1) is expanded to also include cannabis products (within the meaning of section 2 of the Act).

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 26

Certain fund-raising activities by volunteers

ETA
Sch. V, Part VI, s. 4

The general volunteer exemption under Part IX of the ETA exempts from the goods and services tax and the harmonized sales tax (GST/HST) sales by volunteers in the course of special fund-raising events carried out by charities. However, other public sector bodies such as non-profit sports clubs often undertake similar fund-raising activities. Existing section 4 of Part VI of Schedule V to the ETA exempts sales made by such organizations otherwise than in the course of a business where the salespersons are volunteers, the items sold do not exceed \$5 in value and are not sold at an event where similar supplies are made by persons in the business of selling such property (e.g., sales of food on a fair ground). Sales of alcoholic beverages and tobacco products do not qualify for this exemption.

Section 4 of Part VI of Schedule V is amended to more generally exclude the supply of excisable goods (as defined in subsection 123(1) of the ETA) from this exemption. Excisable goods include alcoholic beverages, tobacco products and cannabis products (within the meaning of section 2 of the Act). This amendment is consequential to the addition of new Part 4.1 of the Act relating to the taxation of cannabis.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 27

Basic groceries

ETA

Sch. VI, Part III, s. 1

Existing section 1 of Part III of Schedule VI to the ETA describes supplies of food and beverages for human consumption that are generally zero-rated, unless they are specifically excluded by paragraphs (a) to (r) of that section.

Consequential to the addition of new Part 4.1 of the Act relating to the taxation of cannabis, paragraph (b) of section 1 is added to specifically exclude food and beverages that are cannabis products (as defined in section 2 of the Act) from zero-rated groceries.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 28

Grains or seeds and fodder crops

ETA

Sch. VI, Part IV, s. 2

Existing section 2 of Part IV of Schedule VI to the ETA zero-rates supplies of grains or seeds in their natural state or treated for storage purposes or hay, silage or other fodder crops where these are ordinarily used to produce food for human consumption, or feed for livestock or poultry. To qualify for zero-rated treatment, they must be sold in quantities larger than those in which they are typically sold to consumers. Specifically excluded from the application of this section are grains, seed or grain mixtures to be used as feed for wild birds or as pet food.

Consequential to the addition of new Part 4.1 of the Act relating to the taxation of cannabis, section 2 is amended to specifically exclude viable seeds that are cannabis (as defined in section 2(1) of the *Cannabis Act*) from zero-rated supplies of grains or seeds under this section. It should be noted that viable seeds that are cannabis as defined in section 2(1) of the *Cannabis Act* and that are included in the definition “industrial hemp” in section 1 of the *Industrial Hemp Regulations* or are industrial hemp for the purposes of the *Cannabis Act* will continue to be zero-rated under section 3.1 of Part IV of Schedule VI to the Act if they meet the requirements of that section.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 29

Sale of industrial hemp seeds and straw

ETA

Sch. VI, Part IV, s. 3.1

Existing section 3.1 of Part IV of Schedule VI to the ETA zero-rates supplies of agriculture products, supplies of grain or seeds, and the mature bare stalks (i.e., straw), of industrial hemp. The treatment applies where the supply is made in accordance with the *Controlled Drugs and Substances Act* or is excluded from the application of that Act. In the case of grain or seeds, they must not be further processed than sterilized or treated for seeding purposes and must not be for sale or use as feed for wild birds or pets.

Paragraph 3.1(b) is amended to clarify that the zero-rated treatment under section 3.1 will also apply to viable grains or seeds that are industrial hemp for the purposes of the *Cannabis Act*.

Paragraph 3.1(c) is amended to clarify that relief applies where the supply is made in accordance with the *Controlled Drugs and Substances Act* or the *Cannabis Act* or is excluded from the application of those Acts.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 30

Non-taxable Importations

ETA

Sch. VII, s. 12

Schedule VII to the ETA enumerates goods that are not subject to GST/HST under Division III of the ETA on importation.

Existing section 12 of Schedule VII to the ETA sets out the circumstances in which industrial hemp grain or seeds, or the mature bare stalks (i.e., straw) can be imported on a non-taxable basis. In the case of grain or seeds, they must not be further processed than sterilized or treated for seeding purposes and must not be for sale or use as feed for wild birds or pets. The relief applies where the importation is made in accordance with the *Controlled Drugs and Substances Act* or is excluded from the application of that Act.

Consequential to the addition of new Part 4.1 of the Act relating to the taxation of cannabis, paragraph 12(b) is amended to clarify that the relief under section 12 will also apply to viable grains or seeds that are industrial hemp for the purposes of the *Cannabis Act*. Paragraph 12(c) is amended to clarify that relief applies where the importation is made in accordance with the *Controlled Drugs and Substances Act* or the *Cannabis Act* or is excluded from the application of those Acts.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the Cannabis Act receives royal assent.

Clause 31

Non-taxable property for purposes of Subdivision A

ETA
Sch. X, Part I, s. 6

Schedule X to the ETA enumerates property and services that are not subject to taxation under Division IV.1 of the ETA, which imposes the provincial component of HST on a self-assessment basis on certain supplies in respect of which suppliers are not required to collect that provincial component and in respect of importations and property brought into a participating province.

Existing section 6 of Schedule X provides for relief in respect of certain donations or gifts of property where the fair market value of the property does not exceed \$60. Alcohol, tobacco and advertising products are excluded from this relief.

Section 6 is amended to more generally exclude excisable goods (as defined in subsection 123(1) of the ETA) from this relief. Excisable goods include alcoholic beverages, tobacco products and cannabis products (within the meaning of section 2 of the Act). This amendment is consequential to the addition of new Part 4.1 of the Act relating to the taxation of cannabis.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Amendments to Various Regulations

Clause 32

Security

Regulations Respecting Excise Licences and Registration
5

The existing *Regulations Respecting Excise Licences and Registrations* provide the requirements for applicants wishing to produce and distribute spirits, wine and tobacco. These regulations require that certain conditions be met in order to obtain and maintain a licence or registration. With the addition of new Part 4.1 of the Act relating to cannabis (see commentary for new Part 4.1), these regulations also apply for applicants wishing to produce and distribute cannabis products.

Subsection 5(1) of the regulations is amended to specify that the requirements relating to the amount and sufficiency of security for a licence apply to cannabis licences in addition to spirits licences and tobacco licences.

Paragraph 5(1)(b) of the regulations is amended to specify that the amount of security required for a cannabis licence must be sufficient to ensure payments of the amount of duty referred in paragraph 160(b) of the Act up to a maximum of \$5 million, as is the case for a tobacco licence.

These amendments come into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 33

Title of regulations

Regulations Respecting the Possession of Tobacco Products That Are Not Stamped
Title

The *Regulations Respecting the Possession of Tobacco Products That Are Not Stamped* identify the classes of persons who may transport unstamped tobacco products. The title of the regulations is amended to *Regulations Respecting the Possession of Tobacco Products or Cannabis Products That Are Not Stamped*. This amendment is consequential to the addition of new Part 4.1 of the Act relating to cannabis.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 34

Authorized Possession

Regulations Respecting the Possession of Tobacco Products That Are Not Stamped
1.1

The *Regulations Respecting the Possession of Tobacco Products That Are Not Stamped* identify the classes of persons who may transport unstamped tobacco products.

New section 1.1 of the regulations provides that, for the purpose of paragraph 158.11(3)(a) of the Act, a person may possess unstamped cannabis products if that person has documentation providing evidence that they are transporting the cannabis products on behalf of a cannabis licensee or, in the case of industrial hemp by-products, an industrial hemp grower. This amendment is consequential to the addition of new Part 4.1 of the Act relating to cannabis.

This amendment comes into force on the commencement day.

Clause 35

Title of regulations

Stamping and Marking of Tobacco Products Regulations
Title

The *Stamping and Marking of Tobacco Products Regulations* provide rules relating to the stamping, marking and labelling of tobacco products. Among other things, it includes rules to set

out the stamping requirements of tobacco products and defines the term “packaged” as the term is used in the Act and the regulations.

The title of the *Stamping and Marking of Tobacco Products Regulations* is amended to *Stamping and Marking of Tobacco and Cannabis Products Regulations*. This amendment is consequential to the addition of new Part 4.1 of the Act relating to cannabis.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 36

Prescribed Package

Stamping and Marking of Tobacco Products Regulations
2(b)

Paragraph 2(b) of the *Stamping and Marking of Tobacco Products Regulations* provide rules relating to when tobacco products are packaged for the purposes of paragraph (a) of the definition “packaged” in section 2 of the Act.

Paragraph 2(b) of the regulations is amended to specify that, as is the case for a tobacco product, a cannabis product is packaged in a prescribed package when it is packaged in the smallest package (including any outer wrapping that is customarily displayed to the consumer) in which it is normally offered for sale to the general public. This amendment is consequential to the addition of new Part 4.1 of the Act relating to cannabis.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 37

Prescribed Person

Stamping and Marking of Tobacco Products Regulations
4

Section 4 of the *Stamping and Marking of Tobacco Products Regulations* provides rules for determining who is a prescribed person for the purposes of subsection 25.1(1) of the Act (relating to the issuance of tobacco excise stamps to indicate that duty has been paid on a tobacco product imported by a person) and for the purposes of paragraph 25.3(2)(d) of the Act (providing an exception to the general prohibition for a person to possess a tobacco excise stamp that has not been affixed to a tobacco product or container).

Subsection 4(2) is amended to specify that, for the purpose of paragraph 25.3(2)(d) of the Act, a prescribed person is a person that transports a tobacco excise stamp on behalf of a person that lawfully produced the tobacco excise stamp or a person to which the tobacco excise stamp is issued (paragraphs 25.3(2)(a) and (b) of the Act).

Subsection 4(3) is added to specify that, for the purpose of paragraph 158.05(2)(c) of the Act, a prescribed person is a person that transports a cannabis excise stamp on behalf of a person that lawfully produced the cannabis excise stamp or a person to which the cannabis excise stamp is issued (paragraphs 158.05(2)(a) and (b) of the Act).

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 38

Security

Stamping and Marking of Tobacco Products Regulations

4.1

Subsection 4.1(1) of the *Stamping and Marking of Tobacco Products Regulations* sets out the amount of security required for the issuance of an excise stamp related to tobacco products. Subparagraphs 4.1(a)(i) and (ii) of the regulations are amended to specify that the amount of security required for the issuance of excise stamps under section 25.1(3) of the Act only applies to tobacco excise stamps. It does not apply to cannabis excise stamps. This amendment is consequential to the amendment to the definition “excise stamp” in section 2 of the Act (see commentary for the definition “excise stamp”).

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 39

Excise Stamps

Stamping and Marking of Tobacco Products Regulations

4.2

Section 4.2 of the *Stamping and Marking of Tobacco Products Regulations* provides rules relating to the manner of affixing an excise stamp to a package for the purposes of the definition “stamped” in section 2 of the Act. Section 4.2 is amended to specify that the prescribed manner of affixing a cannabis excise stamp to a package is similar to the manner of affixing a tobacco excise stamp to a tobacco product. The manner is described in paragraphs (a) to (e) of section 4.2.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Clause 40

Prescribed property and services

Public Service Body Rebate (GST/HST) Regulations 4(1)(e)

Section 259 of the ETA provides for rebates of GST/HST to charities, substantially government-funded non-profit organizations and certain other public services bodies (e.g., not-for-profit universities, public colleges, school authorities and municipalities).

Section 4 of the *Public Service Body Rebate (GST/HST) Regulations* enumerates property and services for which a rebate is not available under section 259. Existing paragraph 4(1)(e) of the regulations excludes alcoholic beverages or tobacco products that are acquired for the purpose of making a supply of the beverage or product for consideration that is not included as part of the consideration for a meal supplied together with the beverage or product. The exclusion does not apply where GST/HST will apply to the supply of the beverage or product.

Paragraph 4(1)(e) of the regulations is amended so that it applies to excisable goods (as defined in subsection 123(1) of the ETA). Excisable goods include alcoholic beverages, tobacco products and cannabis products (within the meaning of section 2 of the Act). This amendment is consequential to the addition of new Part 4.1 of the Act relating to the taxation of cannabis.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.

Terminology Changes

Clause 41

Terminology change

EA, 2001
Various

The references to “excise stamp” in subsections 25.1(2) to (5), sections 25.2 to 25.4, and paragraph 25.5(a) of the Act are replaced with a reference to “tobacco excise stamp”.

This amendment comes into force on the later of the day on which the Act implementing these amendments receives royal assent and the day on which the *Cannabis Act* receives royal assent.