

Information Bulletin

TT-1

Issued: October 28, 2006

Revised: March 2022

THE TOBACCO TAX ACT, 1998

GENERAL INFORMATION

This bulletin outlines the Tobacco Tax rates, reporting requirements, refunds and marking requirements under *The Tobacco Tax Act, 1998*. It is a general guide and not a substitute for the legislation.

Changes to this bulletin are indicated by a (I) in the left margin.

The contents of this bulletin are presented under the following sections:

- A. Tobacco Tax Rates
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- D. Marking Program
- E. Illegal Activities
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A. TOBACCO TAX RATES

Product	Tax Rate
Cigarettes and Tobacco Sticks	29.0¢ per cigarette (or tobacco stick) (Effective Mar 24, 2022)
Cigars	100% of taxable value, with a minimum tax of 35.0¢ per cigar and a maximum tax of \$5.00 per cigar
Smokeless Tobacco	35.0¢ per gram (Effective Mar 24, 2022)
Other Tobacco (Including Raw Leaf)	35.0¢ per gram (Effective Mar 24, 2022)
Heated Tobacco Products	21.8¢ per unit (stick, capsule or cartridge) (Effective Mar 24, 2022)

The taxable value of a cigar is calculated by one of the methods outlined below:

- If the cigar was manufactured in Canada, the taxable value is the manufacturer's selling price, before any volume discount, multiplied by 1.3. The manufacturer's selling price includes any charges for delivery or transportation and any duty and excise tax imposed under the laws of Canada, but not the Goods and Services Tax (GST).
- If the cigar was manufactured outside Canada, the taxable value is the importer's selling price, before any volume discount, multiplied by 1.3. The importer's selling price includes any charges for delivery or transportation and any duty and excise tax imposed under the laws of Canada, but not the GST.
- If the importer sells to a party who is not dealing at arm's length with the importer and subsequently sells the cigar, the importer's selling price is the greater of the price charged by the importer or the price charged to the third party.
- If the manufacturer or importer of a cigar is also the retailer of the cigar, the taxable value is the price paid by the consumer, including any charges for delivery or transportation but excluding the Saskatchewan Tobacco Tax and GST.

B. DEFINITIONS

Cigar

Means a tobacco product that is sold as a cigar, cigarillo, mini-cigar or cheroot and is in the form of a roll or tube intended for smoking that consists of:

- i. a filler composed of natural tobacco, reconstituted tobacco or natural and reconstituted tobacco;
- ii. a wrapper, or binder and wrapper, composed of natural tobacco, reconstituted tobacco or natural and reconstituted tobacco in which the filler is wrapped; and,
- iii. may include a mouthpiece (tip) or filter.

For the purposes of the definition of cigar "reconstituted tobacco" is a product that is comprised of 50 per cent or more tobacco.

Cigarette

Includes any roll or tubular construction of tobacco intended for smoking other than a cigar or a tobacco stick, and where any cigarette exceeds 102 mm in length, each 76 mm or less of the cigarette shall be considered to be a separate cigarette.

Fine Cut Tobacco

Means loose tobacco that has been refined up to the point where it is ready to be formed into a cigarette or tobacco stick.

Smokeless Tobacco Products

Means tobacco products that are not smoked but used in another form, and includes chewing tobacco or snuff, but does not include a heated tobacco product.

Tobacco Stick

Means any roll of tubular construction of tobacco intended for smoking, other than a cigar, that requires further preparation to be consumed, and where any tobacco stick exceeds 90 mm in length or 800 mg in weight, each 60 mm or less, respectively, of the tobacco stick shall be considered to be a separate tobacco stick. This definition does not include heated tobacco product.

Heated Tobacco Product

Means any tobacco product that is designed to be heated, but not combusted, in a heating unit to produce a vapour for inhalation. Heated tobacco products do not include vapour products, which are defined and taxed under *The Vapour Products Tax Act*.

C. LICENSING AND REPORTING REQUIREMENTS

Licensing Requirements

Wholesalers selling tobacco products to other retailers, and retailers importing tobacco products directly from manufacturers or from other unlicensed non-resident suppliers, are required to be licensed to report tobacco tax.

To become licensed, you must:

- complete a [Tobacco Tax Registration Application Form](#);
- attach a business plan or financial statements to your application;
- provide security in the form of a bond or letter of credit; and,
- and agree to other reporting and filing requirements, including the reporting and remitting of tax on all tobacco purchases by the 20th of the month following the purchase.

Reporting Requirements

Tobacco Tax Returns must be filed electronically using [Saskatchewan eTax Services](#) (SETS).

Manufacturers must report to the Ministry of Finance by the 7th of the month their invoices to wholesalers from the previous month for tobacco product marked for sale in Saskatchewan.

Finance provides tax memos to wholesalers based on the information provided by manufacturers and the tax is reported on their tobacco tax return.

Inventory required to be reported on the Tobacco Tax Return must be reconciled on a monthly basis. (See the [Tobacco Tax Return Instructions](#) for additional information).

Individuals and Unlicensed Retailers

An individual may import, for personal consumption, up to 200 cigarettes, 200 tobacco sticks, 200 grams of loose tobacco and 50 cigars from another province or country, over a 48-hour period, without paying the tax and having the cigarettes and loose tobacco packages marked. Where the product is being imported from the United States, customs officers will collect the appropriate Tobacco Tax. Since these products will not be marked at the border, an individual

may be asked to produce his or her receipt issued by the Canada Border Services Agency as verification that the tax was paid.

No exemption is provided for tobacco that is mailed or shipped from outside Saskatchewan. In fact, it is in contravention of the federal Tobacco Act to mail tobacco products between provinces. In addition, the Provincial Sales Tax must be paid on the tobacco products, based on the price including the Saskatchewan Tobacco Tax but excluding the GST.

The details of tobacco imports, in excess of the personal exemption, must be reported to Finance on or before entry into Saskatchewan. The details to be reported include the name and address of your supplier, the name and address of your transporting company, the date of the purchase and importation, and the quantity of tobacco products that you acquired. Also, copies of the purchase invoices must be submitted along with your cheque made payable to the "Minister of Finance" for your tax remittance. This information must be submitted before or immediately after you import the tobacco.

D. MARKING PROGRAM

Marked

All packages, cartons and cases of cigarettes and tins of fine cut tobacco that are imported or sold in Saskatchewan must be properly marked for sale in the province with a Saskatchewan tobacco stamp. The Saskatchewan tobacco stamp is a modified federal tobacco excise stamp that includes the letters "SK" and a background colour of pantone green.

Pipe tobacco, cigars, loose tobacco, raw leaf tobacco, and heated tobacco products for sale in Saskatchewan are not marked with the Saskatchewan stamp, however they do require a federal stamp.

Black Stock

Black stock tobacco includes cigarettes, tobacco sticks and fine cut tobacco that is:

- Not stamped or marked for sale with the provincial stamp
- Is stamped or marked with the federal government's peach stamp.

To purchase, possess, store, or sell black stock tobacco you must be a First Nations band, on-reserve store, or a status Indian that holds a valid Certificate of Indian Status Identification card at the time of purchase.

E. ILLEGAL ACTIVITIES

Cigarettes and fine cut tobacco that are not stamped as described are illegal. Legitimate tobacco has tobacco tax included in the price.

Violations and Fines

Tobacco products that are not properly marked may be seized and forfeited.

It is an offence for you to have more than 1,000 cigarettes or tobacco sticks, more than 1,000 grams of fine cut tobacco, cigars containing more than 1,000 grams of tobacco or any combination containing more than 1,000 grams of tobacco unless you:

- have a permit; or,
- are a licensed wholesaler, licensed importer, retailer or marking permit holder or are holding the tobacco on behalf of any of them.

The general penalty for committing an offence under The Tobacco Tax Act, 1998 is, in the case of an individual, a fine of up to \$10,000, two-years imprisonment, or both. A corporation is subject to a fine of up to \$50,000 and any corporate officers or directors who participated in an offence by the corporation are also liable to be prosecuted. In addition, the convicting judge is required to impose an additional fine equal to two times the amount of any tax evaded.

The Tobacco Tax Act, 1998 includes a provision which prohibits persons from purchasing, possessing, storing or selling tobacco products in Saskatchewan that are marked for sale in another jurisdiction. This provision does not apply to the personal exemption limit for tobacco imports or where the Saskatchewan tax has been accounted for prior to bringing the tobacco into the province and arrangements have been made with Finance to obtain the proper markings.

Finance works closely with Canada Revenue Agency, Health Canada, tax administrators in other provinces, the RCMP and other enforcement agencies to detect and curb tobacco smuggling. The tobacco marking program is an important enforcement measure in this regard.

Enforcement officers visit retailers and inspect the premises for unstamped cigarettes and compliance with the legislation. Given reasonable grounds, enforcement officers may also, without a warrant, detain and examine the content of vehicles. If the person fails to produce required documentation, tobacco may be seized, impounded, held and disposed. Enforcement Officers can lay charges under the *Summary Offences and Procedures Act*.

F. TAX REFUNDS AND CREDITS

Tobacco Stolen from a Wholesale or Retail Outlet

In order to receive a credit/refund of tax on tobacco that is stolen from a wholesale or retail outlet, the claimant must submit the following documents to Finance:

1. copies of the actual invoices relating to the stolen tobacco;
2. a police file number (in the absence of a police file number, an affidavit including a report on the details and quantities of tobacco stolen may suffice); and,
3. a copy of the insurer's report or letter that establishes that the insurer has accepted liability for the stolen product.

In the case of a wholesaler, the amount of the claim that is approved by Finance may be deducted from the next monthly tax remittance.

In the case of a retail dealer, Finance will reimburse the retailer directly for the approved amount of their claim.

Tobacco Products Destroyed by Flood or Fire

The procedures and requirements for a wholesale or retail outlet to follow in claiming reimbursement for the tax on tobacco products that are destroyed by flood or fire are the same as when tobacco is stolen, except an affidavit with the details surrounding the loss is required instead of a police report.

Damaged and Stale-dated Tobacco Products

To receive credit for the tax on damaged or stale-dated tobacco products, the tobacco must be returned to the manufacturer; or if it is to be destroyed, Finance must be notified in advance.

Where the product is returned to the manufacturer, the manufacturer must make the appropriate deduction on their monthly report to Finance.

G. TAX TIPS LINE

When a business or individual does not comply with provincial tax legislation, businesses face unfair competition and a burden is placed on all taxpayers who do comply. It causes significant loss in the revenue available to fund services such as health, education and other important government programs.

Tax Tips Line provides an anonymous, fully confidential way for the public to report businesses or individuals who are participating in tax fraud. If you suspect that a business or individual is being dishonest with their provincial taxes or is misrepresenting their activities to reduce their taxes, you can report them using Tax Tips Line.

Please visit our website at www.sets.saskatchewan.ca to find out more regarding types of tax fraud and the information to report, if possible.

Tax Tips Line is specifically and solely for information related to provincial tax compliance. Any unrelated inquiries or information will not be addressed by the Tax Tips Line, and should be directed to the appropriate organization.

How to Report:

- 1) Toll-free 1-833-334-8477
- 2) Write: Ministry of Finance
Revenue Division
PO Box 200
REGINA SK S4P 2Z6
- 3) [Online Form Submission](#)

FOR FURTHER INFORMATION

Write: Ministry of Finance
Revenue Division
PO Box 200
REGINA SK S4P 2Z6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

Email: sasktaxinfo@gov.sk.ca

Internet: Tax bulletins, forms and information are available at www.sets.saskatchewan.ca/taxinfo.

To receive automatic email notification when this or any other bulletin is revised, go to www.sets.saskatchewan.ca/subscribe.

To provide feedback or suggest changes to this bulletin, please complete a [Bulletin Survey](#).

Government website: Saskatchewan.ca