



Ottawa, July 1, 2003

CUSTOMS NOTICE N-521

Denatured Alcohol and Specially Denatured Alcohol – *Excise Act, 2001* and the Commercial Import Sampling Initiative (CISI)

Excise Act, 2001 Implementation

1. The *Excise Act 2001* is scheduled to be implemented nationally on July 1, 2003. Bill C-47, the legislation to implement the *Excise Act, 2001* was introduced in the House of Commons on December 6, 2001, and was given Royal Assent on June 13, 2002.
2. The new legislation and resulting proposed amendments in the *Customs Tariff* will impact the clearance of industrial alcohol shipments. Key changes relating to the CISI are:
 - (a) An amendment to tariff classification number 2207.20.11.00 to refer specifically to specially denatured alcohol as outlined in the *Excise Act, 2001*.
 - (b) A new tariff classification number, 2207.20.12.00, which applies to denatured alcohol as outlined in the *Excise Act, 2001*.
 - (c) Importers of alcohol reported as 2207.20.11.00, 2207.20.19.00 and 2207.20.90.00 now require authorization (in the form of permit or registration) from Regional Tax Services Offices, Excise Duty and Taxes.
 - (d) Fees will be payable by importers for sampling and testing.
3. Excise authorization will come in the form of an electronic endorsement validated in ACROSS (the client's business number must be endorsed for the HS code reported). Where a client is not endorsed as required, the shipment will be denied entry.

4. Under the proposed legislation, current Excise licensees and permit holders will be required to apply for one or more of the new types of licences or registrations. ***Clients must contact the nearest regional Excise Duty office to ensure that they comply with their new obligations under the Excise Act, 2001.*** Phone numbers and addresses of regional Excise Duty offices are listed in Appendix A to this notice. Clients can also obtain information from the CCRA website www.ccra-adrc.gc.ca/menu/EmenuKXC.html.

5. Where bulk spirits are properly denatured into denatured alcohol or specially denatured alcohol, the goods are relieved of excise duty. The sampling program has been re-engineered to provide importers of denatured alcohol and specially denatured alcohol with third-party sampling prior to release to ensure that goods are properly denatured. The sampling program also provides an improved import process to expedite the movement of shipments. The sampling requirement will be waived on a risk-managed basis taking into account the importer's compliance record and volume of shipments, in accordance with subsection 68(3) of the *Excise Act, 2001*. The requirement to provide samples will be waived for clients that are considered low risk. The risk-managed approach allows the CCRA to better utilize resources while facilitating the movement of low risk shipments for importers.

Sampling Fees

6. Subsection 68(4) of the *Excise Act, 2001* provides the CCRA with the authority to charge a fee for the sampling and testing of shipments of denatured alcohol and specially denatured alcohol. Customs Notice N-467, *Denatured Alcohol and Specially Denatured Alcohol – Phase 2 of the Commercial Import Sampling Initiative (CISI)*, issued on September 3, 2002 and *Highlights for Users of Specially Denatured Alcohol*, User Series – C3 2003, advised clients that fees would be applicable on July 1, 2003 with the implementation of the *Excise Act, 2001*. This document was published March 28, 2003 on the CCRA web-site identified in paragraph 4.

7. Fees will not be assessed at this time until a fee proposal is finalized.

CISI

8. Customs Notice N-492, *Sampling Denatured Alcohol and Specially Denatured Alcohol – Commercial Import Sampling Initiative (CISI)*, issued on January 7, 2003, informed clients that the new sampling program would be implemented on January 15, 2003 and to contact their local customs office for sampler information.

9. As of July 1, 2003, the sampler for Southern Ontario Region is:

ITS Caleb Brett Canada
Telephone: (905) 529-0090
(905) 962-2723

10. Sampler information for the remaining regions will be available as contracts for the CCRA sampling service provider are finalized.

11. The CISI applies to goods declared as denatured alcohol or specially denatured alcohol shipped in containers with a capacity exceeding 100 litres. Prior to July 1, the CCRA sampled shipments in containers with a capacity exceeding 20 litres.

12. To minimize delays, it is recommended that clients notify the CCRA sampler of the expected arrival time of their shipment at least two hours in advance.

13. **For all entries**, clients must include the following information in the release package or entries may be rejected. **For rail shipments, this information must be placed in the description field for release data transmitted by EDI.** The additional information required is:

- (a) strength of the alcohol by percent volume at 20oC;
- (b) denaturants and their quantities;
- (c) other material(s) or substance(s) added, excluding water;
- (d) alcohol grade designation (both the Canadian alcohol grade and/or country of export grade);
- (e) end-use, if specially denatured alcohol; and
- (f) valid excise permit number, if specially denatured alcohol.

14. The procedures for the sampling program are outlined in Customs Notice N-492 mentioned in paragraph 7.

Tariff Classification

15. Alcohol that is denatured according to the specified grades under the *Excise Act, 2001* for specially denatured alcohol are to be classified using tariff classification number 2207.20.11.00 (see Excise Duty Circular ED204-1). Alcohol that is denatured according to the specified grades under the

Excise Act, 2001 for denatured alcohol are to be classified using tariff classification number 2207.20.12.00 (see Excise Duty Circular ED204-3). Alcohol that is denatured but not according to the prescribed grades under the *Excise Act, 2001* should be classified using tariff classification number 2207.20.19.00. Alcohol in the form of denatured spirits should be classified using tariff classification number 2207.20.90.00 (for example denatured rum). **Denatured alcohol or specially denatured alcohol should not be classified using tariff classification number 2207.20.90.00.**

16. A review of transactions from 2001 and 2002 indicates that some importers are not correctly recording information in the quantity data field of the form B3, *Canada Customs Coding Form*. For example, shipment quantities have been incorrectly recorded as one or the decimal place has been misplaced. Clients must ensure that this field contains the correct quantity of alcohol expressed in LPA (litres pure alcohol).

Information

17. Enquiries regarding the CISI can be directed to:

Paul M. Henri
Senior Project/Program Officer
Commercial Import Sampling Initiative
Trade Policy and Interpretation Directorate
10th floor, Killeany Place
150 Isabella Street
Ottawa ON K1A 0L5

Telephone: (613) 954-6931
Fax: (613) 952-4074
Email: Paul.Henri@ccra-adrc.gc.ca

18. Enquiries regarding the *Excise Act, 2001* and authorizations to import alcohol can be directed to the regional Excise Duty offices listed in Appendix A.

APPENDIX A**Regional Excise Duty Offices****Atlantic Region**

c/o Excise Duty Manager
 P.O. Box 638
 Halifax NS B3J 2T5

Telephone: (902) 426-5748
 Fax: (902) 426-7177

Quebec Region (District of Quebec)

c/o Excise Duty Manager
 Section 441 – 8
 165 de la Pointe-aux-lièvres Street
 Québec QC G1K 7L3

Telephone: (418) 649-4998
 Fax: (418) 648-5484

Quebec Region (District of Montréal)

c/o Excise Duty Manager
 305 René-Lévesque Blvd. West, 7th floor
 Montréal QC H2Z 1A6

Telephone: (514) 283-6738
 Fax: (514) 283-6154

Northern Ontario Region

c/o Excise Duty Manager
 1730 St-Laurent Blvd., 3rd floor
 P.O. Box 8257
 Ottawa ON K1G 3H7

Telephone: (613) 998-9305
 Fax: (613) 991-3236

Southern Ontario Region

c/o Assistant Director, Excise Duty
 5800 Hurontario Street
 P.O. Box 6000, Station A
 Mississauga ON L5A 4E9

Telephone: (905) 277-6476
 Fax: (905) 615-2814

Prairies Region

c/o Excise Duty Manager
 220 – 4th Avenue South East, Room 420
 Calgary AB T2G 0L1

Telephone: (403) 231-4124
 Fax: (403) 231-3033

Pacific Region

c/o Excise Duty Manager
 9737 King George Highway, 5th Floor
 P.O. Box 9070, Station Main
 Surrey BC V3T 5W6

Telephone: (604) 587-2100
 Fax: (604) 587-2162