

General Overview of the Cannabis Excise Stamps

The purpose of this notice is to provide information on the cannabis excise stamp for cannabis licensees who wish to undertake any activity involving the packaging of cannabis products, as proposed under the Excise Act, 2001. It also provides information on the transitional provisions that relate to the proposed cannabis stamping regime prior to commencement day.

The information included in this notice is for reference purposes only and does not replace the Excise Act, 2001 or its regulations. Should there be any discrepancy between the information in this notice and that contained in the Act or its regulations, the legislative provisions apply. If the information in this publication does not completely address your particular situation, you may wish to refer to the Act or its regulations, or contact your CRA regional excise duty office for additional information. These offices are listed in [Excise Duty Memorandum EDM1-1-2, Regional Excise Duty Offices](#).

To make a general enquiry on the application of excise duty to cannabis products, call 1-866-330-3304 or send an email to cannabis@cra-arc.gc.ca. (Please do not include any confidential information in your email). To request a ruling or interpretation on the application of excise duty on cannabis products, contact your regional excise duty office.

The information provided in this notice is based, in part, on proposed amendments to the Excise Act, 2001 under Bill C-74, Budget Implementation Act, 2018, No. 1, which received second reading on April 23, 2018. This legislation has been announced by the Government of Canada but has not yet been enacted by Parliament. The information in this notice is also based, in part, on the proposed amendments to the Stamping and Marking of Tobacco and Cannabis Products Regulations. Any commentary contained in this notice should not be taken as a representation by the CRA that the proposed amendments to the Excise Act, 2001 or the Regulations will eventually be enacted or adopted in their current form.

In this publication, all legislative references are to the Excise Act, 2001 (the Act), unless otherwise specified. Also, all references to the Regulations are to the Stamping and Marking of Tobacco and Cannabis Products Regulations, unless otherwise specified.

Table of Contents

Overview.....	1
General information on stamping	2
Purpose of the cannabis excise stamp.....	3
Requirement to be registered for the stamping regime	4
Requirements for cannabis licensees registered under the stamping regime.....	4
Cannabis excise stamp ordering process.....	5
Transitional rules	6

Overview

As part of the Government of Canada’s proposal to legalize, regulate and restrict access to cannabis products, the Canada Revenue Agency (CRA) would be responsible for administering and enforcing the proposed new excise duty framework for cannabis products included in Bill C-74. This framework includes proposed amendments to the Excise Act, 2001 and related regulations to impose duties that would generally apply to cannabis products sold for both medical and non-medical purposes. Cannabis products would include dried and fresh flowering material (flower), dried and fresh non-flowering material (trim), cannabis oils, as well as vegetative cannabis plant (seedling) and viable seeds (seeds) for home cultivation. Refer to the definition of **cannabis product** in [Excise Duty Notice EDN53, General Information for Cultivators, Producers and Packagers of Cannabis Products](#).

Cannabis licensees who package cannabis products should carefully review the information on stamping included in this notice. This information relates to the cannabis excise stamp and some of its security features, as well as the stamp ordering process.

General information on stamping

Under the proposed amendments to the Act, all packaged cannabis products removed from the premises of a cannabis licensee to enter the Canadian duty-paid market for retail sale would be required to have a cannabis excise stamp. Cannabis excise stamps would have specified colours indicating the province or territory in which the product is intended to be sold. The cannabis licensee who packaged the product would be responsible for determining and applying the appropriate cannabis excise stamp before the product enters into the duty-paid market.

Proposed subsection 158.05(2) of the Act would provide that only the following persons would be authorized to possess cannabis excise stamps:

- a CRA authorized stamp provider;
- the cannabis licensee, to the extent that the stamps in their possession were issued to them by a CRA authorized stamp provider; and
- any person who transports cannabis excise stamps on behalf of the CRA authorized stamp provider or the cannabis licensee that has been issued the stamps.

Proposed subsection 158.11(1) of the Act provides that no person, other than a cannabis licensee, shall dispose of, sell, offer for sale or have in their possession a cannabis product unless it is packaged and stamped to indicate that cannabis duty and, where applicable, additional cannabis duty have been paid.

However, there would be exceptions where unstamped cannabis products could be sold or offered for sale, or in the possession of certain persons. A cannabis licensee would be permitted to distribute, sell or offer for sale unstamped cannabis products to another cannabis licensee or to another person if:

- the cannabis product is exported by the cannabis licensee in accordance with the proposed Cannabis Act; or
- the cannabis product is a low-THC cannabis product or a prescription cannabis drug, as defined in the Act.

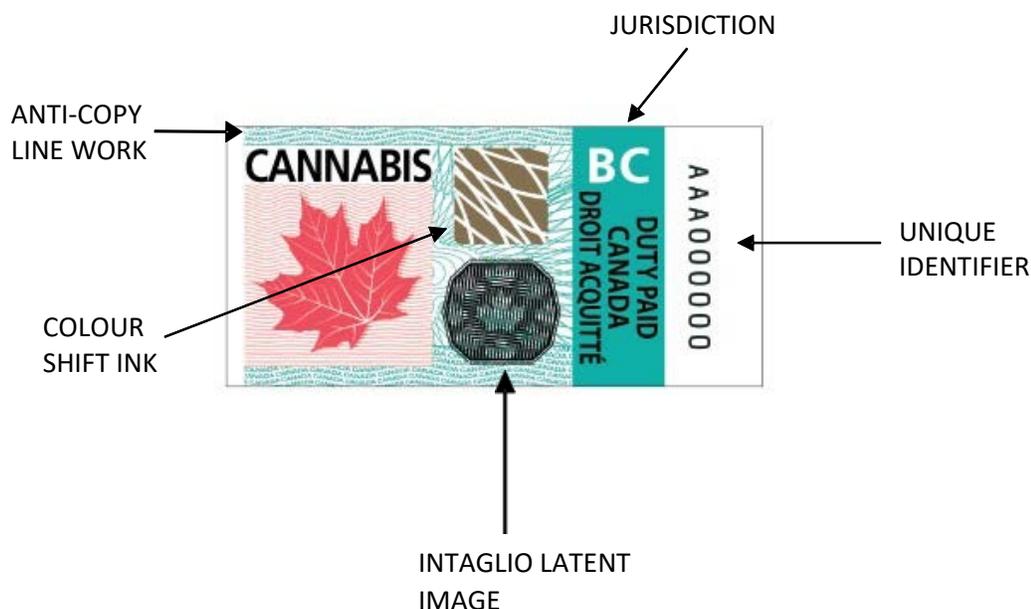
In addition, the following persons would be permitted to possess unstamped cannabis product:

- a person transporting unstamped cannabis under prescribed circumstances and conditions as proposed under the Regulations Respecting the Possession of Tobacco Products or Cannabis Products That Are Not Stamped;
- a prescribed person sterilizing cannabis products under prescribed circumstances and conditions as proposed under the Regulations Respecting the Possession of Tobacco Products or Cannabis Products That Are Not Stamped;
- an individual possessing unstamped cannabis products imported for the medical purposes of the individual, and in accordance with the Controlled Drug and Substances Act or the proposed Cannabis Act;
- a person possessing unstamped cannabis products for analysis or destruction in a manner approved by the CRA; or
- any person possessing a low-THC cannabis product or a prescription cannabis drug as defined in the Act.

Purpose of the cannabis excise stamp

The purpose of the cannabis excise stamp would be to demonstrate to consumers, retailers and other stakeholders, as well as law enforcement, that cannabis duty and, where applicable, additional cannabis duty have been paid on the packaged cannabis products entered into the Canadian duty-paid market by a cannabis licensee. The stamp would achieve this by integrating various visible features combined with overt and covert security features.

The following is an overview of certain visible features and overt security features of the proposed cannabis excise stamp.



Visible features would include the following:

- The **dimensions** of the cannabis excise stamp would be exactly 20 × 40 mm.
- The **jurisdiction** (each province and territory) would include the jurisdiction's name abbreviation as well as the jurisdiction's distinctive colour band and background.
- The **unique identifier** would be an alphanumeric identifier specific to each cannabis excise stamp and would start with 3 capital letters followed by 6 numbers.
- The **duty-paid status** would distinctively indicate that the cannabis duty and, where applicable, additional cannabis duty in respect of the particular province or territory, were paid on the cannabis product.

The overt security features would include the following:

- The **intaglio latent image** would be an engraved image that creates features with unique tactility and visual effects. On the proposed cannabis excise stamp, the letter C would be visible on minor movement of the stamp at normal viewing angles.
- The **colour shift ink** would provide that the ink shifts in colour from green to red when the proposed cannabis excise stamp is tilted. The change of colour occurs with a change of viewing angle.
- The **anti-copy line work** would provide a distinctive and unique appearance to the proposed cannabis excise stamp. Further, this feature would make it extremely difficult to replicate by copying, as the quality and clarity of the line work would not carry over to a copied document.

- The proposed cannabis excise stamp would also include **ultraviolet visible ink** that fluoresces under a commercially available black light.

Requirement to be registered for the stamping regime

Every person who wishes to package cannabis products would be required to hold a cannabis licence issued under the Act. For more information on obtaining a cannabis licence, see [EDN52, Obtaining and Renewing a Cannabis Licence](#). Every cannabis licensee required to affix a cannabis excise stamp to packaged cannabis products would be required to register under the cannabis stamping regime to purchase stamps by completing [Form L301, Registration for the Cannabis Stamping Regime](#).

Aside from the persons mentioned above, proposed subsection 158.05(1) of the Act would prohibit any other person from possessing a cannabis excise stamp that has not been affixed to a packaged cannabis product. Further to this, proposed section 158.06 states that no person shall dispose of, sell or otherwise supply, or offer to supply, a cannabis excise stamp other than in accordance with the Act.

Requirements for cannabis licensees registered under the stamping regime

Packaging and stamping of cannabis products

Proposed changes to section 2 of the Regulations provide that a cannabis product would be considered packaged when it is packaged in the smallest package — including any outer wrapper, package, box or other container — in which it is sold to the consumer.

The proposed cannabis excise stamp would be required to be affixed by the licensee to the cannabis product prior to delivery to a purchaser. The proposed amendments to section 4.2 of the Regulations would require that the stamp be affixed:

- in a conspicuous place on the package;
- in a manner that seals the package;
- in a manner that the stamp remains affixed to the package after the package is opened;
- in a manner that does not interfere with the stamp's security features; and
- in a manner that does not obstruct any information required by or under an Act of Parliament to appear on that package (for example, Health Canada requirements under the proposed Cannabis Act).

Reporting requirements

Cannabis licensees registered for the stamping regime would be required to report monthly on their cannabis excise stamp inventories by completing [Form B300, Cannabis Duty and Information Return](#).

Subsection 206(2.2) of the Act requires every person who has been issued an excise stamp to keep all records that are necessary to determine the receipt, retention, location, use or disposition of the stamp.

This requirement would apply to cannabis licensees with respect to cannabis excise stamps.

Subsection 206(7) of the Act requires every person who is required to keep records to keep them for 6 years after the end of the year to which they relate.

Cancellation and destruction of cannabis excise stamps

Proposed section 158.07 of the Act would allow the CRA to cancel a cannabis excise stamp that has been issued and direct that it be returned or destroyed in a manner specified by the CRA. Any cannabis excise

stamps that become unusable would be required to be retained by the cannabis licensee until they are verified by the CRA.

Under proposed changes to subsection 238.1(1) of the Act, a person who is issued cannabis excise stamps would be liable to a penalty if the person cannot account for the stamps as being in their possession. The penalty would apply unless the person can demonstrate that the stamps were affixed to cannabis products in accordance with the Act and that cannabis duty and, where applicable, additional cannabis duty were paid on the cannabis products or, in the case of stamps that were cancelled, the person can demonstrate that the stamps were returned or destroyed as directed by the CRA.

Pursuant to proposed paragraph 238.1(2)(b) of the Act, the amount of the penalty imposed for unaccounted for cannabis excise stamps is 5 times the total of the following amounts:

- the dollar amount set out in paragraph 1(a) of Schedule 7 to the Act (see the table “Proposed flat-rate cannabis duty rates” in [Excise Duty Notice EDN53, General Information for Cultivators, Producers and Packagers of Cannabis Products](#), which includes the proposed cannabis rates);
- if the stamp is in respect of a specified province¹, 3 times the dollar amount set out in paragraph 1(a) of Schedule 7 to the Act (see the table “Proposed flat-rate cannabis duty rates” in [Excise Duty Notice EDN53](#), which includes the proposed cannabis rates).
- if the stamp is in respect of a prescribed specified province², \$5.00.

Cannabis excise stamp ordering process

Upon receiving approval to be registered under the stamping regime, a cannabis licensee would be provided with a user name and temporary password to access the online stamp ordering system.

A cannabis licensee who is registered with the Excise Stamp Order Desk would log on to the online stamp ordering system and place an order for cannabis excise stamps by entering the assigned user name and temporary password they received. For security purposes, it is recommended that the licensee change this password when they first log into the system.

Once an order is placed, the cannabis licensee may track the status of their orders online.

The CRA would review orders received on each business day, and

- verify the eligibility of the licensee;
- verify the details of the stamp order; and
- periodically perform reconciliations of stamps to determine the level of compliance with the Act and its regulations.

Orders received by noon Eastern Time each business day would be reviewed that business day. If received after noon, the order would be reviewed on the following business day.

Once reviewed, the CRA would either:

- approve and release the order to the CRA authorized stamp provider for processing; or
- reject the order and provide justification to the cannabis licensee.

¹ A **specified province** would be a province or territory that has entered into an agreement with the Government of Canada for the coordination of cannabis taxation. Those provinces and territories have yet to be established.

² A **prescribed specified province** would be a specified province that has yet to be prescribed by regulation.

Licensees who have ordered cannabis excise stamps may select to receive a notice of approval by email at the time of registration.

A CRA authorized stamp provider receiving the approved order from the CRA would process the order according to the delivery standards set out in the supply arrangement between the stamp provider and the licensee. All shipping terms are arranged with the excise stamp provider as part of the supply arrangement.

Cannabis excise stamps would be delivered as dry (non-adhesive) individual stamps wrapped in bundles of 500.

Upon receipt of the cannabis excise stamps, the cannabis licensee's authorized shipping site must acknowledge receipt of the cannabis excise stamps. It is the licensee's responsibility to maintain appropriate records to determine the receipt, retention, location, use or disposition of the cannabis excise stamps ordered.

The CRA authorized stamp provider would issue an invoice for the cannabis excise stamps delivered at pre-established prices plus applicable taxes and delivery charges. The delivery of the cannabis excise stamps would be done through a secure process and delivery charges would also include the cost of applicable insurance.

In accordance with the contract between the CRA and the authorized stamp provider, the unit price of the cannabis excise stamp for the period April 1, 2018 to September 30, 2019 is \$0.00714.

For additional information on the cannabis excise stamp, go to [Excise duty](#) or contact the Excise Stamp Order Desk at:

Excise Stamp Order Desk
Excise Duties and Taxes Division
Canada Revenue Agency
11th floor
Place de Ville, Tower A
320 Queen Street
Ottawa ON K1A 0L5

Telephone: 1-866-330-3304
Fax: 613-954-2226
Email: excisestamp@cra-arc.gc.ca

Transitional rules

To facilitate the implementation, application, administration and enforcement of the proposed excise duty framework for cannabis products, Bill C-74 includes transitional provisions related to the proposed cannabis stamping regime.

Under the proposed transitional rules, cannabis products delivered to a purchaser before commencement day for sale or distribution on or after commencement day would be required to be stamped with the cannabis excise stamp to indicate the provincial or territorial market in which it is intended to be sold or distributed.

Commencement day is the day that cannabis would no longer be listed in Schedule II to the Controlled Drugs and Substances Act. In effect, it is the legalization date of cannabis.

Further information

For all technical publications related to the Excise Act, 2001 and its regulations, go to [Excise Act, 2001 – Technical Information](#).

To make a **general enquiry** on the application of excise duty to cannabis products, call 1-866-330-3304 or send an email to cannabis@cra-arc.gc.ca. (Please do not include any confidential information in your email). To request a **ruling or interpretation** or to make a **technical enquiry** on the application of excise duty on cannabis products, contact your regional excise duty office, listed in [Excise Duty Memorandum EDM1-1-2, Regional Excise Duty Offices](#).