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GOVERNMENT ANNOUNCES FURTHER MEASURES TO COUNTERACT TOBACCO SMUGGLING

Revenue Minister Otto Jelinek, Solicitor General Doug Lewis and Finance Minister Don Mazankowski today announced additional measures to counteract tobacco smuggling and adjustments to the initiatives announced on February 12, 1992.

The new measures result from discussions between the government, the tobacco manufacturers, Canadian and U.S. duty free shops, and bonded warehouse operators. The measures are designed to help law enforcement agencies better contain smuggling while at the same time preserving the legitimate export market for manufacturers.

Today's announcement includes the following components.

Markings

Markings on tobacco products to identify tax-paid as distinct from non-tax-paid products will be strengthened significantly.

Currently, tobacco manufacturers are required to indicate on package tear strips that federal excise duties have been paid on products for sale in the domestic market, or that products are not for sale in Canada. Under the new marking provisions, for non-tax-paid sales in Canada, such as through Canadian duty free shops, the words "Duty Not Paid Canada" will be printed in contrasting colours on the side of the package itself. In the case of exports of brands which are also sold in Canada, the words "Not for Sale in Canada" will be printed on the package.

Product Identification Codes

As a means of assisting law enforcement agencies with tracking and controlling the flow of illicit tobacco products, tobacco manufacturers will place identification codes on cartons of Canadian brands sold into the duty-free and export markets.

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Industry Undertakings

Tobacco manufacturers have agreed to make every effort to ensure that exported tobacco products are delivered to bona fide wholesalers and retailers in the United States and other countries.

Duty Free Shops

Canadian and major U.S. land-border duty free shops have agreed to limit sales of Canadian and U.S. tobacco products, commensurate with the person's entitlement to import such products into Canada on a duty- and tax-free basis (e.g. for cigarettes, sales will be limited to ~~one carton per adult customer~~). Sales of tobacco products will be limited to customers who provide satisfactory evidence that they intend to spend - or have already spent - 48 hours or more outside of Canada.

Similar limits will apply to sales of Canadian and imported tobacco products by Canadian airport duty free shops and Canadian air carriers.

Bonded warehouses will also be permitted to hold imported tobacco products duty- and tax-free for sale to duty free shops or for export.

Other Duty-Free Sales in Canada

Tobacco manufacturers will be allowed to appoint one exclusive distributor who will be permitted to operate a bonding warehouse for sales of duty- and tax-free tobacco products to diplomats in Canada. Strict controls and reporting requirements will be imposed on this distributor to ensure that tax-free tobacco products are limited to eligible members of the diplomatic community.

Sales by bonded warehouses to ships for ships' stores will be limited to reasonable quantities for consumption by passengers and crew during the voyage.

Enforcement and Penalties

Mr. Jelinck also reaffirmed today that he will soon be seeking Parliamentary approval for an increase to the criminal fines levied under the Customs Act for smuggling from the current maximum of \$25,000 to a maximum of \$200,000.

Further to the Minister's increase last fall in administrative penalties against individuals who attempt to smuggle tobacco products, Mr. Jelinck announced that, effective today, those penalties will be increased by an additional 33 per cent.

Furthermore, Customs is substantially increasing its controls over the distribution of duty- and tax-free tobacco products and is stepping up its enforcement efforts at border

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ports across the country. A significant number of additional staff will soon be assigned to the RCMP and Canada Customs to help in this effort.

The additional Canada Customs officers will be used to increase control and surveillance at border crossings that were previously staffed on a limited basis and will assist in secondary inspections of vehicles crossing the border.

Solicitor General Lewis said, "The extra RCMP officers will focus exclusively on controlling organized criminal smuggling activities."

These new resources will substantially increase the level of enforcement of both existing and new provisions aimed at deterring smuggling of cigarettes and other tobacco products into Canada.

Mr. Lewis also stated that the government would be considering amending the proceeds of crime provisions of the Criminal Code to include smuggling as an enterprise crime offence. This will allow the police to more effectively combat smuggling by creating the legal framework to seize the profits from tobacco smuggling.

Minister Jelinek said, "These additional measures will give our law enforcement agencies the tools they need to apprehend those involved in this criminal activity."

Excise Tax on Exported Tobacco

Mr. Mazankowski indicated that he intends to proceed with legislation to implement the excise tax on exported tobacco products and tobacco products for sale in duty free shops as outlined in the Notice of Ways and Means Motion tabled in Parliament on February 12, 1992. However, in view of the undertakings provided by manufacturers and distributors of tobacco products to put in place new markings, sales control policies and other measures to assist in reducing smuggling and other sales of non-tax-paid tobacco products, the government is suspending collection of the export tax. Authority will, however, be provided in enacting legislation to apply the export tax by Order of the Governor in Council.

Mr. Jelinek added, "I stated very clearly on February 12th that we would continue to look for better ways to combat the smuggling problem in cooperation with the tobacco industry. Through these measures announced today, we have found an effective way to track exports, giving law enforcement agencies a powerful weapon in their fight against smugglers."

To assist the government in responding quickly to changing circumstances, representatives of the tobacco manufacturers, members of the RCMP, and officials of Revenue Canada, Customs and Excise, and Finance Canada will meet on a regular basis to assess the effectiveness of these measures. These discussions will assist the

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