BUSINESS REPORT

REQUIREMENTS AND GUIDELINES FOR CIGAR BUSINESS IN CANADA
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GOVERNING REGULATIONS

Most Canadian provinces and almost all US states already have some form of tobacco retailer licensing system. However, in most cases licensing is intended solely to facilitate the collection of tobacco taxes and not as a health measure—to support tobacco control policies. Many municipalities in Alberta and Ontario require tobacco vendors to be licensed, and several charges a significant fee.

For the privilege to be granted and sustained, businesses must fulfill a set of requirements, which typically include paying a fee, passing a background check, undergoing mandatory training, and complying with rules regarding how the activity is carried out. An example of this is seen in the Food & Beverage industry, where it is mandatory that proprietors must obtain a liquor license to serve alcoholic beverages.

As of 2016, eleven provinces/territories in Canada require some form of tobacco retailer license. Given the legal requirement in Ontario and many other jurisdictions that the licensing fee reflects cost recovery, the fee will vary by jurisdiction size. The fees are listed as follows:

- Several dozen municipalities in Ontario and Alberta charge a licensing fee, with Ottawa, Ontario, having the highest fee in Canada, at $806/year.
- Prince Albert, Alberta, and Hamilton, Ontario are $700/year and $649/year, respectively.
To obtain licensing to start importing and selling inside Canada, the applicant will need to approach the following jurisdictions in each province/territory listed below.

<table>
<thead>
<tr>
<th>Province</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| Alberta                   | Tax and Revenue Administration  
9811 109 St.  
Edmonton, AB  
T5K 2L5                                      |
| British Columbia          | Tobacco Tax Section  
PO Box 9442 Stn Prov Govt  
Victoria BC, V8W 9V4  
Website: gov.bc.ca/tobaccotax  
Toll-Free: 1 877 388.4440  
Email: TobaccoTax@gov.bc.ca |
| Manitoba                  | Manitoba Finance  
Taxation Division  
Room 101 Norquay Building  
401 York Avenue  
Winnipeg, MB R3C 0P8  
Web Site: manitoba.ca/finance/taxation |
| New Brunswick             | Department of Finance,  
P.O. Box 3000,  
Fredericton, NB  
E3B 5G5.  
Phone: 1-800-669-7070 or e-mail wwwfin@gnb.ca. |
| Newfoundland and Labrador| P.O. Box 8720  
St. John’s, NL, Canada  
A1B 4K1  
Phone: (709) 729-6297 |
| Northwest Territories     | Tobacco Tax  
Finance Treasury  
PO Box 1320  
Yellowknife, NT X1A 2L9  
General Inquiries: 867 767 9177 ext.  
15273  
Toll Free: 800 661 0820  
Email: NWT_tax@gov.nt.ca |
| Nova Scotia               | Audit and Enforcement  
Maritime Centre, 10th floor  
1505 Barrington Street  
Halifax, NS B3J 3K5  
Phone: 902-424-6300 or if that is long  
distance,  
E-mail: taxcommission@novascotia.ca  
Website: http://novascotia.ca/sns/access/business/tax-commission  
Write: Service Nova Scotia |
| Nunavut                   | The Government of Nunavut  
P.O. Box 1000 Station 200  
Iqaluit, Nunavut  
X0A 0H0  
Toll free: 1-877-212-6438  
Tel: (867) 975-6000  
Fax: (867) 975-6099  
www.gov.nu.ca |
| Ontario                   | Ministry of Finance  
33 King Street West  
PO Box 625  
Oshawa ON L1H 8H9 |
| Prince Edward Island      | Department of Finance,  
Taxation and Property Records  
P.O Box 1150, Charlottetown, PE C1A 7M8  
Tel: (902) 368 4070  
Website: www.princeedwardisland.ca  
Email: taxandland@gov.pe.ca |
| Quebec                    | Revenue Quebec  
3800 rue de Marly  
Quebec (Quebec)  
G1X 4A5  
Website: https://www.revenuquebec.ca |
| Saskatchewan              | Ministry of Finance  
Revenue Division  
P.O Box 200  
Regina, SK  
S4P 2Z6  
Toll Free 1-800-667-6102 Regina  
(306) 787-6645  
Email: Sask.Tax.Info@gov.sk.ca |
| Yukon                     | Deputy Head, Department of Finance, Yukon Government  
Box 2703  
Whitehorse, Yukon  
Y1A 2C6 |
OTHER KEY REGULATIONS

When starting a cigar business in Canada, other essential regulations need to be considered when labelling, wording, storage, and age restrictions.

Labelling

As of February 7, 2020, Tobacco Products Labelling Regulations mandate that plain packaging is required for all tobacco products, rotating pictorial health warnings must occupy 75% of principal display areas. Cigar bundles and boxes are required to carry a health warning of a specified font size, which in some instances may be less than 30% of the principal display area. Misleading packaging and labelling, including terms such as “light” and “ultra” and other signs, is prohibited.

The principal display areas of various packages (e.g., slide and shell package, two-sided package, cylindrical packages) are outlined in Schedule 1 of the Tobacco Products Labelling Regulations (Cigarettes and Little Cigars). The contents of the health warnings for cigarettes are outlined in Part 1 of Division A of the 2011 source document, and the contents for little cigars are outlined in Part 1 of Division B of the 2011 source document.

For pipe tobacco in pouches and cigar boxes, a bilingual warning label must appear on one side and must be at least 20 cm² if the display surface is less than or equal to 149 cm² and at least 40 cm² if the display surface is greater than 149 cm². For cigar bundles, a bilingual warning label must be at least 40 cm² and be placed anywhere on the bundle, other than the top and bottom surfaces.

Health warnings must be displayed concurrently on each brand over a year. Smoked tobacco products are no longer required to bear quantitative emission yields. Instead, all packages must include a qualitative statement about toxic constituents. Schedule 2 of the Tobacco Products Labelling Regulations (Cigarettes and Little Cigars) identifies the display area of packets of cigarettes and little cigars on which the toxic emissions statement must be printed.

These provisions substantially align with FCTC Art. 11 and the FCTC Art. 11 Guidelines. However, there may be instances with cigars and pipe tobacco where the health warnings do not occupy 30% of the display area because a specified size is mandated rather than a percentage. Moreover, they are required to appear on only one principal display surface. Also, the regulations should mandate pictorial warnings for bidis, as they do for other tobacco products.

Wording

The Tobacco and Vaping Products Act contains a prohibition on the promotion of tobacco products subject to specific, limited exemptions, and there is no exemption for domestic broadcast media; therefore, advertising and promotion via any domestic broadcast medium, including TV, radio, satellite, and cable, is prohibited.
This law aligns with FCTC Art. 13 and the FCTC Art. 13 Guidelines concerning domestic TV, radio, and other broadcast media.

The Tobacco and Vaping Products Act contains a prohibition on promoting tobacco products subject to specific, limited exemptions that include allowing advertising in direct mail to an identified adult and on signage in places where young persons are not permitted by law. Therefore, advertising and promotion by domestic print media, such as pamphlets, leaflets, flyers, posters, and signs, is restricted. Such permitted advertising must not be “lifestyle advertising” or appealing to young persons.

To align with FCTC Art. 13 and the FCTC Art. 13 Guidelines, there should be a comprehensive ban on all tobacco advertising, promotion and sponsorship, including direct mail and signage in places where young persons are not permitted.

The Tobacco and Vaping Products Act contains a prohibition on promoting tobacco products subject to specific, limited exemptions. There is no exemption for domestic print media; therefore, advertising and promotion by domestic newspapers and magazines are prohibited. The law aligns with FCTC Art. 13 and the FCTC Art. 13 Guidelines concerning domestic newspapers and magazines.

**Storage**

The ideal storage condition for a cigar is approximately 70% humidity at 68 degrees Fahrenheit. Air at different temperatures will hold completely different amounts of moisture. Warm air can hold a tremendous amount of moisture. Storing cigars in a warm area will require adding water to the humidifier continuously. This will result in very spongy cigars, given that cold air holds almost zero moisture. Air with 70% humidity will be dry at freezing temperatures. The relative humidity is defined as the percentage of the maximum amount of water that air can hold at a given temperature without condensation.

As a general rule, when the air temperature is reduced from 68 degrees by one degree, the humidity should be increased by 1%, and vice versa. Therefore, if cigars are stored at 58 degrees Fahrenheit, the humidity should be kept around 80%.

Dry cigars can be moisturized but will never be quite as good as they were from the factory. It should be stored in a properly humidified environment for a very long period (6 months or more) to remoisturize a cigar.

The cigar will gradually absorb the surrounding humidity. Overhumidified cigars that have become damp should be thrown away. The binder and filler of a cigar make up about 90% of the cigar’s total mass.

Therefore, the binder and filler will also absorb over 90% of any excess humidity. When this happens, the body of the cigar swells, forcing the wrapper to expand. When attempting to dry out a damp cigar, the following will happen:

- The body shrinks rapidly.
- The wrapper will be loose and wrinkled.
- The wrapper will peel when you attempt to smoke a cigar.
Humidifying Devices

A humidifying device is any device that keeps your cigars fresh. The following products have the unique ability to give off moisture when the environment is too dry and absorb moisture if the environment is too damp.

Humidstats

This is a large piece of Oasis or synthetic clay. This is the same material that is sold in home and garden centers. The Oasis is housed in either plastic or metal grills created to disperse perfect 70-75% humidity throughout the humidor. Depending on size, they keep anywhere from 50-100 cigars fresh. They range in price from $6.00 up to $50.00. In essence, they all do the same job.

Sponges Or Paper Towels – Homemade Humidification

The least expensive way of keeping cigars fresh is as follows:

Put the cigars into a plastic food storage bag or container. For every 25 cigars stored, put a damp sponge or paper towel in the bag or container. Store the bag on a shelf or in a closet. A plastic food storage bag or a Tupperware-type container is a sealed environment that holds humidity.

The Humidor

The best way to store cigars is with humidors. The purpose of a humidor is to recreate the mild, humid climate of the Caribbean, where the cigars are made. Every humidor contains some humidifying element. Distilled water must be used with this element because tap water causes mold to form and contains minerals that can destroy some humidifiers' effectiveness.

Over some time, the molded device will alter the flavour of the cigars. It is always a good idea to check the humidor's moisture level at least once a week and make sure that no mold patches have started to form on the cigars.

If mold has started to form, the offending cigars should be removed, and the humidor should be cleaned with a dry cloth and aired out. A light-gray dusting of bloom on the wrapper is permissible because that signifies that the cigar is appropriately ageing.

Ageing Cigars

A humidor can also be used to age cigars. While ageing, cigars of the same brand should be kept together, without the cellophane, in a cedar-lined humidor. The benefit of this is to draw out any excess moisture and allow the cigars to “marry.” Marriage is when the cigars absorb each other’s oils and create one unique flavour.

The cedar will also add to the flavour of the cigars. About once a week, the humidor should be opened for a few hours to let the air hit the cigars, or they will acquire a musty taste. Another popular lining for humidors is unstained mahogany. This is a delicate lining if the user prefers not to age cigars or do not want the cedar flavour to permeate the cigars.
Mahogany-lined humidors do not have to be checked as often as cedar-lined ones because mahogany does not absorb as much moisture as cedar.

**Age Restrictions**

The legal smoking age in Canada is the age at which a person can buy tobacco products, including cigarettes. Like the drinking age, Canada's legal smoking age is set by each Canadian province and territory. Selling tobacco is tightly regulated in most areas. In Ontario, for instance, the seller (whose age is not regulated) must request identification from any person who appears to be younger than 25 and must determine that the prospective buyer is at least 19 years old before selling tobacco products to that person.

**Canada's Legal Smoking Age by Province and Territory**

Across Canada's provinces and territories, the age at which you can legally purchase tobacco is split more or less evenly between 18 and 19 years of age. Here's the breakdown by territory and province:

<table>
<thead>
<tr>
<th>Province</th>
<th>Age</th>
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<tbody>
<tr>
<td>Alberta</td>
<td>18</td>
</tr>
<tr>
<td>British Columbia</td>
<td>19</td>
</tr>
<tr>
<td>Manitoba</td>
<td>18</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>19</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>19</td>
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<tr>
<td>Northwest Territories</td>
<td>18</td>
</tr>
<tr>
<td>Nova Scotia</td>
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<tr>
<td>Nunavut</td>
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</tr>
<tr>
<td>Ontario</td>
<td>19</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>19</td>
</tr>
<tr>
<td>Quebec</td>
<td>18</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>18</td>
</tr>
<tr>
<td>Yukon Territory</td>
<td>18</td>
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ADDITIONAL REGULATIONS TO CONSIDER

Establishing a cigar business in Canada involves considering other essential factors, which include the following.

Tobacco retail dealers must:

- Sell legal tobacco products only.

- Have a valid tobacco retail dealer’s permit belonging to the tobacco product owner for each location that tobacco products are sold. Download and complete the application for a tobacco retail dealer’s permit if you do not have a valid permit.

- Only buy tobacco products from Ontario-registered tobacco wholesalers. Retail dealers can see which wholesalers are registered by getting the current tobacco tax registrant list and subscribe to receive e-alerts about tobacco tax and other topics via the ministry of the finance website.

- At their principal place of business, keep records and books of account for all tobacco product purchases and sales for seven years.

- Not sell tobacco products to a person less than 19 years old.

- Require I.D. from anyone that appears to be less than 25 years old.

- Post applicable health warning and age restriction signs.

- Sell standard packages of cigarettes and fine-cut tobacco that are marked with the on-duty paid Canada droit acquitté tobacco stamp, as seen below. The on-duty paid Canada droit acquitté tobacco stamp has the letters ‘on’ and yellow background colour:

![Tobacco stamp](image)

Tobacco inspections at your retail location:

- Ministry of Finance tobacco inspectors help retail dealers and others understand their obligations and ensure compliance with the TTA.

- Upon arrival at your business location, inspectors wear uniforms and will identify themselves by showing ministry-issued identification.

- Inspections are not announced or scheduled in advance, and no warrant is needed for the inspection.
- It is an offence to hinder or interfere with the inspection process. Inspectors have the authority to issue an offence notice with a set fine against any retail dealer or business for interfering with the inspection process.

- Tobacco inspectors follow the Regulator’s Code of Practice. They must follow service principles and standards that promote a consistent service excellence and fairness to all business owners and citizens of Ontario.

- A tobacco inspection may take up to several hours to complete.

- Inspectors will make every effort not to interrupt the retail business

- Retail staff may contact retail owners during the inspection, but it will not stop the inspection process

- Inspectors have the authority to:
  1. Inspect the entire retail location to determine the full tobacco inventory.
  2. Examine books, records and documents.
  3. Seize any illegal tobacco.
  4. Issue penalties and/or offence notices if warranted.

- The retail dealer will need to provide documents such as tobacco retail dealer’s permit, receipts, invoices and shipping documents.

- If the retail dealer cannot prove, tax was paid on the tobacco products inventory, a Preliminary Advice of Assessment stating the proposed penalty will be sent to the retail dealer.

- If illegal tobacco is found, the inspector will seize and remove tobacco products.