



# **CANNABIS FEES ORDER GUIDE**

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Government  
of Canada

Gouvernement  
du Canada

**Canada**<sup>1315</sup>

**Disclaimer:** This document is intended to provide general information assistance to industry on how to comply with the *Cannabis Fees Order*.

This document should be read in conjunction with the *Cannabis Fees Order* and the relevant sections of the *Cannabis Act* and its Regulations, as well as other applicable guidance documents. In the case of any discrepancies between this document and the *Cannabis Act*, the regulations or the *Cannabis Fees Order*, the latter three shall prevail over this document.

This document may be updated from time to time so the reader is encouraged to check back periodically.

Également disponible en français sous le titre :

GUIDE DE L'ARRÊTÉ SUR LES PRIX À PAYER À L'ÉGARD DU CANNABIS

To obtain additional information, please contact:

Health Canada  
Address Locator 0900C2  
Ottawa, ON K1A 0K9  
Tel.: 613-957-2991  
Toll free: 1-866-225-0709  
Fax: 613-941-5366  
TTY: 1-800-465-7735  
E-mail: [hc.publications-publications.sc@canada.ca](mailto:hc.publications-publications.sc@canada.ca)

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## 1.0 Purpose

This guide provides federally regulated licence holders under the *Cannabis Act* with information about the *Cannabis Fees Order*, with a focus on how Health Canada administers the annual regulatory fee and how licence holders should calculate the fee.

## 2.0 Background

The objective of the *Cannabis Fees Order* is to recover the Government's regulatory program costs under the cannabis framework by fairly charging those that benefit from the new legal market, thereby reducing costs to taxpayers.

## 3.0 Scope

This guide applies to the holders of the following licences, or applicants for those licences, which are subject to fees under the *Cannabis Fees Order*:

- Standard cultivation
- Standard processing
- Micro cultivation
- Micro processing
- Sale for medical purposes
- Nursery

Fees do not apply with respect to other licence classes under the *Cannabis Act*. For clarity, fees do not apply with respect to industrial hemp, research, analytical testing, or cannabis drug licences.

## 4.0 Fee payment procedures

For information on when fees are due and how to pay them, refer to [Fee payments under the Cannabis Fees Order](#).

## 5.0 Transactional fees

The following transactional fees are based on the average costs of specific regulatory activities:

- Application screening fee
- Security clearance fee
- Import/export permit fee

### 5.1 Application screening fee

The application screening fee recovers the costs associated with screening new licence applications, prior to an in-depth review, for those seeking a standard cultivation, processing or sale for medical purposes licence. The application screening fee is non-refundable.

**Costs** are calculated on a per application basis, as follows:

- \$3,277 per application for the following licences:
  - Standard cultivation
  - Standard processing
  - Sale for medical purposes
- \$1,638 per application for the following licences:
  - Micro-cultivation
  - Micro-processing
  - Nursery

**Exception:** If an application includes a sale for medical purposes licence and a micro-cultivation and/or micro-processing licence, the lower fee of \$1,638 applies. Similarly, where a sale for medical purposes licence and a nursery licence is sought, the fee is also \$1,638.

#### Examples: application screening fees for different combinations of licences

- An applicant who applies for a standard cultivation, a standard processing, and a sale for medical purposes licence would pay an application screening fee of \$3,277.
- An applicant who applies for a micro-cultivation, micro-processing, and sale for medical purposes licence would pay an application screening fee of \$1,638.
- An applicant who applies for a sale for medical purposes licence would pay an application screening fee of \$3,277.

## 5.2 Security clearance fee

The security clearance fee recovers costs associated with screening, processing and issuing or refusing security clearances. This fee applies to each application for a security clearance under the *Cannabis Act* for cultivation, processing and/or sale for medical purposes licences. The security clearance fee is non-refundable.

**Cost:** \$1,654 per security clearance application.

## 5.3 Import/export permit fee

The import/export permit fee recovers costs associated with screening, processing and issuing or refusing to issue an import or export permit for medical or scientific purposes. The import/export permit fee is non-refundable.

**Cost:** \$610 per permit request

## 5.4 Annual adjustment of transactional fees

The application screening fee, the security clearance fee, and the import/export permit fee will be adjusted annually by the Consumer Price Index for Canada to ensure the fees keep pace with the cost of delivering these activities.

# 6.0 Annual regulatory fee

The annual regulatory fee recovers the Government of Canada's aggregate costs of administering the cannabis regulatory program that are not covered by the transactional fees outlined in section 5. Cultivation, processing and sale for medical purposes licence holders are required to pay the annual regulatory fee each year.

This section provides licence holders with information on how to calculate the annual regulatory fee.

## 6.1 Calculating the annual regulatory fee

In general, the annual regulatory fee is calculated on a per-site basis and is based on the greater of:

1. The minimum fee as set out in the *Cannabis Fees Order*

OR

2. Cannabis revenue multiplied by the annual regulatory fee rate

[Appendix A](#) provides additional examples of how the annual regulatory fee is calculated.

### 6.1.1 Minimum fee

The minimum fee is calculated on a per-site basis, regardless of how many licences are held with respect to that site. The minimum fee is either \$23,000 or \$2,500, depending on the licence held, as shown in the following table:

Licence class	Minimum fee per licensed site
<ul style="list-style-type: none"><li>• Standard cultivation</li><li>• Standard processing</li><li>• Sale for medical purposes</li></ul>	\$23,000
<ul style="list-style-type: none"><li>• Micro-cultivation</li><li>• Micro-processing</li><li>• Nursery</li></ul>	\$2,500

**Exception:** When a sale for medical purposes licence is held in combination with a micro-cultivation, micro-processing or nursery licence, the lower fee of \$2,500 applies.

#### Examples: minimum fees based on licences held

- The following licences are held with respect to a site: standard cultivation, standard processing, and a sale for medical purposes licence. The minimum annual regulatory fee is \$23,000.
- The following licences are held with respect to a site: sale for medical purposes licence. The minimum annual regulatory fee is \$23,000\*.
- The following licences are held with respect to a site: micro-cultivation, a micro-processing, and sale for medical purposes licence. The minimum annual regulatory fee is \$2,500.

\*This example assumes that this site does not qualify for the exemption to the annual regulatory fee. For more information on the exemption, see 6.3.

## 6.1.2 Cannabis revenue

The *Cannabis Fees Order* defines cannabis revenue as:

“the amount by which the amount received from the sale of cannabis exceeds the amount paid for the purchase of cannabis from the holder of a licence for micro-cultivation, a licence for standard cultivation, a licence for a nursery, a licence for micro-processing, a licence for standard processing or a licence for sale for medical purposes.”

Based on this definition, two factors are used to determine cannabis revenue: cannabis sales and cannabis purchases.

### 6.1.2.1 Cannabis sales

Cannabis sales, as reported to Health Canada in the statement of cannabis revenue, must be in accordance with generally accepted accounting principles established by the Accounting Standards Board, the primary source of which is, in Canada, *the CPA Canada Handbook—Accounting*.

Under the *Cannabis Act*, holders of licences for cultivation, processing and sale for medical purposes are required to report their production, inventory, distribution and sales of cannabis on a monthly basis to Health Canada, via the Cannabis Tracking and Licensing System (CTLS). While the CTLS requires the quantity of cannabis sold to be reported in kilograms, litres, and/or number of plants or seeds and not the associated dollar value, the way in which transactions are reported in CTLS, should align with how cannabis sales are reported and used to calculate cannabis sales for the purposes of determining the annual regulatory fee.

#### Exceptions:

- For licences issued under the *Access to Cannabis for Medical Purposes Regulations* that continue in force under the *Cannabis Act*, any transactions that occurred prior to October 17, 2018 (the coming to force date of the *Cannabis Act*) should not be factored into the annual regulatory fee calculation. Only transactions that occurred on or after October 17, 2018 are to be included.

In terms of the dollar value ascribed, cannabis sales should:

- Be reported in Canadian dollars (CAD \$)
- Include all discounts
- Exclude all taxes, including excise duty, provincial sales tax, general sales tax or harmonized sales tax
- Exclude transportation and distribution services performed in relation to the purchase or the sale
- Exclude any revenue collected that must be remitted to a third party (such as a provincial/territorial distributor)



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### 6.1.2.2 Cannabis purchases

The amount paid for cannabis purchases is the amount the licence holder paid to purchase cannabis from another licence holder that is also subject to fees under the *Cannabis Fees Order*. This means that cannabis purchased from the following licence holders during the reporting period can be deducted from cannabis sales to determine cannabis revenue:

- Standard cultivation
- Standard processing
- Micro-cultivation
- Micro-processing
- Sale for medical purposes
- Nursery

The amount paid for the following cannabis purchases cannot be deducted:

- Cannabis purchased from foreign sources
- Cannabis purchased from holders of industrial hemp, research, and analytical testing licences
- Cannabis purchased from manufacturers or importers of health products containing cannabis<sup>1</sup>

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<sup>1</sup> Holders of all classes of licence may not necessarily be authorized to sell cannabis

### Examples: calculating cannabis revenue

For a given period, company A, which holds licences for standard cultivation, standard processing and sale for medical purposes licences for a site, had the following cannabis sales:

- \$1,500,000 to provincial or territorial wholesalers
- \$500,000 to authorized medical patients
- \$200,000 to other cannabis licence holders
- \$100,000 exported

During the same period, company A purchased \$300,000 of cannabis from other licence holders that are also subject to fees.

Therefore, company A's cannabis revenue is:

- \$2,300,000 (cannabis sales) less \$300,000 (cannabis purchases) = \$2,000,000

\*\*\*\*\*

For a given period, company B, which holds a micro-processing licence and a sale for medical purposes licence, had the following cannabis sales:

- \$500,000 to provincial or territorial wholesalers
- \$60,000 to authorized medical patients

During the same period, company B purchased \$200,000 of cannabis from other licence holders that are subject to fees, and \$100,000 from an industrial hemp licence holder that is not subject to fees.

Therefore, company B's cannabis revenue is:

- \$560,000 (cannabis sales) less \$200,000 (cannabis purchases\*) = \$360,000

*\*The \$100,000 of cannabis purchased from the industrial hemp licence holder is not eligible to be deducted for the purpose of determining cannabis revenue.*

### 6.1.3 Annual regulatory fee rate

The amount of the annual regulatory fee rate depends on the classes of licences held at a given site and the cannabis revenue. In general, if only one licence is held at a given site, the annual regulatory fee rate is calculated as follows:

<i>Licence class</i>	<i>Annual regulatory fee rate</i>
<ul style="list-style-type: none"><li>• Standard cultivation</li><li>• Standard processing</li><li>• Sale for medical purposes</li></ul>	2.3% of cannabis revenue

<i>Licence class</i>	<i>Annual regulatory fee rate</i>
<ul style="list-style-type: none"> <li>• Micro-cultivation</li> <li>• Micro-processing</li> <li>• Nursery</li> </ul>	1% for cannabis revenue of \$1 million or less; 2.3% on any cannabis revenue in excess of \$1 million

If multiple licences are held for a given site, in general, the annual regulatory fee rate is the higher rate.

**Exception:** If a sale for medical purposes licence is held in combination with a micro-cultivation, a micro-processing or a nursery licence, the lower rate (1% for cannabis revenue of \$1 million or less; 2.3% on any cannabis revenue in excess of \$1 million) applies.

#### **Examples: annual regulatory fee rates for various licence holders**

- A site includes the following licences: standard cultivation, standard processing, and sale for medical purposes. The annual regulatory fee rate would be: 2.3% of cannabis revenue
- A site includes the following licences: micro-cultivation, micro-processing, and sale for medical purposes. The applicable annual regulatory fee rate would be: 1% for cannabis revenue of \$1 million or less; 2.3% on any cannabis revenue in excess of \$1 million

## **6.2 Timing and application of the annual regulatory fee**

The annual regulatory fee is charged per site and follows the Government of Canada's fiscal year, which runs from April 1 to March 31.

Application of the annual regulatory fee depends on when the first licence takes effect for a given site. It varies according to which of three time periods the licence holder is in:

- **Entry year:** The period starting from the earliest effective date of a licence for a given site until March 31
- **First year:** The fiscal year following the entry year for the same site
- **Subsequent years:** Any year from April 1 to March 31 following the first year during which the licence holder holds a licence for the same site

<i>Fiscal year</i>	<i>Application of the annual regulatory fee</i>	<i>Timing of statements and payment</i>
<b>Entry year</b>	<p>There are two points where the annual regulatory fee is applied in the entry year:</p> <ul style="list-style-type: none"> <li>• The minimum fee for the site must be paid within 60 days of the licence being issued.</li> <li>• After March 31<sup>st</sup>, the minimum fee is reconciled against actual cannabis revenue for the entry year, and, if the amount is greater than the minimum fee that was paid, the licence holder will be required to pay the difference.</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum payment due within 60 days of earliest effective date</li> <li>• If applicable: payment of the difference between the minimum fee and the annual regulatory fee for the entry year, due no later than September 30 of the first year</li> </ul>
<b>First year</b>	<p>The annual regulatory fee is based on the daily average of cannabis revenue earned in the entry year, pro-rated over 365 days. There is no reconciliation at the end of the first year against actual revenue earned.</p>	<ul style="list-style-type: none"> <li>• Statement of cannabis revenue for the entry year, due no later than April 30 of the first year</li> <li>• Payment of the annual regulatory fee for the first year, due no later than September 30 of the first year</li> </ul>
<b>Subsequent year(s)</b>	<p>The annual regulatory fee is based on the previous year's actual cannabis revenue.</p>	<ul style="list-style-type: none"> <li>• Statement of cannabis revenue from the previous year, due no later than April 30</li> <li>• Payment of annual regulatory fee, due no later than September 30</li> </ul>

### Timing and application of the annual regulatory fee

Company C received a standard cultivation and a standard processing licence on November 2. Its entry year will therefore run from November 2 to March 31 (150 days, assuming no leap year). Its first year will start on April 1.

#### 1. Reconciling company C's minimum fee against actual revenue for its entry year

In its entry year, company C paid the minimum fee of \$23,000 within 60 days for the new site.

By April 30, the company submitted its statement of cannabis revenue to Health Canada, showing cannabis revenue in the amount of \$1,200,000 in its entry year.

Because company C holds a standard cultivation licence and a standard processing licence, its annual regulatory fee rate is 2.3%. Therefore, its annual regulatory fee is \$27,600 (\$1,200,000 times 2.3%).

By no later than September 30 of its first year, the company is required to pay \$4,600 (\$27,600 less the \$23,000 minimum fee already paid).

#### 2. Calculating company C's annual regulatory fee for its first year

Based on company C's cannabis revenue of \$1,200,000 from its entry year, company C would calculate its annual regulatory fee for its first year as follows, based on the site licence being effective for 150 days in the entry year.

- The daily average of cannabis revenue is \$8,000 (\$1,200,000 divided by 150 days)
- The pro-rated cannabis revenue for the first year is \$2,920,000 (\$8,000 times 365 days)

Based on cannabis revenue of \$2,920,000, company C's annual regulatory fee is \$67,160 for this site (\$2,920,000 times 2.3%), due no later than September 30 of its first year.


## 6.3 Exemption from the annual regulatory fee

A holder of a sale of cannabis for medical purposes licence is exempt from the annual regulatory fee so as long as all the cannabis sold during the applicable fiscal year is sold in Canada to a person that is a client or a named responsible adult or to which an exemption has been granted under section 140 of the *Cannabis Act* for a medical purpose and in relation to the cannabis or class of cannabis that is sold.

Any cannabis sales made from a site to other persons would disqualify the licence holder from the exemption and the holder would be required to pay the annual regulatory fee.

This exemption is applicable to persons who only hold a licence for sale for medical purposes, or who hold a licence for sale for medical purposes in combination with other federal cannabis licences for the same site.

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The exemption to the annual regulatory fee is contingent on:

- The responsible person for the licence submits to Health Canada, by April 30 of every fiscal year, a signed document indicating that the licence holder intends to sell cannabis during the applicable fiscal year only in Canada and only to persons defined above; and,
- The responsible person for the licence submits to Health Canada, no later than April 30 following the applicable fiscal year, a statement of cannabis revenue accompanied by a written document confirming that all of those sales were made to persons defined above.

## **6.4 Statement of cannabis revenue**

By April 30 of each Government of Canada fiscal year for as long as one or more licence subject to the annual regulatory fee are held with respect to a site, licence holders are required to submit a statement of cannabis revenue for each licensed site for the previous fiscal year. This statement must show cannabis revenue, based on the amount received from the sale of cannabis and the amount paid for the purchase of cannabis.

The statement must be prepared in accordance with generally accepted accounting principles and must be accompanied by a written document, signed by the person responsible for the financial affairs of the licence holder, certifying that the records were prepared in accordance with the standards.

Refer to [Appendix B](#) for an example of a statement of cannabis revenue form that can be submitted to Health Canada.

# Appendix A: Annual regulatory fee calculations by year

## Entry year

Company D is issued a standard cultivation licence on January 1 of a given year. This means its entry year will be 90 days (January 1 to March 31, assuming no leap year).

- Within 60 days of the licence's effective date, the company paid the minimum annual regulatory fee of \$23,000.
- During its entry year, the company is issued a standard processing licence and a sale for medical purposes licence, on the same site as the standard cultivation licence.
- Per its statement of cannabis revenue, which the company submitted by April 30, the following transactions are recorded in the entry year:
  - Cannabis sales: \$2,500,000
  - Cannabis purchases: \$300,000
- Therefore, company D's cannabis revenue is \$2,200,000 (\$2,500,000 less \$300,000) and its annual regulatory fee is \$50,600 (\$2,200,000 times 2.3%).
- As the company already paid the \$23,000 minimum annual regulatory fee within 60 days of its standard cultivation licence being issued, the balance owing is \$27,600 (\$50,600 less \$23,000), which must be paid no later than September 30.

## First year

- Company D's annual regulatory fee for its first year is based on pro-rated cannabis revenue from its entry year.
- Per its statement of cannabis revenue, company D's cannabis revenue from its entry year was \$2,200,000.
- This makes company D's pro-rated cannabis revenue from its entry year \$8,922,222 (\$2,200,000 divided by 90 days times 365 days). Its annual regulatory fee is therefore \$205,211 (\$8,922,222 times 2.3%), which must be paid no later than September 30.

## Subsequent year

- Company D's annual regulatory fee for each subsequent year is based on actual cannabis revenue from the previous year.
- In the fiscal year following its entry year, Company D's statement of cannabis revenue shows cannabis sales of \$15,000,000 and cannabis purchases of \$1,300,000.
- This makes company D's cannabis revenue \$13,700,000 (\$15,000,000 less \$1,300,000). The resultant annual regulatory fee is \$315,100 (\$13,700,000 times 2.3%), which must be paid no later than September 30.

## Appendix B: Sample statement of cannabis revenue

Company name														
Site address														
Licence(s) (including sub-classes) held at site														
Date of first effective licence under the <i>Cannabis Act</i>														
Reporting period														
	Dried cannabis		Cannabis oil		Fresh cannabis		Cannabis plants		Cannabis plant seeds		Other		Total	
	kg	\$	litres	\$	kg	\$	# of plants	\$	# of seeds	\$	kg	\$	\$	
Eligible cannabis sales	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	
Less: eligible cannabis purchases	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	
<b>Cannabis revenue</b>													<b>\$ -</b>	
<i>I, the undersigned, certify that the cannabis sales and the cannabis purchases are accurate and have been prepared in accordance with the Cannabis Fees Order.</i>														
Name														
Signature														
Title														
Date														