

SPECIAL DISTRIBUTORS ZERO-RATING PROGRAM TIP SHEET

THE ZERO-RATING PROGRAM

What is the Zero-Rating Program?

The Zero-Rating Program was established in 1999 to permit media, (CD-R Audio, CD-RW Audio, audiocassettes and MiniDiscs and in September 2003 CD-R and CD-RW) otherwise subject to private copying royalties (the “levy”), to be purchased “zero-rated” or levy free by end-users. As of January 1 2010, audiocassettes are not subject to the private copying levy and the requirements of the Zero-Rating Program do not apply to the purchase and sale of blank audiocassettes from January 1 2010 onward. As of January 1 2011, MiniDiscs are not subject to the private copying levy and the requirements of the Zero-Rating Program do not apply to the purchase and sale of blank MiniDiscs from January 1 2011 onward. The program is only available to businesses or organizations, such as:

- educational institutions
- broadcasters
- law enforcement agencies
- advertising agencies
- the music, film and video industries
- courts, tribunals and court reporters
- religious organizations
- telemarketing firms
- software companies
- duplication facilities
- medical institutions
- technology companies
- conference and training companies
- governments
- other firms duplicating audio and data for business use.

Please note that this list refers to end-users, or Buyers, of zero-rated media.

What is a “Special Distributor”?

A Special Distributor is a company that purchases media from other registered Zero-Rating Distributors, for the purpose of reselling that media blank on a zero-rated basis.

Special Distributors are required to be certified *in advance* by the CPCC in order to sell to CPCC-authorized buyers.

SPECIAL DISTRIBUTORS CERTIFICATE NUMBERS

Can you purchase blank media in Canada levy-free?

Yes.

Special Distributors may **only** purchase blank media levy-free, or “zero-rated,” from Distributors participating in the Zero-rating Program. A list of registered Distributors can be found on the CPCC web site:

<http://cpcc.ca/zrtz/public/faq.cgi?lang=EN&q=C01>

Who can a Special Distributor sell media to?

Special Distributors **may only purchase** zero-rated media for the **purpose of reselling** that same media blank, to purchasers with a valid Buyers Certificate Number.

Buyers of zero-rated media are required to be certified *in advance* by the CPCC.

If the media is sold to a customer who does not have a valid Buyers Certificate Number, **the levy must be collected and remitted to the CPCC. Special Distributors are responsible for verifying that Buyers Certificate Numbers are valid.**

What if I purchase media from a supplier in Canada who is not registered in the Zero-Rating Program?

If media is purchased from a supplier that is not registered in the Zero-Rating Program, the media purchased is not zero-rated.

What if I purchase media from a foreign supplier?

If you purchase blank media from a foreign supplier and import that blank media into Canada for blank sale or disposition, you must report this activity and pay the applicable levies under the *Private Copying Tariff*.

DUPLICATION AND INTERNAL USE OF ZERO-RATED MEDIA

As a Special Distributor, can you use zero-rated media for duplication, or replication, or for other internal use?

No.

You **cannot** use zero-rated media for the purpose of duplication or replication of data or for internal use. This is considered conversion of zero-rated media for your own business purposes. Please see either section 3 or section 5 of your Special Distributors Zero-Rating Agreement.

What if I have used zero-rated media for duplication or replication or for internal use?

If you have used zero-rated media for these purposes, you are responsible for **reporting** these dispositions to the CPCC and for **paying the levy** on all media that was purchased on a zero-rated basis. Please see either section 3 or section 5 of your Special Distributors Zero-Rating Agreement.

How do I report leviable sales or dispositions?

Reports and payments for leviable sales or dispositions must be submitted to the CPCC on a bi-monthly basis. Please contact the CPCC or see section 8 of the *Private Copying Tariff* for information on reporting requirements. A PDF of the current reporting form may be downloaded from the CPCC website.

Can I apply for a Buyers number for my duplication business or if I wish to use the media internally?

Yes.

If you wish to use zero-rated media for a purpose other than reselling that media blank, you must first apply to the CPCC to be authorized as a Buyer. Please see the CPCC web site to apply.

AUDITS

Am I subject to the audit provisions under the Tariff?

Yes.

You can be audited by the CPCC to ensure that you are accurately reporting your zero-rated purchases and sales. Companies that manufacture and import blank media are subject to the provisions of the *Private Copying Tariff*, including section 9 which grants CPCC a right of audit.

Special Distributors are also subject to this same right of audit by virtue of the Zero-Rating Agreement. Please see either sections 3(e) and 6, or sections 5 and 8 of the Special Distributors Agreement.

As a Special Distributor, can I be invoiced for the cost of an audit?

Yes.

Please be aware that if an audit discloses that amounts due to CPCC have been understated by more than 10% in any accounting period or semester, a manufacturer or importer or special distributor is responsible for paying the costs of the audit. Please see section 9(3) of the *Private Copying Tariff* and section 3(e), or sections 5 and 8 of the Special Distributors Agreement.

What records are special distributors required to keep?

It is the responsibility of the CPCC to track every piece of media purchased and sold on a zero-rated basis. You are expected to maintain sufficient records that will allow the CPCC to readily verify that all media purchased zero-rated has been sold zero-rated to an end-user validly registered in the Zero-Rating Program.

Records must be original source documents sufficient to determine all sources of supply of audio recording media, the number of media acquired and the manner in which they were disposed of. They shall include, among other things, purchase, sale and inventory records, as well as financial statements when these are reasonably necessary to verify the accuracy and completeness of the information provided to CPCC.

Please see section 9(1) of the *Private Copying Tariff* and either section 6 or 8 of the Special Distributors Agreement for a list of the type of records that are expected to be made available upon audit.