

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.

DISTRIBUTORS CERTIFICATE NUMBERS

Sellers/distributors are required to be certified *in advance* by the CPCC in order to sell to CPCC-authorized buyers. Buyers of zero-rated media are required to be certified *in advance* by the CPCC and must purchase from a CPCC-authorized seller/distributor.

A Distributors Certificate Number allows you to sell media, which you have imported or manufactured, on a levy-free or “zero-rated” basis. Distributors may only sell blank media levy-free to purchasers with a valid Buyers Certificate Number. If the media is sold blank to a customer who does not have a valid Buyers Certificate Number, the levy must be collected and remitted to the CPCC.

Can you purchase blank media in Canada levy-free?

No.

Distributors **may not** purchase blank media levy-free from other Distributors or Special Distributors participating in the Zero-rating Program.

As a Distributor, can you use blank media for duplication, or replication, or for other internal use?

Yes.

You may use blank media, imported or manufactured by you, for the purpose of duplication or replication of data or for internal use. If, however, the media is sold to a purchaser who is not registered in the zero-rating program or disposed of blank, **the levy must be collected and remitted to the CPCC.**

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.

AUDITS

Am I subject to the audit provisions under the Tariff?

Yes.

Distributors can be audited by the CPCC to ensure that they are accurately reporting dispositions of media that was imported or manufactured. Distributors that manufacture

and import blank media are subject to the provisions of the *Private Copying Tariff*, including section 9 which grants the CPCC a right of audit. Please also see either section 6 or section 8 of the Distributors Agreement. If the auditors determine that a Distributor has sold blank media that it imported or manufactured to a purchaser that is not registered in the zero-rating program, the Distributor will be required to remit the levies to the CPCC for each unit sold.

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

Yes.

Please be aware that if an audit discloses that amounts due to the 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*.

What records are 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 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 or manufactured 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 the CPCC.

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