

News Release

Federal Budget

Tobacco control advocates welcome tobacco tax hike but point to substantial room for greater increases

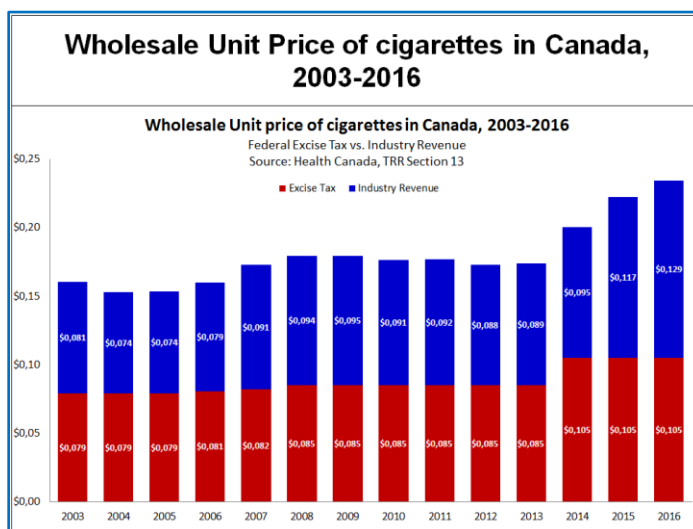
Ottawa and Montreal, February 28th 2018 — Tobacco control advocacy groups welcomed the \$1 tobacco tax increase – in addition to a \$1.29 inflation tax adjustment (for a carton of 200 cigarettes) – announced in today’s federal budget.¹ Altogether, this amounts to a \$2.29 increase per carton of 200 cigarettes, or 22.9¢ for a pack of 20. The last federal increase, as part of the June 2014 budget, amounted to \$4 per carton; there was also a 53¢/carton adjustment last year.

“We welcome the tobacco tax increase, as it is a step in the right direction. However, the margin for tax increases is much larger than the current federal tax hike. We hope the provinces will step in with tax hikes of their own and not leave the available room for price increases to manufacturers,” says **Flory Doucas**, spokesperson for the **Quebec Coalition for Tobacco Control (CQCT)**.

Indeed, over the past two years, the **CQCT** and **Physicians for a Smoke-Free Canada** have been pointing out to policymakers industry data obtained by **Health Canada**²

which show substantial room for tax increases. For example, since 2015, federal tobacco tax increased by only \$0.53. Over the same period, the average wholesale price of cigarettes has increased by \$7 to \$11.³ **Health Canada** estimated that these manufacturer price increases boosted tobacco industry revenue by \$1 billion per year.⁴

“By failing to systematically raise taxes, governments have enabled cigarette manufacturers to increase their own prices to retailers by amounts that far exceed typical tax hikes,” explains **Neil Collishaw**, **Research Director for Physicians for a Smoke-Free Canada**. *“This meant that while smokers continue to pay more for their cigarettes, that money is going straight into the pockets of Big Tobacco and not to the*



¹ **Government of Canada, Budget 2018-2019, Tax Measures: Supplementary Information**, February 27, 2018, pages 39-40. <https://www.budget.gc.ca/2018/docs/tm-mf/tax-measures-mesures-fiscales-2018-en.pdf>

² **Health Canada**, “Tobacco Sales in Canada: Key Trends”, September 2017. http://cqct.gc.ca/Documents_docs/DOCU_2017/STAT_17_09_22_HC_TobaccoSalesCanada_EN_EXCERPT.pdf

³ **Physicians For a Smoke-Free Canada, Quebec Coalition for Tobacco Control**, *The tobacco industry’s \$1 billion tax break: Health groups call on finance ministers to strengthen tobacco tax policies*, January 8, 2018. http://cqct.gc.ca/Communiqués_docs/2018/PRSS_18_01_08_CQCT_PSFC_IndustryPriceIncreases.pdf

⁴ **Robert Nugent and Gabrielle Tremblay, Health Canada**. “Wholesale cigarette prices in Canada: Industry revenue vs. Excise tax”, February 2016. http://www.smoke-free.ca/eng_home/2017/HC%20poster_price-Eng.pdf

Canadian taxpayer who is footing the bill for all health care expenditures from smoking related diseases as well as for anti-tobacco programs and efforts to fight contraband.

“It also shows that the industry’s constant fear-mongering over contraband tobacco in relation to potential or actual tax increases is completely self-serving and disingenuous.” This point is confirmed by an internal **Imperial Tobacco** document⁵ that clearly shows how the contraband issue is used by the industry’s front groups to prevent new taxes or regulations.

Inflation adjustment

The budget also announced the much-needed change with respect to the tobacco tax inflation adjustment, which will occur on an annual instead of a 5-year basis. “An annual inflation adjustment ensures that the tobacco tax does not lose its value as time progresses and, by extension, its impact on smoking behaviour. We encourage provincial governments to do the same,” adds **Ms. Doucas**.

Federal anti-tobacco funding

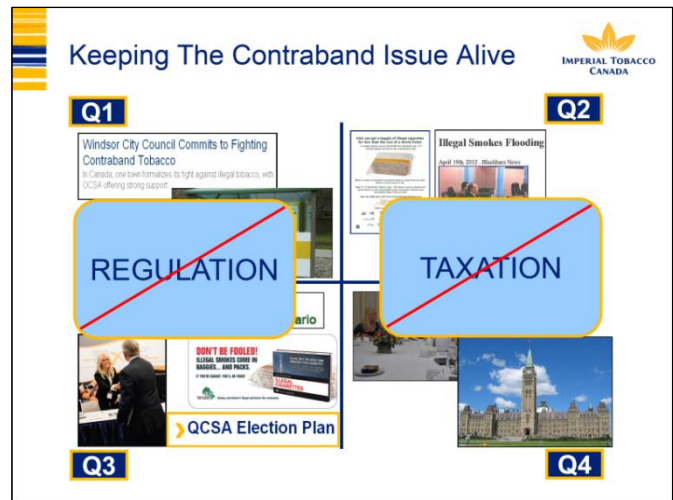
The health groups also welcomed the strengthening of the **Federal Tobacco Control Strategy** with an additional investment of \$16.1 million per year over the next five years.⁶ The extra funding will increase the federal anti-tobacco budget from \$43 to \$59 million. “The increased investment in tobacco control represents an opportunity to help stimulate the research and policy developments that are necessary to achieve the government’s ambitious target of reducing the smoking rate to less 5% by 2035,” remarks **Ms. Doucas**.

“However, we are talking about the number one cause of preventable disease and death in our society. The new budget, while an improvement, falls short of the \$100 million dollars that were budgeted for the Strategy in its heyday in the early 2000s.”⁷

In a report commissioned by **Health Canada**, the **Conference Board of Canada** estimated that tobacco use in **Canada** results in 45,000 deaths, as well as \$16 billion direct and indirect costs each year.⁸

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⁵ **Imperial Tobacco Canada**, *CORA AIT Strategy: Raising Public Awareness & Demanding Government Action*, August 2012. http://cgct.gc.ca/Documents_docs/DOCU_2012/INDU_12_08_00_ImperialTobacco_CORA_strategy.pdf

⁶ **Government of Canada**, *Budget 2018-2019, Tax Measures: Supplementary Information*, February 27, 2018, pages 39-40. <https://www.budget.gc.ca/2018/docs/plan/budget-2018-en.pdf>

⁷ **Government of Canada**, "Federal Tobacco Control Strategy 2001-2011- Horizontal Evaluation". <https://www.canada.ca/en/health-canada/corporate/about-health-canada/accountability-performance-financial-reporting/evaluation-reports/federal-tobacco-control-strategy-2001-2011-horizontal-evaluation.html#a32>

⁸ **Conference Board of Canada**. "Smoking Costs Canadian Economy More Than \$16 Billion In 2012", press release, October 16, 2017. [http://www.conferenceboard.ca/press/newsrelease/2017/10/16/smoking-costs-canadian-economy-more-than-\\$16-billion-in-2012?AspxAutoDetectCookieSupport=1](http://www.conferenceboard.ca/press/newsrelease/2017/10/16/smoking-costs-canadian-economy-more-than-$16-billion-in-2012?AspxAutoDetectCookieSupport=1)

APPENDIX

Tax and price increases since federal election

	2016		2017		2018	Total Increase
	January – July	August – December	January – July	August – December	January	
Tax increase						
• Federal ⁹			\$0.53			\$0.53
• Ontario ¹⁰	\$3.00		\$2.00			\$5.00
• Quebec ¹¹						\$0.00
Price increase						
Premium						
• Du Maurier (ITL)	\$2.60		\$3.15		\$1.50	\$7.25
• Vogue (ITL)	\$3.40		\$3.90	\$1.75	\$2.00	\$11.05
• Benson & Hedges (RBH)	\$2.92	\$1.00		\$3.80	\$0	\$7.72
• Export A (JTIM)	\$2.60	\$1.00	\$3.15		\$1.50	\$8.25
Mid –tier						
• Peter Jackson (ITL)	\$1.60		\$3.65		\$2.00	\$7.25
• Matinée (ITL)	\$3.60		\$5.65		\$2.00	\$11.25
• Canadian Classics (RBH)	\$1.92	\$1.00	\$3.65		\$2.00	\$8.57
• Number 7 (RBH)	\$2.42		\$2.40		\$2.00	\$6.82
• Macdonald Select (JTIM)	\$3.10	\$1.00	\$3.15		\$1.50	\$8.75
Budget						
• Pall Mall (ITL)	\$2.10		\$3.90		\$2.00	\$8.00
• John Player Special (ITL)	\$3.40		\$3.85		\$2.00	\$9.20
• NEXT (RBH)	\$2.74		\$3.65		\$0.27	\$6.66
• Philip Morris (RBH)	\$2.10		\$4.15		\$2.00	\$8.25
• LD (JTIM)	\$3.60		\$4.15		\$2.00	\$9.75

9 Government of Canada, "Excise duty and additional duty on tobacco products", *Rates of Excise Duty*, 2014. http://www.cra-arc.gc.ca/E/pub/em/edm1-5-1/edm1-5-1-e.html#_Toc396464390

10 Government of Ontario, *Tobacco tax rates*, 2017. <https://www.ontario.ca/data/tobacco-tax-rates>

11 Revenu Québec, *Tobacco Tax Rate Table*, 2014. [http://www.revenuquebec.ca/documents/en/formulaires/ta/TA-1-V\(2014-06\).pdf](http://www.revenuquebec.ca/documents/en/formulaires/ta/TA-1-V(2014-06).pdf)