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TOBACCO TAXES: MONITORING UPDATE

What Is the Issue?

Taxation is a policy tool used to increase the retail price of tobacco products in order to decrease their economic accessibility. Surveys of Canadian adults show a positive relationship between higher cigarette price and the odds of being a nonsmoker and of smoking less (Stephens et al. 2001). Ahmad and Franz (2008) project that if taxes were raised to produce a 40% increase in cigarette price, the prevalence of U.S. adult smoking would decrease from 21% in 2004 to 15% in 2025. Youth responsiveness to price depends on age, sex, family characteristics, peer influence and school status (Auld 2005). Carpenter and Cook (2008) estimate that a tax increase of \$1.00 U.S. would reduce smoking prevalence among U.S. youth from 30% to 24%.

Ontario

Effective July 1, 2010, Ontario implemented a Harmonized Sales Tax (HST), which affects tobacco products. The HST includes the federal 5% Goods and Services Tax (GST) plus an 8% Provincial Sales Tax (PST), for a total HST of 13% on tobacco products in Ontario. Implementation of the HST raises the provincial tax on a carton of 200 cigarettes in Ontario from \$24.70 to \$29.80. Nevertheless this is still \$12.13 below the average of the other provinces and territories (\$41.93) and the third lowest tax on a carton of 200 cigarettes among all provinces and territories (Table 1). The last provincial tobacco tax increase in Ontario was on February 1, 2006 (Table 2). The total tax on a carton of 200 cigarettes in Ontario is about \$49.99, which is the sum of the provincial tobacco tax (\$24.70), the federal tobacco tax (\$17.00), the federal component of the HST (\$3.19) and the provincial component of the HST (\$5.10). (Computation of HST includes an estimated production cost of \$22.00 per carton.) In 2009, 45% of Ontario adults said cigarette taxes should be increased.¹

International Jurisdictions

The World Health Organization (2005), the Institute of Medicine (2007) and the Royal College of Physicians (2008) see increased tobacco taxes as essential to tobacco control. On April 1, 2009, the U.S. federal government raised the U.S. federal tax on 200 cigarettes from \$3.90 U.S. to \$10.07 U.S. to apply across the country, including native reserves.² As of May 1, 2010, the U.S. states with the highest state excise tax on 200 cigarettes were Rhode Island (\$34.60 U.S.), Connecticut (\$30.00 U.S.) and New York (\$27.50 U.S.).³ As of May 20, 2010, the Australian federal excise duty on 200 cigarettes was \$65.55 Australian (\$55.56 U.S.) plus an estimated \$10.16 GST, for a total estimated tax of \$75.71 Australian.⁴

¹ 2009 CAMH Monitor Survey, "Panel A" Jan-Jun 2009 ($n = 1035$), analysis by OTRU

² <http://www.tobaccofreekids.org/research/factsheets/pdf/0343.pdf>

³ <http://tobaccofreekids.org/research/factsheets/pdf/0097.pdf>

⁴ Australian tax figures courtesy of Cancer Council Victoria

Table 1: Provincial, Territorial and Federal Tax on Cigarettes and Roll-Your-Own, July 1, 2010

Jurisdiction ^a	200 Cigarettes	200 Roll-Your-Own (100g)
Northwest Territories	\$54.80	\$18.60
Nova Scotia ^b	\$51.24 (\$43.04)	\$23.43 (\$20.00)
Manitoba ^c	\$46.60 (\$41.00)	\$21.86 (\$19.50)
Saskatchewan ^c	\$46.05 (\$42.00)	\$22.76 (\$21.00)
Prince Edward Island ^d	\$44.90	\$16.01
Newfoundland and Labrador ^b	\$44.16 (\$38.00)	\$35.70 (\$32.00)
British Columbia ^b	\$42.32 (\$37.00)	\$20.79 (\$18.50)
Yukon	\$42.00	\$21.00
Nunavut	\$42.00	\$14.00
Alberta ^d	\$40.00	\$30.00
Ontario^b	\$29.80 (\$24.70)	\$14.48 (\$12.35)
New Brunswick ^b	\$28.50 (\$23.50)	\$10.31 (\$8.49)
Québec ^d	\$20.60	\$10.30
AVERAGE Provincial/Territorial Tax, excluding Ontario	\$41.93	\$20.40
Federal ^e	\$20.85 (\$17.00)	\$7.43 (\$5.79)

^a Provinces and territories are ordered from highest to lowest tax on 200 cigarettes

^b Effective July 1, 2010, the NS provincial component of the HST increased from 8% to 10% and BC/ON began to implement HST; for NS/NL//BC/ON/NB, the tax rate without HST is in parentheses

^c MB/SK rates include Provincial Sales Tax (PST); tax rate without PST is in parentheses

^d There is no PST on tobacco products in PE/AB/QC

^e The federal tobacco tax without GST is in parentheses; the federal GST is 5% of the retail price, which varies by province

Source: Taxation authorities, courtesy of Canadian Cancer Society; PST/HST/GST computations by OTRU; cents rounded to two decimal places

Table 2: Most Recent Provincial, Territorial and Federal Tax Increases on a Carton of Cigarettes, July 1, 2010

Jurisdiction ^a	Date	Tax Increase on 200 Cigarettes
Northwest Territories	Apr 1, 2010	\$1.20
Newfoundland/Labrador	Mar 30, 2010	\$2.00
Saskatchewan	Mar 25, 2010	\$5.40
Manitoba	Mar 23, 2010	\$4.00
Nova Scotia	Jun 23, 2009	\$10.00
Prince Edward Island	Apr 17, 2009	\$5.00
Alberta	Apr 8, 2009	\$3.00
British Columbia	Feb 18, 2009	\$1.20
Yukon	Jul 1, 2008	\$15.60
Federal	Jan 1, 2008	\$0.59
Nunavut	Dec 15, 2006	\$10.80
Ontario	Feb 1, 2006	\$1.25
Québec	Dec 5, 2003	\$2.50
New Brunswick	Dec 10, 2002	\$4.00

^a Ordered by most recent tobacco tax increase

Source: Taxation authorities, courtesy of Canadian Cancer Society; cents rounded to two decimal places

Comments and suggestions are welcome and can be sent to lise_anglin@camh.net

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