



October 10, 2007

FACT SHEET 1.5: TOBACCO TAXES

What Is the Issue?

Taxation is a policy tool used to increase the retail price of tobacco products thereby decreasing their economic availability. Higher price discourages uptake of smoking behaviour among young persons (Zhang et al. 2006) and encourages quitting among smokers. A multi-level analysis of Canadian survey data reveals a strong positive relationship between increased price of tobacco and the odds of being a nonsmoker and of smoking less, for both men and women (Stephens et al. 2001). In its endorsement of taxation as a method of tobacco control, the Institute of Medicine (2007) recommends the indexing of tax increases to inflation as well as the use of tobacco excise tax revenues to fund tobacco control programs.

Ontario

The Ontario government has made a commitment to raise taxes on tobacco products to the national average, i.e., the average tax of all provinces and territories minus Ontario. In 2005-2006, Ontario increased the tax on 200 cigarettes by \$1.25 (Table 1.5a), resulting in a total tax of \$24.70 (Table 1.5b). This is the second lowest tax on a carton of cigarettes among all provinces and territories. In contrast to the \$1.25 increase in Ontario, the most recent tax increases on a carton of cigarettes in Nunavut, Alberta and Nova Scotia were \$10.80, \$5.00 and \$2.00, respectively. In 2005-2006, Ontario also increased the tax on 200 roll-your-own cigarettes by \$0.63, resulting in a total tax of \$12.35. This is the fourth lowest tax on roll-your-own cigarettes among all provinces and territories. Given the impressive reach and efficacy of taxation and price in controlling tobacco, the annual OTRU Monitoring and Evaluation Series (e.g., OTRU 2006) consistently recommends tax increases and elimination of the price advantage for roll-your-own cigarettes. According to the 2006 CAMH Monitor survey, 40% of Ontario adults believe taxes on cigarettes should be increased; 34% believe taxes on cigarettes should remain the same; and 19% believe taxes on cigarettes should be decreased.

International Jurisdictions

Article 6 of the Framework Convention on Tobacco Control (FCTC) recognizes tax measures as an effective means of reducing demand for tobacco products. Parties to the FCTC are encouraged to implement tax policies that promote national health objectives and to report periodically on their rate of taxation of tobacco products. Among other nations, Poland, South Africa and Thailand are three examples of countries that have had notable success in controlling tobacco by means of taxation (Blecher and van Walbeek 2004).

References

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Stephens T, Pederson LL, Koval JJ, Macnab J. Comprehensive tobacco control policies and the smoking behaviour of Canadian adults. *Tobacco Control* 2001;10:317-322.

Zhang B, Cohen J, Ferrence R, Rehm J. The impact of tobacco tax cuts on smoking initiation among Canadian young adults. *American Journal of Preventive Medicine* 2006;30(6):474-479.

Table 1.5a: Provincial, Territorial and Federal Tobacco Tax Increases, Cigarettes and Roll-Your-Own, by Fiscal Year

Fiscal Year	Jurisdiction	200 Cigarettes	200 Roll-Your-Own (100g)
2003-2004	NWT	\$8.80	\$3.00
	MB	\$2.00	\$1.30
	ON	\$2.50	\$1.25
	QC	\$2.50	\$1.25
	BC	\$3.80	\$1.90
	NS	\$5.00	\$2.26
	NL	\$2.00	\$5.00
	PEI	\$12.00	\$2.61
2004-2005	SK	\$3.00	\$1.50
	MB	\$4.00	\$2.00
	ON	\$3.75	\$1.88
	NL	\$2.00	\$5.00
2005-2006	ON	\$1.25	\$0.63
	NL	\$2.00	\$5.00
2006-2007	Federal*	\$0.56	\$0.19
	SK†	\$1.60	\$0.80
	NUN	\$10.80	\$5.40
	NS	\$2.00	\$1.00
2007-2008‡	AB	\$5.00	\$2.50

Note: Order by effective date (not shown) within each fiscal year

*Adjustment for GST decrease from 7% to 6%; †Adjustment for PST decrease from 7% to 5%; ‡As of April 20, 2007

Source: Taxation authorities, courtesy of Canadian Cancer Society

Table 1.5b: Provincial, Territorial and Federal Tobacco Taxes, Cigarettes and Roll-Your-Own, as of April 20, 2007

Jurisdiction	200 Cigarettes	200 Roll-Your-Own (100g)
Nunavut	\$42.00	\$14.00
Northwest Territories	\$42.00	\$13.60
Newfoundland and Labrador*	\$41.95 (\$36.00)	\$33.25 (\$30.00)
Saskatchewan*	\$40.35 (\$36.60)	\$19.74 (\$18.30)
Manitoba*	\$40.14 (\$35.00)	\$18.40 (\$16.50)
Nova Scotia*	\$38.76 (\$33.04)	\$17.05 (\$15.00)
Alberta†	\$37.00	\$18.50
British Columbia†	\$35.80	\$17.90
Prince Edward Island†	\$34.90	\$14.00
New Brunswick*	\$28.45 (\$23.50)	\$10.02 (\$8.49)
Yukon	\$26.40	\$4.68
Ontario†	\$24.70	\$12.35
Québec†	\$20.60	\$10.30
Average tax excluding ON	\$35.70	\$15.95
Federal‡	~\$20.50 (\$16.41)	~\$7.00 (\$5.59)

Notes: Order from highest to lowest tax on 200 cigarettes

*NL, SK, MB, NS and NB rates include Provincial Sales Tax (PST) and Harmonized Sales Tax (HST); tobacco tax rate without PST/HST is in parentheses; †In AB, BC, PEI, ON and QC, there is no PST on tobacco products; ‡Federal tobacco tax without GST is in parentheses; federal GST varies by province depending on provincial tobacco tax rates.

Source: Taxation authorities, courtesy of Canadian Cancer Society