



November 5, 2008

## TOBACCO TAXES: MONITORING UPDATE

### What Is the Issue?

Taxation is a policy tool used to increase the retail price of tobacco products thereby decreasing their economic accessibility. Increased price of cigarettes has been shown to be effective in reducing smoking prevalence among young persons. For example, Carpenter and Cook (2008) estimate a \$1.00 tax increase would reduce smoking prevalence among U.S. youth from 29.5% to 23.6%. Youth responsiveness to price depends on age, sex, family characteristics, peer influence and school status (student versus dropout) (Auld 2005). Ahmad and Franz (2008) project that if taxes were raised so as 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. Among Canadian adults, survey data show a positive relationship between increased cigarette price and the odds of being a nonsmoker and of smoking less (Stephens et al. 2001).

### Ontario

Ontario has the second lowest provincial tax on a carton of cigarettes (\$24.70) among all provinces and territories (Table TT.1). This is \$12.73 below the average of all provinces and territories excluding Ontario (\$37.43). The last provincial tobacco tax increase in Ontario occurred on February 1, 2006 (Table TT.2). The sum of provincial tobacco tax (\$24.70), federal tobacco tax (\$17.00) and GST (~\$3.55) on a carton of cigarettes in Ontario is about \$45.25. In a 2006 survey, 40% of Ontario adults said cigarette taxes should be increased.<sup>1</sup>

### International Jurisdictions

The U.S. Institute of Medicine (2007), the U.K. Royal College of Physicians (2008) and the World Health Organization (2005) see increased tobacco taxes as key to the success of tobacco control strategies. As of January 1, 2008, the U.S. states with the highest state excise tax on 200 cigarettes were New Jersey (\$51.50 U.S.), Rhode Island (\$49.20 U.S.) and Washington (\$40.50 U.S.). As of February 1, 2008, the Australian federal excise duty on 200 cigarettes was \$49.51 Australian (\$44.74 U.S.) plus \$7.17 GST, for a total tax of \$56.68 Australian.

### References

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<sup>1</sup> 2006 CAMH Monitor Survey, "Panel A" Jan-Jun 2006 (n = 1079), analysis by OTRU

**Table TT.1: Provincial, Territorial and Federal Tax on Cigarettes and Roll-Your-Own, July 1, 2008**

<b>Jurisdiction*</b>	<b>200 Cigarettes</b>	<b>200 Roll-Your-Own (100g)</b>
Newfoundland and Labrador†	\$42.00 (\$36.00)	\$33.54 (\$30.00)
Yukon	\$42.00	\$21.00
Nunavut	\$42.00	\$14.00
Northwest Territories	\$42.00	\$13.60
Saskatchewan‡	\$40.38 (\$36.60)	\$19.93 (\$18.30)
Manitoba‡	\$40.18 (\$35.00)	\$18.65 (\$16.50)
Prince Edward Island§	\$39.90	\$16.01
Nova Scotia†	\$38.80 (\$33.04)	\$17.34 (\$15.00)
Alberta§	\$37.00	\$18.50
British Columbia§	\$35.80	\$17.90
New Brunswick†	\$28.50 (\$23.50)	\$10.31 (\$8.49)
<b>Ontario§</b>	<b>\$24.70</b>	<b>\$12.35</b>
Québec§	\$20.60	\$10.30
AVERAGE Provincial/Territorial Tax excluding Ontario	\$37.43	\$17.59
Federal	~\$20.67 (\$17.00)	~\$7.31 (\$5.79)

\*Provinces and territories are ordered from highest to lowest tax on 200 cigarettes

†NL/NS/NB rates include provincial portion of Harmonized Sales Tax (HST); tax rate without HST in parentheses

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

§There is no PST on tobacco products in PE/AB/BC/ON/QC

|| Federal tobacco tax without GST in parentheses; federal GST varies by province depending on provincial tobacco tax rates

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

**Table TT.2: Recent Provincial, Territorial and Federal Tax Increases on a Carton of Cigarettes, September 19, 2008**

<b>Jurisdiction*</b>	<b>Date</b>	<b>Tax Increase on 200 Cigarettes</b>
Yukon	Jul 1, 2008	\$15.60
Prince Edward Island	Apr 24, 2008	\$5.00
Federal	Jan 1, 2008	\$0.59
Alberta	Apr 20, 2007	\$5.00
Nova Scotia	Mar 24, 2007	\$2.00
Nunavut	Dec 15, 2006	\$10.80
Saskatchewan	Oct 28, 2006	\$1.60
Newfoundland/Labrador	Mar 31, 2006	\$2.00
<b>Ontario</b>	<b>Feb 1, 2006</b>	<b>\$1.25</b>
Manitoba	Apr 20, 2004	\$4.00
British Columbia	Dec 20, 2003	\$3.80
Québec	Dec 5, 2003	\$2.50
Northwest Territories	Apr 1, 2003	\$8.80
New Brunswick	Dec 10, 2002	\$4.00

\*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](mailto:lise_anglin@camh.net)