



Last Updated: October 29, 2009

## 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

Ontario has the second lowest provincial tax on a carton of cigarettes (\$24.70) among all provinces and territories (Table TT.1). This is \$15.54 below the average of the other provinces and territories (\$40.24). The last provincial tobacco tax increase in Ontario occurred on February 1, 2006 (Table TT.2). In Ontario, the total tax on a carton of 200 cigarettes is currently about \$44.89, which is the sum of the provincial tobacco tax (\$24.70), the federal tobacco tax (\$17.00) and GST (\$3.19). (Computation of GST includes an estimated production cost of \$22.00 per carton.) In a 2006 survey, 40% of Ontario adults said cigarette taxes should be increased.<sup>1</sup>

### 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.<sup>2</sup> As of November 1, 2009, 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.).<sup>3</sup> As of April 23, 2009, the Australian federal excise duty on 200 cigarettes was \$51.36 Australian (\$36.62 U.S.) plus \$8.39 GST, for a total tax of \$59.75 Australian.

### References

- Auld MC. Causal effect of early initiation on adolescent smoking patterns. *Canadian Journal of Economics* 2005;38(3):709-734.
- Carpenter C, Cook PJ. Cigarette taxes and youth smoking: new evidence from national, state and local Youth Risk Behavior Surveys. *Journal of Health Economics* 2008;27(2):287-299.
- Institute of Medicine. Ending the Tobacco Problem: A Blueprint for the Nation. National Academy Press, Washington DC, 2007. [Executive summary available at: <http://www.nap.edu/catalog/11795.html>]
- Royal College of Physicians of London. Ending Tobacco Smoking in Britain: Radical Strategies for Prevention and Harm Reduction in Nicotine Addiction. Report by the Tobacco Advisory Group of the Royal College of Physicians. London, UK: Royal College of Physicians of London, 2008. [<http://www.rcplondon.ac.uk/pubs/brochure.aspx?e=259>]
- 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.
- World Health Organization. WHO Framework Convention on Tobacco Control. Geneva, Switzerland: World Health Organization, 2005. [[http://www.who.int/tobacco/framework/WHO\\_FCTC\\_english.pdf](http://www.who.int/tobacco/framework/WHO_FCTC_english.pdf)]

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

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

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

**Table TT.1: Provincial, Territorial and Federal Tax on Cigarettes and Roll-Your-Own, October 29, 2009**

Jurisdiction*	200 Cigarettes	200 Roll-Your-Own (100g)
Northwest Territories	\$53.60	\$19.20
Nova Scotia§	\$49.55 (\$43.04)	\$22.76 (\$20.00)
Prince Edward Island†	\$44.90	\$16.01
Manitoba‡	\$42.32 (\$37.00)	\$19.72 (\$17.50)
Newfoundland and Labrador§	\$42.00 (\$36.00)	\$33.54 (\$30.00)
Yukon	\$42.00	\$21.00
Nunavut	\$42.00	\$14.00
Saskatchewan‡	\$40.38 (\$36.60)	\$19.93 (\$18.30)
Alberta†	\$40.00	\$30.00
British Columbia†	\$37.00	\$18.50
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	\$40.24	\$19.61
Federal	\$20.76 (\$17.00)	\$7.39 (\$5.79)

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

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

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

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

||The 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; 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, October 29, 2009**

Jurisdiction*	Effective Date	Tax Increase on 200 Cigarettes
Nova Scotia	Jun 23, 2009	\$10.00
Prince Edward Island	Apr 17, 2009	\$5.00
Alberta	Apr 8, 2009	\$3.00
Northwest Territories	Apr 1, 2009	\$11.60
Manitoba	Mar 26, 2009	\$2.00
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
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>
Québec	Dec 5, 2003	\$2.50
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)