

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

On July 1, 2010, Ontario implemented a Harmonized Sales Tax (HST), which affects tobacco products though it is not a tobacco-specific tax. 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 raised the provincial tax on a carton of 200 cigarettes in Ontario from \$24.70 to \$29.80. Nevertheless, as of April 24, 2011, the Ontario tax on a carton of 200 cigarettes was still \$14.17 below the average of the other provinces and territories (\$43.97) and the second lowest tax on a carton of 200 cigarettes among all provinces and territories (Table 1). The last provincial tobacco-specific 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 The Tobacco Strategy Advisory Group (TSAG 2010, p. 12) recommended a substantial increase in tobacco taxes in Ontario, saying this increase should address inflation and align with tobacco tax increases in other provinces and territories. TSAG (2010, p. 41) also recommended that a proportion of provincial cigarette taxes be dedicated and invested into comprehensive tobacco control efforts.

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.

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

federal government raised the U.S. federal tax on 200 cigarettes from \$3.90 U.S. (\$3.79 CDN) to \$10.07 U.S. (\$9.78 CDN) to apply across the country, including native reserves.² As of August 3, 2010, the highest U.S. state excise taxes on 200 cigarettes were \$43.50 U.S. (\$42.26 CDN) in New York, \$34.60 U.S. (\$33.61 CDN) in Rhode Island and \$30.25 U.S. (\$29.38 CDN) in Washington.³ As of April 1, 2011, the Australian federal excise duty on 200 cigarettes was \$67.26 Australian (\$67.42 CDN) plus an estimated \$11.96 GST (\$11.99 CDN), for a total estimated tax of \$79.23 Australian (\$79.42 CDN).⁴

Table 1: Provincial, Territorial and Federal Tax on Cigarettes and Roll-Your-Own, April 24, 2011

Jurisdiction^a	200 Cigarettes	200 Roll-Your-Own (100g)
Northwest Territories	\$57.20	\$18.80
Nova Scotia ^b	\$51.24 (\$43.04)	\$23.43 (\$20.00)
Manitoba ^c	\$50.88 (\$45.00)	\$24.00 (\$21.50)
Prince Edward Island ^d	\$50.80	\$19.30
Saskatchewan ^c	\$46.05 (\$42.00)	\$22.76 (\$21.00)
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
New Brunswick ^b	\$39.84 (\$34.00)	\$15.98 (\$13.74)
Ontario^b	\$29.80 (\$24.70)	\$14.48 (\$12.35)
Québec ^d	\$21.20	\$10.60
AVERAGE Provincial/Territorial Tax, excluding Ontario	\$43.97	\$21.36
Federal ^e	\$20.94 (\$17.00)	\$7.47 (\$5.79)

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

^b On 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); the 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 and Canadian Cancer Society; computations by OTRU

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

³ For U.S. state rankings, see <http://tobaccofreekids.org/research/factsheets/pdf/0097.pdf>; conversion to Canadian dollars is based on nominal noon rates March 30, 2011, Bank of Canada <http://bankofcanada.ca/en/rates/converter.html>

⁴ Australian tax figures courtesy of Cancer Council Victoria; conversion to Canadian dollars is based on nominal noon rates March 30, 2011, Bank of Canada <http://bankofcanada.ca/en/rates/converter.html>

Table 2: Most Recent Provincial, Territorial and Federal Tobacco-Specific Tax Increases on a Carton of Cigarettes, April 24, 2011

Jurisdiction^a	Date	Tobacco-Specific Tax Increase on 200 Cigarettes
Manitoba	Apr 13, 2011	\$4.00
Prince Edward Island	Apr 7, 2011	\$5.90
Northwest Territories	Apr 1, 2011	\$2.40
New Brunswick	Mar 23, 2011	\$10.50
Québec	Jan 1, 2011	\$0.60
Newfoundland/Labrador	Mar 30, 2010	\$2.00
Saskatchewan	Mar 25, 2010	\$5.40
Nova Scotia	Jun 23, 2009	\$10.00
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

^a Ordered by most recent tobacco tax increase

Source: Taxation authorities and Canadian Cancer Society

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

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