

# Taxes on e-cigarettes in Canada

April 2024

## Summary

A federal excise tax on vaping products has been in effect since October 2022. Each provincial government has either applied its own vaping tax or has announced its intention to participate in a federal-provincial tax system. This coordinated system is not expected until July 1, 2024 for some provinces, and January 1, 2025 for others.

## Background

### Canada:

In April 2021, the federal government announced its intention to impose a specific excise tax on vaping liquids, beginning in 2022,<sup>1</sup> and in April 2022 legislation was introduced to put this into effect,<sup>2</sup> with an implementation date of October 1, 2022. All vapour products sold in Canada must have a tax stamp as of January 1, 2023.<sup>3</sup>

For vaping liquids, for the first 10 ml, the rate is \$1 per 2 ml or fraction thereof and for additional quantities it is \$1.00 for every additional 10 ml or fraction of 10 ml. For vaping solids, the same rate is charged per gram. This is effectively a minimum tax of \$1 per unit of nicotine sold and would increase the price of 4 pods (each containing less than 2ml) by \$4. In addition, GST would be charged on these products. The impact of this tax on commonly sold liquid packaging is shown in Figure 1.



The tax was adopted in the 2022 Budget Implementation Act and was applied at the manufacturing level on October 1, 2022.<sup>4</sup>

In the 2022 budget the federal government also made public that it invited “provincial and territorial counterparts to join a coordinated vaping taxation framework, under which an additional duty equal to the proposed federal rate would be applied. Total resulting revenues would be split between federal and provincial and territorial

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134 Caroline Avenue ♦ Ottawa ♦ Ontario ♦ K1Y 0S9  
www.smoke-free.ca ♦ ccallard [at] smoke-free.ca

governments on a 50/50 basis. The overall tax burden on vaping products will be regularly reviewed to ensure that important public health objectives are being met.”<sup>5</sup> The effect of this would be to double the tax rate in participating provinces. The 2022 *Budget Implementation Act* amended the *Federal-Provincial Fiscal Arrangements Act* to establish the legal framework for the *Coordinated Vaping Product Taxation Agreement*.<sup>6</sup>

The April 2024 federal budget increased the amount of the tax by 12%, i.e. from \$1 to \$1.12 for a capsule under 2 ml, or from \$2 to \$2.24 for a capsule under 2 ml in a province which participated in the coordinated tax system.

## Provincial

Prior to the federal announcement, four Canadian provinces had implemented other taxes on vaping products:

- **British Columbia** applies HST at a rate of 20% to vaping devices and liquids since January 1, 2020,<sup>7</sup> in lieu of the regular provincial sales tax.
- **Nova Scotia** applies a specific tax of \$0.50 per millilitre for liquids, and a 20% tax on devices, effective September 15, 2020.<sup>8</sup>
- **Newfoundland and Labrador** imposes a sales tax of 20% on vaping products, in addition to HST effective January 1, 2021.<sup>9</sup>
- **Saskatchewan** imposes a sales tax of 20% of vaping products (replacing a 6% sales tax), effective on September 1, 2021.<sup>10</sup>

Following the federal announcement of the Coordinated Vaping Products Taxation Agreement, provincial governments announced their intention to participate.

- In March 2022, the **Alberta** government budget indicated that the province would explore a coordinated approach with the federal government.<sup>11</sup> Alberta had announced in October 2019<sup>12</sup> that it would tax vaping products and set the tax rate at 20% in its February 2020 budget,<sup>13</sup> but the following year announced that this had been put on hold.<sup>14</sup>
- In May 2022, **Prince Edward Island** adopted legislation to allow its government to enter into an agreement with the federal government for the co-administration of vaping taxes, which is also provided for in the federal legislation establishing an excise tax on vaping products.<sup>15</sup>
- In its 2022 economic update, the **Quebec** government indicated that it was exploring a coordinated approach to taxing vaping products with the federal government, suggesting an annual revenue of \$40 million per year.<sup>16</sup>
- **New Brunswick** was reported in April 2022 to be interested in collaborating with the federal government on taxing vaping products.<sup>17</sup>
- In September 2023, the legislative assembly of the **Northwest Territories Legislative Assembly** approved a motion to participate in the federal tax.<sup>18</sup>
- In November 2023, the **Quebec** government signed an ‘Accord coordination taxation produits vapotage’, with an implementation date of July 2024.<sup>19</sup> The agreement was made public in December.<sup>20</sup>
- In December 2023, as part of its 2023 Budget bill, the **Ontario** government passed the *Vaping Product Taxation Coordination Act, 2023*.<sup>21</sup> The law ratified the agreement signed with the federal government in October, which anticipated the tax taking effect July 1, 2024.<sup>22</sup>
- In December 2023, the **PEI Minister of Finance** was authorized by enter into such an agreement.<sup>23</sup>
- In February 2024, the **Alberta** government included a commitment to participating in the coordinated federal-provincial system, suggesting that the tax could be in place by January 1, 2025.<sup>24</sup>

- In March 2024, the **New Brunswick** Government included anticipated revenues from vaping taxes in its Main Estimates, implying that this would take effect on January 1, 2025.<sup>25</sup>
- In March 2024, the **Yukon** government passed the *Coordinated Vaping Product Taxation Agreement Act*.<sup>26</sup> The law set the implementation date for January 2025.<sup>27</sup>
- In April 2024, the **Manitoba** government announced in its spring budget that it would participate in the federal vaping product tax, but would not apply the tax until January 1, 2025.<sup>28</sup>

**Table 1: Federal and provincial taxes imposed on vaping products**

Jurisdiction	Specific Tax	Ad Valorem	Sales Tax			Participating in Coordinated Fed-Prof tax
			GST	PST	HST	Expected/Actual Implementation
<b>British Columbia</b>		20%	5%			
<b>Alberta</b>			5%			E January 2025
<b>Saskatchewan</b>		20%	5%			
<b>Manitoba</b>			5%	7%		E January 2025
<b>Ontario</b>					13%	E July 2024
<b>Quebec</b>			5%	9.975%		E July 2024
<b>New Brunswick</b>					15%	E January 2025
<b>Nova Scotia</b>	\$0.50 per millilitre for liquids	20% tax on devices			15%	
<b>Prince Edward Island</b>					15%	Date not stated
<b>Newfoundland and Labrador</b>		20%			15%	
<b>Northwest Territories</b>			5%			
<b>Nunavut</b>			5%			
<b>Yukon</b>			5%			E January 2025
<b>Federal</b>	\$1.12 per 2 ml (or fraction of) for initial 10ml; \$1.12 per 10 ml (or fraction of) for additional volume per container		GST-HST reflected in provincial rates cited above			A October 1, 2022. (increased effective July 1, 2024)

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