

Taxes on rolling tobacco in Canadian jurisdictions

Background

Most Canadians who smoke cigarettes purchase manufactured cigarettes. The practice of rolling your own has diminished significantly, especially after tax reforms reduced the price-difference between self-made and manufactured cigarettes. In 2018, around 500,000 kilograms of fine-cut tobacco were sold in Canada, compared with more than 2.5 million 15 years earlier. Fine-cut tobacco represented 2% of the wholesale tobacco market value in 2018 (\$151 million, including federal excise tax which is levied at wholesale.)¹

In Canada rolling tobacco is generally referred to as “fine-cut”. Each of Canada’s major tobacco companies sells fine-cut under the same brand names as manufactured cigarettes (i.e. Players, Export A, Canadian Classic) in packages of 50 and 200 grams. They also sell branded pre-manufactured cigarette tubes (including filters) which can be used with rolling machines to assemble a cigarette from fine-cut.

Federal tax law places fine-cut tobacco in the category of “manufactured tobacco” and sets a minimum tax quantity of 50 grams. This provision was established in the 2008 budget as a way of “reducing the availability of small-sized packages [of roll-your-own tobacco] to youth.”² Provincial governments assess tax on each gram of roll-your-own tobacco sold.

A wide variation can be expected in the amount of tobacco used in each hand-made cigarette. Studies of European smokers suggest a median amount of tobacco in each is 0.75 grams,³ which would be roughly the same as the amount in a manufactured Canadian cigarette (about 0.7 grams).⁴

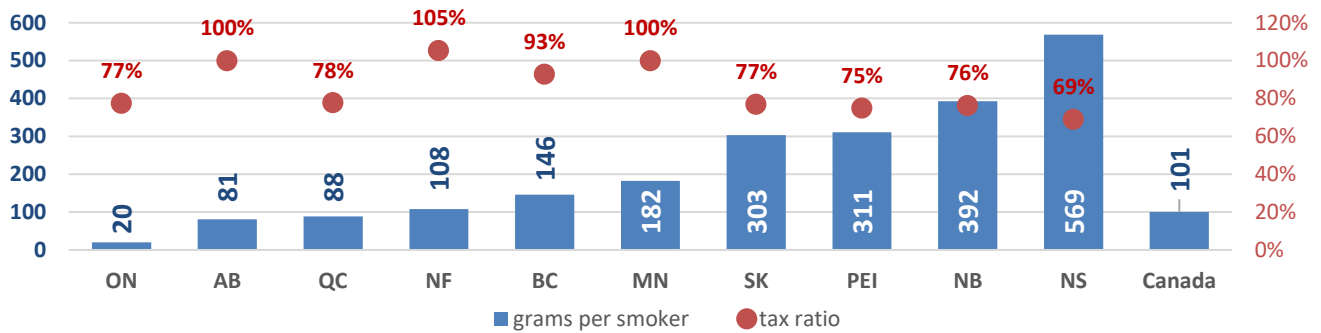
At the same weight as the tobacco in cigarettes (0.7 grams), excise taxes on hand-made cigarettes are less

than those on manufactured cigarettes in several, but not all provinces.

The tax on fine-cut is 80% or less than levied on manufactured cigarettes in 6 provinces. Generally, sales of fine-cut are higher where the taxes are relatively lower. A significant exception to this is Ontario, where sales of fine-cut are very low even though they receive a preferential tax rate. (See Figure 1)



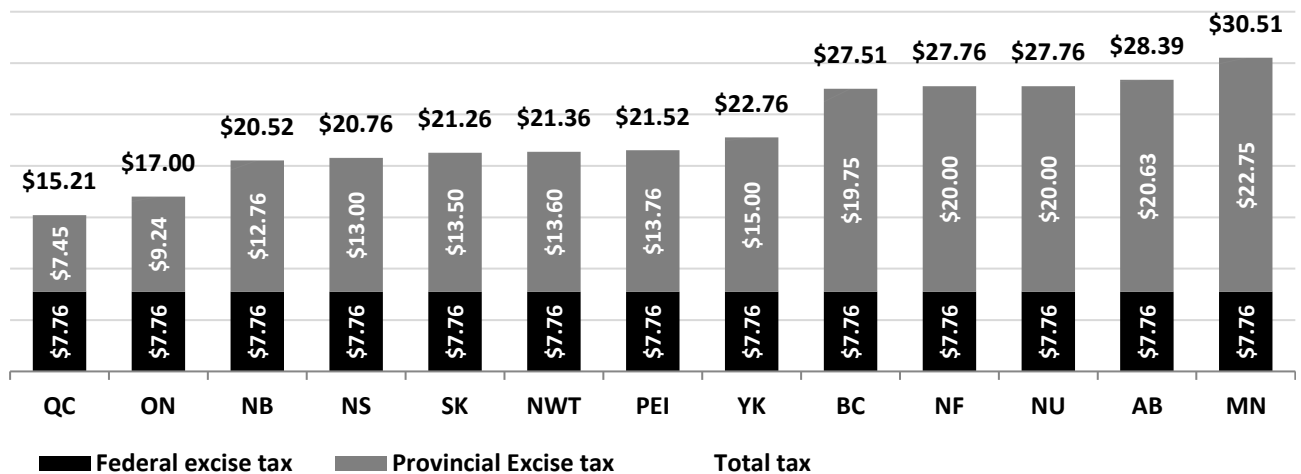
Figure 1: Grams of fine-cut sold per smoker, 2018⁵ and ratio of taxes charged on 0.70 grams of fine-cut tobacco compared to 1 cigarette.



Canadian taxes on fine-cut tobacco per 50 gram pouch and per hand-made cigarette.

	Federal Excise Tax per 50 grams ⁶	Prov. Excise per gram	Per 50 gram package	Tax per hand-made cigarette (.70g/cig)	Excise tax per manufactured cigarette ⁷
British Columbia ⁸	\$7.763	\$0.395	\$27.51	\$0.39	\$0.42
Alberta ⁹	\$7.763	\$0.4125	\$28.39	\$0.40	\$0.40
Saskatchewan ¹⁰	\$7.763	\$0.27	\$21.26	\$0.30	\$0.39
Manitoba ¹¹	\$7.763	\$0.455	\$30.51	\$0.43	\$0.43
Ontario ¹²	\$7.763	\$0.18475	\$17.00	\$0.24	\$0.31
Quebec ¹³	\$7.763	\$0.149	\$15.21	\$0.21	\$0.27
New Brunswick ¹⁴	\$7.763	\$0.2552	\$20.52	\$0.29	\$0.38
Nova Scotia ¹⁵	\$7.763	\$0.26	\$20.76	\$0.29	\$0.42
Prince Edward Island ¹⁶	\$7.763	\$0.2752	\$21.52	\$0.30	\$0.40
Newfoundland ¹⁷	\$7.763	\$0.40	\$27.76	\$0.39	\$0.37
Northwest Territories ¹⁸	\$7.763	\$0.272	\$21.36	\$0.30	\$0.43
Nunavut ¹⁹	\$7.763	\$0.40	\$27.76	\$0.39	\$0.42
Yukon ²⁰	\$7.763	\$0.30	\$22.76	\$0.32	\$0.42

Figure 2: Canadian taxes on fine-cut tobacco per 50 gram pouch



References

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- 2 Government of Canada. Federal Budget 2008. Tax Measures. Supplementary Information. <https://www.budget.gc.ca/2008/plan/ann4a-eng.html>
- 3 Gallus, S et al. Roll-your-own cigarettes in Europe: use, weight and implications for fiscal policies. *Eur. J. Cancer Prev.* 2014.
- 4 Japan Tobacco. Ingredients per product. <http://ingredients.jti.com/>. Information accessed for Expert A Full Flavour.
- 5 Number of smokers from Statistics Canada, Canadian Community Health Survey, Annual Data, 2018. Sales data on fine-cut from Health Canada. Tobacco Sales in Canada: Key Trends. August 2019
- 6 Canada Revenue Agency. Excise Duty Rates. <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/edrates/excise-duty-rates.html>.
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