

# Taxes on oral tobacco in Canadian jurisdictions

## Background

Although smokeless tobacco is banned in some countries (including most of the European Union<sup>1</sup>), it is legal for sale across Canada.

Few Canadians use smokeless tobacco. In the most recent federal government survey of tobacco behaviour, only 1% of Canadians aged 15 or over reported that they had used smokeless tobacco in the past month,<sup>2</sup> and only 0.2% reported using it once a week or more.

The value of the wholesale smokeless market in Canada (including federal excise tax) in 2018 was \$95 million (1.23% of the total tobacco market), on a sales volume of 253,000 kilograms. with virtually all of the sales (greater than 90%) in the provinces west of Quebec. Alberta is the largest market (40%), followed by British Columbia (17%, Ontario (15%), Manitoba and Saskatchewan (8% and 9%). Of these provinces, only Alberta and Ontario ban the sale of flavoured smokeless.<sup>3 4</sup>

Smokeless tobacco is taxed by each province and jurisdiction, as well as by the federal government. The tax laws in these jurisdictions mostly do not provide a separate category of taxation for smokeless tobacco, and generally include smokeless in the category of “other tobacco products.”

Federal tax law treats smokeless tobacco as a form 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.”<sup>5</sup>

Smokeless tobacco is generally packaged in quantities of less than 50 grams, and manufacturers have complained to the federal government that the minimum tax rate creates an “air tax” on the difference between the minimum tax and their package sizes.<sup>6</sup>

Since early 2020, smokeless tobacco has been required to be packaged in plain packaging. This resulted in some manufacturers (including Swedish Match) withdrawing from the Canadian market.<sup>7</sup>

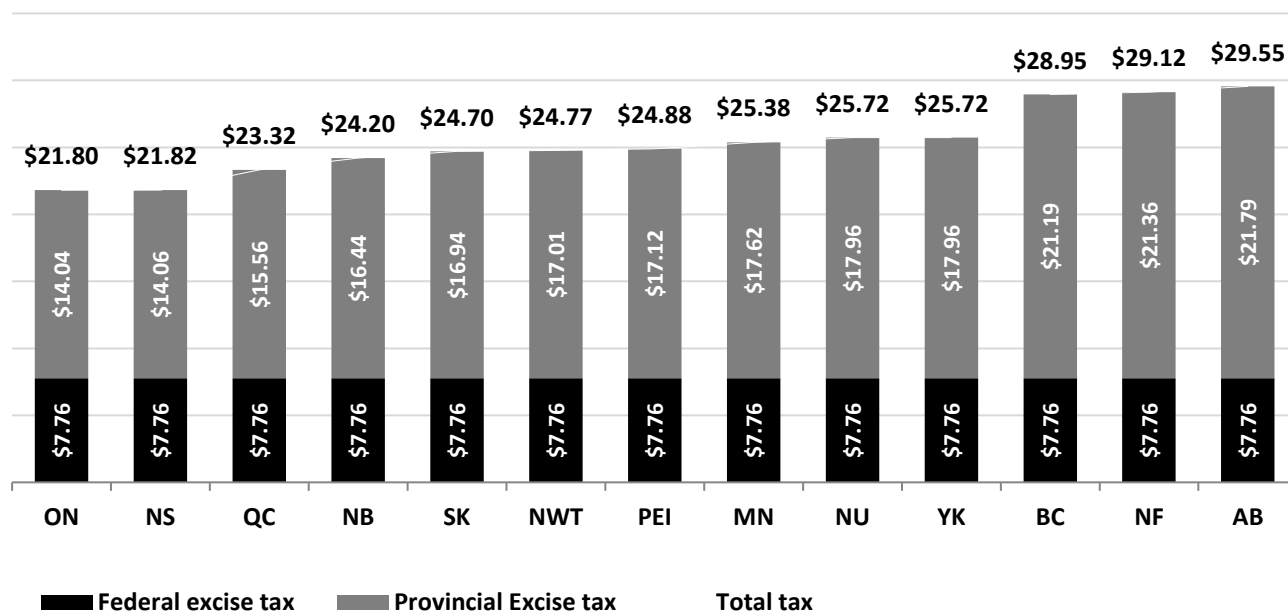
In the United States, where oral tobacco use is much greater than in Canada,<sup>8</sup> a variety of traditional and next generation products are for sale. Using a weight-based tax on newer products which use a lower weight of tobacco (such as snus) is claimed to result in significant under-taxing of some forms of oral tobacco.<sup>9</sup> The minimum 50-gram federal tax in Canada may prevent this problem here.



Another category of smokeless nicotine has been introduced to markets outside of Canada. These “modern oral” products claim to be “tobacco free- because they are made with reconstituted fibre from trees or other non-tobacco plants, to which nicotine has been added. They are available for sale on-line in Canada,<sup>10</sup> and there is no tax category established for them should they be introduced here.<sup>11</sup>

## Canadian taxes on a 34 gram tin of oral tobacco

	Federal Excise Tax per 50 grams <sup>12</sup>	Prov. Excise per gram	Total Excise taxes on a standard 34 g tin.	Tax per 1 gram pouch or portion
British Columbia <sup>13</sup>	\$7.763	\$0.395	\$21.19	\$0.85
Alberta <sup>14</sup>	\$7.763	\$0.4125	\$21.79	\$0.87
Saskatchewan <sup>15</sup>	\$7.763	\$0.27	\$16.94	\$0.73
Manitoba <sup>16</sup>	\$7.763	\$0.29	\$17.62	\$0.75
Ontario <sup>17</sup>	\$7.763	\$0.18475	\$14.04	\$0.64
Quebec <sup>18</sup>	\$7.763	\$0.2292	\$15.56	\$0.69
New Brunswick <sup>19</sup>	\$7.763	\$0.2552	\$16.44	\$0.71
Nova Scotia <sup>20</sup>	\$7.763	\$0.1852	\$14.06	\$0.64
Prince Edward Island <sup>21</sup>	\$7.763	\$0.2752	\$17.12	\$0.73
Newfoundland <sup>22</sup>	\$7.763	\$0.40	\$21.36	\$0.86
Northwest Territories <sup>23</sup>	\$7.763	\$0.272	\$17.01	\$0.73
Nunavut <sup>24</sup>	\$7.763	\$0.30	\$17.96	\$0.76
Yukon <sup>25</sup>	\$7.763	\$0.30	\$17.96	\$0.76



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