

Taxes on fine-cut (rolling) tobacco in Canada

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 2021, around 358,000 kilograms of fine-cut tobacco were sold in Canada, compared with more than 2.5 million in 2003. Fine-cut tobacco represented 1.7% of the wholesale tobacco market value in 2021 (\$128 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. Provincial data on fine-cut sales is currently not available after 2019. 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)

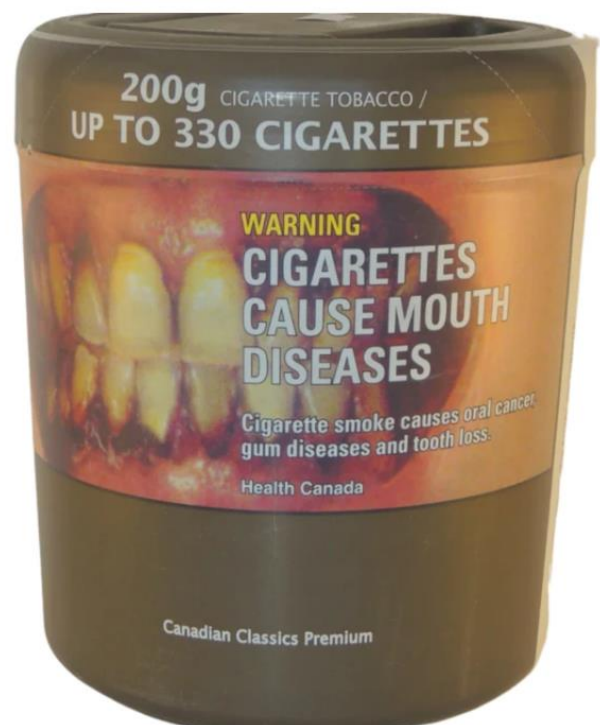
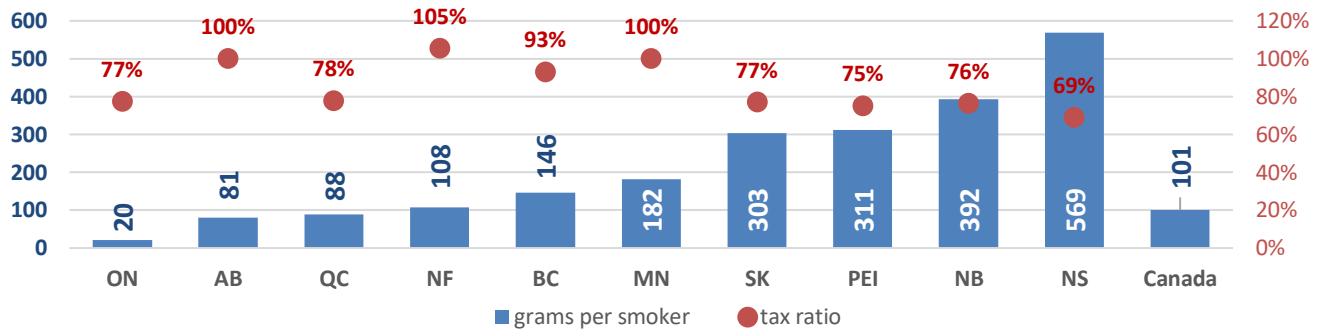


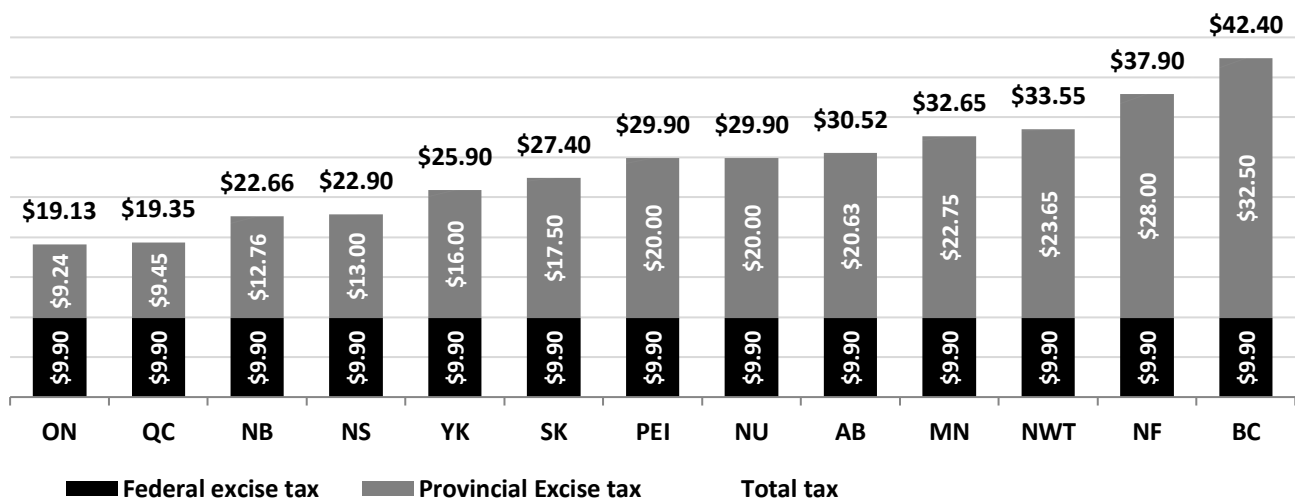
Figure 1: Grams of fine-cut sold per smoker, 2019⁵ and ratio of taxes charged on 0.70 grams of fine-cut tobacco compared to 1 cigarette. (2019)



Canadian taxes on fine-cut tobacco per 50 gram pouch and per hand-made cigarette. April 2023

	Federal Excise Tax per 50 grams ⁶	Prov. Excise per gram	Total tax Per 50 gram package	Tax per hand-made cigarette (.70g/cig)	Excise tax per manufactured cigarette ⁷
British Columbia ⁸	\$9.89524	\$0.65	\$42.40	\$0.59	\$0.48
Alberta ⁹	\$9.89524	\$0.4125	\$30.52	\$0.42	\$0.43
Saskatchewan ¹⁰	\$9.89524	\$0.35	\$27.40	\$0.38	\$0.45
Manitoba ¹¹	\$9.89524	\$0.455	\$32.65	\$0.45	\$0.46
Ontario ¹²	\$9.89524	\$0.18475	\$19.13	\$0.26	\$0.34
Quebec ¹³	\$9.89524	\$0.189	\$19.35	\$0.23	\$0.35
New Brunswick ¹⁴	\$9.89524	\$0.2552	\$22.66	\$0.31	\$0.41
Nova Scotia ¹⁵	\$9.89524	\$0.26	\$22.90	\$0.31	\$0.45
Prince Edward Island ¹⁶	\$9.89524	\$0.40	\$29.90	\$0.32	\$0.45
Newfoundland ¹⁷	\$9.89524	\$0.56	\$37.90	\$0.52	\$0.48
Northwest Territories ¹⁸	\$9.89524	\$0.473	\$33.55	\$0.32	\$0.50
Nunavut ¹⁹	\$9.89524	\$0.40	\$29.90	\$0.41	\$0.46
Yukon ²⁰	\$9.89524	\$0.32	\$25.90	\$0.35	\$0.48

Figure 2: Canadian taxes on fine-cut tobacco per 50 gram pouch, April 1, 2023



References

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- 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, 2019. Sales data on fine-cut from Health Canada. National and provincial/territorial tobacco sales data 2019 <https://www.canada.ca/en/health-canada/services/publications/healthy-living/federal-provincial-territorial-tobacco-sales-data.html>
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