

Taxation of Tobacco Products

File attachement – Section B87B

AS AT DECEMBER 13, 2015: Federal/Provincial/Territorial Statutes and Regulations and other information are available on each government's website.

Tobacco products are taxed by both federal and provincial/territorial governments in Canada. At the federal level, the *Excise Act, 2001* imposes an excise duty on tobacco products manufactured in Canada at the time manufacturers package them and on imported tobacco products at the time of importation. Structuring federal excise duty to apply at this early stage in the production and distribution process helps to protect the tobacco tax base. Following packaging or importation, the excise duty is embedded in the price of the product.

Provincial/territorial tobacco taxes are consumption taxes that are imposed on the consumers who purchase tobacco products. The provinces/territories secure their tax base by requiring wholesalers to remit an amount equal to the tax when they supply the tobacco product to other dealers. The dealers then recover this amount from their customers when the tobacco products are sold.

For tobacco products, the final consumer selling price includes the federal excise duty, provincial tobacco taxes, GST/HST or, where applicable, provincial sales taxes.

Federal Excise Duties

Federal excise duties are applied on all tobacco products.

Provincial/territorial tobacco taxes

Provincial/territorial tobacco tax rates are set by the respective province or territory. The provincial/territorial tobacco tax applies to tobacco products which are destined for sale in that particular jurisdiction.

Value Added Tax

The Goods and Services Tax (GST) is levied on an ad valorem basis on most goods and services across Canada at the rate of 5%. Where a province/territory has chosen to harmonize its sales tax with the federal system, a Harmonized Sales Tax (HST) is levied on an ad valorem basis on most goods and services in that jurisdiction. Currently, HST may apply at 13%, 14% or 15%.

Retail Sales Tax

A province/territory that has not harmonized with the federal value-added tax system may impose a retail sales tax on goods and services sold within its jurisdiction.