

Removing Provincial Excise Tax on Medicinal Cannabis

Issue

On October 17, 2018, Alberta implemented an excise tax on all cannabis products, including medical cannabis authorized by a physician. These new taxes will amount to a 24.3% tax from the province and 2.5% from the federal government, increasing the tax burden on medical cannabis by 26.8%.

Background

With the legalization of cannabis, an excise tax has been placed on all cannabis products, including medical cannabis authorized by a physician. This new tax disproportionately effects patients who can least afford this increase and who are the most vulnerable Albertans. Medical cannabis requires a prescription like other medications but is subjected to a different tax treatment. Removing the punitive and unfair excise tax on medicinal cannabis would encourage and incentivize patients to maintain interaction with their physicians as opposed to 'self-medicating' or substituting other prescription pain killers with significant harms, such as opioids.

Medical cannabis users are provided authorization and oversight from registered physicians. In Alberta, these patients are required by the College of Physicians and Surgeons to follow-up with their physicians every 3 months. Physician oversight is beneficial to positive health outcomes, harm reduction, and treatment plans among medical cannabis patients.

Prior to October 17, 2018 over 112,000 registered medical cannabis patients in Alberta only paid GST on their products to relieve symptoms from various conditions, including chronic pain disorders, arthritis, insomnia, multiple sclerosis, Crohn's disease, and epilepsy. Many of these patients are often economically disadvantaged due to enduring chronic and/or debilitating illnesses which make them unable to continue regular employment. Companies such as Aurora and MedReleaf provide 21% of their patients with compassionate pricing for low-income households, provincial or federal disability assistance recipients, and Canadian Veterans to help offset the current federal tax applied. Through its subsidiary CanniMed, Aurora subsidizes cannabis for members of Canadian Association of Retired Persons (CARP).

Applying any tax to medically prescribed cannabis is inconsistent with the taxation of all other prescription medicine, which are tax exempt and patients already pay sales tax on medical cannabis and aren't eligible for reimbursement under most insurance plans in Canada.

As of October 2018, Albertans have experienced the largest tax increase on medical cannabis among all provinces.

	Federal Ad Valorem Rate	Provincial Ad Valorem Additional Rate + Sales Tax Adjustment (if applicable)	GST/PST/HST Combined Tax Rate	Total Tax
Alberta	2.5%	24.3%	5%	31.8%
British Columbia	2.5%	7.5%	12%	22%
Manitoba	2.5%	n/a	13%	15.5%
New Brunswick	2.5%	7.5%	15%	25%
Newfoundland and Labrador	2.5%	7.5%	15%	25%
Northwest Territories	2.5%	7.5%	5%	15%
Nova Scotia	2.5%	7.5%	15%	25%
Nunavut	2.5%	26.8%	5%	34.3%
Ontario	2.5%	11.4%	13%	26.9%
Prince Edward Island	2.5%	7.5%	15%	25%
Quebec	2.5%	7.5%	14.975%	24.975%
Saskatchewan	2.5%	13.95%	11%	27.45%
Yukon	2.5%	7.5%	5%	15%

Sources:^{10 11}

In addition, Medical cannabis is regulated by Health Canada and distributed directly to clients from licensed producers. Suspending the implementation of the regressive 24.3% tax on medical cannabis would not reduce current provincial revenues and would be consistent with the treatment of medical cannabis prior to October 2018.

Adding excise taxes to medical cannabis, in addition to the existing sales tax will disadvantage Canadians seeking relief from symptoms and exemptions should be consistent with all other prescription medicines.

A further increase in costs will push patients out of the medical system and into the black market where costs are lower, but products are not tested or regulated, and any profits would continue to flow to criminal enterprises. A February 2018 survey found that while the majority of Canadians support an excise tax on recreational cannabis, the majority do not support an excise tax on medical cannabis.¹²

Rather than seeking ways to increase revenue from a product that has already been medically available prior to October 2018, the Alberta Government should be exploring ways to ease the financial burden of Albertans who use medicinal cannabis. Unfortunately, costs will increase for these patients, many of whom are the most vulnerable Albertans (seniors, disabled, veterans, and the severely ill). The Alberta Government has no

¹⁰ https://www.fin.gc.ca/n18/data/18-084_2-eng.asp#_ftn1;

¹¹ <https://canadabusiness.ca/government/taxes-gst-hst/federal-tax-information/overview-of-charging-and-collecting-sales-tax/>

¹² Navigator, February 2018. An online, national quantitative study was conducted among a representative sample of 1,200 Canadian adults, 19 years of age or older. Quota sampling was employed to ensure that the composition reflects that of the actual Canadian population in terms of age, gender, and province, according to the latest StatsCan findings.

regulatory or distribution touchpoints to the medical cannabis system and does not incur costs related to it, therefore should not be imposing a new tax on the medical cannabis market.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Revert to the medical policy that existed before October 2018 and exempt medical cannabis from any excise or revenue generating taxes.