The Impact of the Cannabis Excise Tax

Insights into Canada’s Cannabis Market

Introduction

With this article, Deloitte and Cannabis Council of Canada ("CCC") aim to illustrate the financial impact of the cannabis excise tax and provide actionable insights to both cannabis producers and regulators

As the Canadian cannabis industry faces an inflection point with financial viability of cannabis producers in question and following the Health Canada Cannabis Act Review in 2024, we look to a topic that impacts both the financial objectives of cannabis producers and the policy objectives of federal / provincial regulators – the cannabis excise tax.

Consulting financial data of public cannabis producers, including 36 licensed cannabis producers ("LPs") from 2019 to 2024, we found that the excise tax has increased significantly as a share of total gross revenue, ranging from an average of 11.2% in 2019 to 24.3% in 2024 (on the basis purely of gross cannabis production revenue subject to excise tax, this increases to 15.3% in 2019 to 31.5% in 2024). For perspective, the excise tax is often the largest single expense item for cannabis producers, with excise tax representing an average of 45.9% of COGS and 77.1% of SG&A in FY23 for the cannabis producers assessed.

Given the magnitude of excise tax, it presents a considerable opportunity for both cannabis producers and federal / provincial regulators to work together to develop a more equitable excise tax framework which can reduce the regulatory burden on cannabis producers while also aligning to health and social policy objectives of regulators.

How has the excise tax increased as a portion of revenue and costs since legalization? What has been the impact of the excise tax on profitability over this period? Is the excise tax for cannabis more punitive than for other controlled goods (e.g. alcohol, tobacco) in Canada? Deloitte and CCC aim to answer these questions with the article: The Impact of the Cannabis Excise Tax – Insights into the Canadian Cannabis Market

Methodology

Utilizing Capital IQ and Health Canada licensing data, a list of all public cannabis companies was compiled. Companies were filtered to include those that produce cannabis and pay excise tax in Canada. Excluded companies include retailers, ancillary products / services providers (e.g. accessories, R&D, cultivators, nurseries, etc.), companies listed in Canada but with an operational focus in the US or other international cannabis markets, and companies where minimal financial data was available. Companies which were subsequently acquired or ceased operations are included up to the date of these events.

From the remaining companies, historical quarterly and annual financial statements were obtained from SEDAR and Capital IQ from CY Q1 2019 - given that legalization occurred in October 2018, we selected CY Q1 2019 as our initial data period, given that it reflects a full quarter of excise taxes.

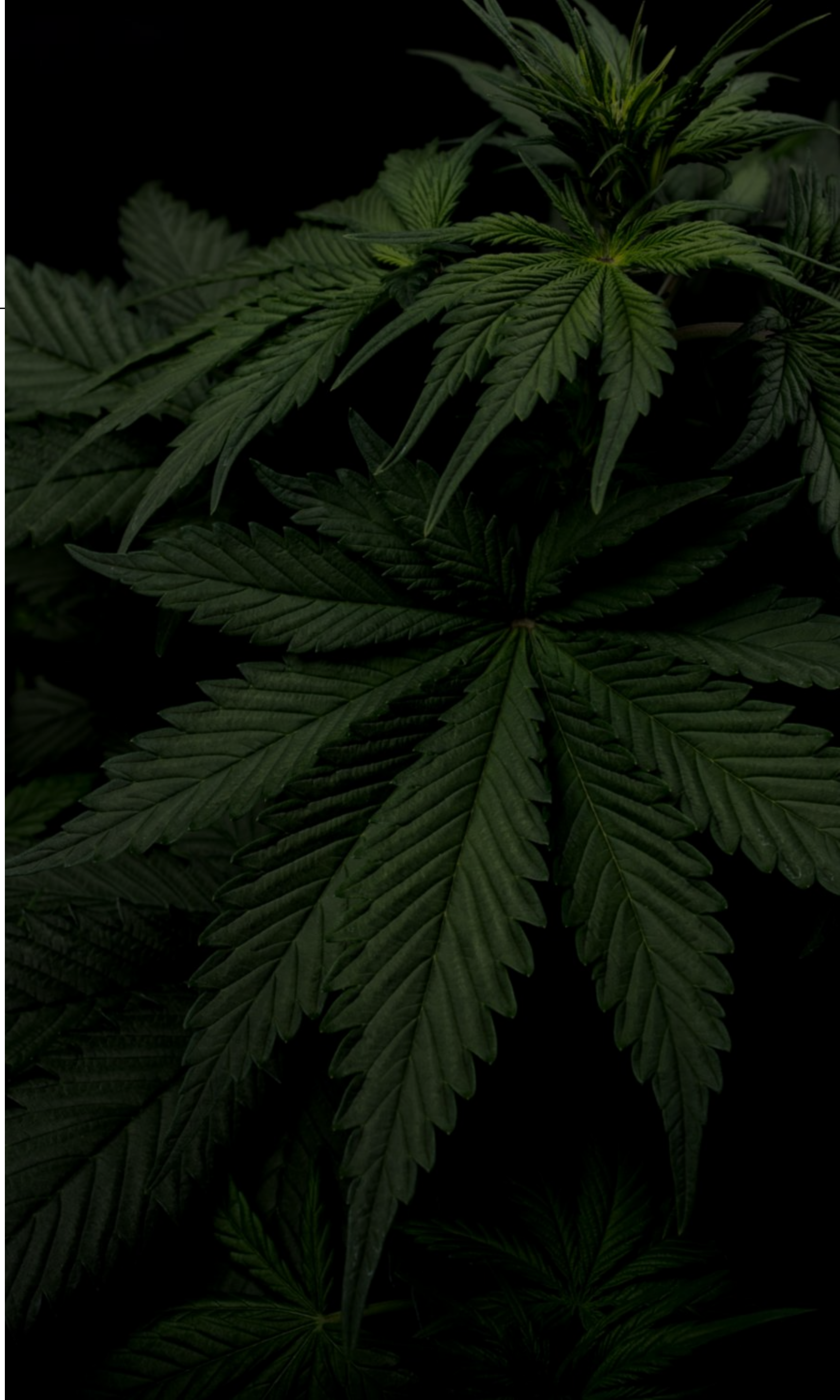
The most granular level of data available was quarterly - given that different companies had differing fiscal quarters, we have simplified our analysis by comparing companies on a CY quarterly basis (e.g. first quarter in 2019 is considered Q1 2019). We acknowledge this comparison may result in approximate comparisons that may not be aligned (e.g. Q1 2019 for one company may be January to March 2019, whereas for another it may be December 2018 to February 2019).

Due to differing levels of reported revenue segmentation among companies assessed, revenue has been bifurcated into 3 levels: 1) Total global revenue; 2) Total Canadian Cannabis Revenue, which may include revenue from non-production activities such as retail, accessories, B2B product sales, tolling, and other such cannabis activities in Canada not subject to excise tax, and 3) Canadian cannabis production revenue subject to excise tax, including both adult-use and medical product sales.

Certain adjustments have been made to the excise-tax-as-a-percentage-of-revenue figures to account for outliers, changes in fiscal periods, and various other adjustments to facilitate a quarterly comparison.

Cost and profitability data has been pulled on an annual basis and were derived from Capital IQ. We note that COGS and SG&A data may differ from company filings due to adjustments in Capital IQ for comparison purposes. Further, there may also be approximate comparisons given varying fiscal year-ends of the companies assessed. Profitability data is based on reported net income and EBITDA and does not include any consideration of adjusted net income or EBITDA per company filings.

All other data sources utilized are noted throughout. All financial amounts are in Canadian dollars unless otherwise specified



Understanding the Cannabis Excise Tax

The cannabis excise tax is complex with both federal and provincial components along with differing rates based on type of cannabis products

The Canadian cannabis excise duty is imposed at the production level for both adult-use and medical cannabis, being payable by cannabis producers at the time of delivery to the purchaser (e.g. either upon sale to a provincial wholesaler / private wholesaler, or direct sale to medical cannabis patients).

The excise tax is calculated on the basis of three distinct components: the cannabis duty (federal component), the additional cannabis duty (provincial component), and adjustment to the additional cannabis duty (applicable for ON, AB, SK, and NU).

The cannabis duty and additional duty for flower, non-flowering material, seeds, and plants is calculated based on the greater of: 1) Flat-Duty Rate per gram; and 2) Ad Valorem Duty based on percentage of product price. Oils, edibles, extracts, and topicals excludes an Ad Valorem duty and only utilizes a flat-rate which is scaled to the volume of THC in products.

This creates excise tax dynamics that vary by cannabis product category:

Flower products ostensibly have an excise tax floor of $1/g ($0.25/g + $0.75/g) and is the category most susceptible to price compression (due to illicit market competition and oversupply) – combined, these factors create the highest per unit excise tax. Additionally, flower products are the largest category in terms of sales (61.1% of units sold from Apr-21 to Mar-22) and have an outsized impact on excise tax collected (74.1% of excise tax collected from Apr-21 to Mar-22).

Edibles have a 10mg THC content limit per package. With excise tax for edibles scaled to THC levels, this results in the lowest excise duty on a per unit basis.

Extracts typically have high concentrations of THC, so will often be subject to the 2nd highest excise taxes on a per-unit basis – this is somewhat offset by lower susceptibility to price compression (due to lower levels of price competition and less susceptibility to illicit market competition when compared to flower products).

Unique SKU count distribution: including accessories

	Duty (Greater of)		Additional Duty[1,2] (Greater of)	
	Flat Duty Rate	Ad Valorem Duty	Flat Rate Duty	Ad Valorem Duty
Flower	$0.25 / g	2.5% of dutiable amount[3]	$0.75 / g	7.5% of dutiable amount[3]
Non-Flowering Material	$0.075 / g	2.5% of dutiable amount	$0.225 / g	7.5% of dutiable amount
Seeds	$0.25 / g	2.5% of dutiable amount	$0.75 / g	7.5% of dutiable amount
Plants	$0.25 / g	2.5% of dutiable amount	$0.75 / g	7.5% of dutiable amount
Oils	$0.0025 / mg of THC	n/a	$0.0075 / mg of THC	n/a
Edibles	$0.0025 / mg of THC	n/a	$0.0075 / mg of THC	n/a
Extracts	$0.0025 / mg of THC	n/a	$0.0075 / mg of THC	n/a
Topicals	$0.0025 / mg of THC	n/a	$0.0075 / mg of THC	n/a

1. Applies to “Specified Provinces” (incl. all provinces with exception of Manitoba)
2. There is a further adjustment to the Additional Duty for “Listed Specified Provinces”, which includes Ontario (3.9%), Alberta (16.8%), Saskatchewan (6.45%), and Nunavut (19.3%)
3. Calculated as: Purchase Price X ((100% / (100% + 2.5% + 7.5% + Addt’l Listed Specified Prov. Duty)

Per-Unit Excise Tax (Apr-21.to.Mar-22):	Flower $5.17/ Unit	Edibles $0.37/Unit	Extracts $4.80/Unit	Topicals $3.08/Unit

Other Regulatory Costs

In addition to the excise tax, cannabis producers face other direct and indirect regulatory costs, which further increase the financial burden for regulatory compliance

To enter and operate in Canadian cannabis market, the following direct regulatory fees apply, which are in addition to excise tax on sale of cannabis products. Some of these fees are non-recurring in nature, but also include annual fees that scale with revenue.

Direct costs breakdown

Fee type	Amount
Application fee*	$2,023 - $4,040 application
Annual regulatory fee	Higher of % of gross revenue or minimum fee
Security clearance fee*	$2,041 per person

* Application fees and security clearance fees are adjusted in each fiscal year on April 1st by the percentage change over 12 months in the April All-items Consumer Price Index for Canada, as published by Statistics Canada under the Statistics Act, for the previous fiscal year and rounded to the next highest dollar.

Security Clearance Fee

The following roles require security clearance:

- Applicant / licence holder
- Directors and officers of the company
- Directors and officers of the parent (owning) company
- Key investors and anyone with direct or indirect control.
- Regulatory roles (Responsible Person, Alternate Responsible Person, Head of Security, Alternate Head of Security, Master Grower, Alternate Master Grower, Quality Assurance Person, Alternate Quality Assurance Person).

Security clearance is valid for 5 years and must be renewed to continue to hold the role.

Application Fee

Once applications are received and screened the Application fees must be paid as part of the initial review of the application. The application will only proceed to the detailed review stage once the payment has been confirmed by Health Canada.

Application	Amount
Standard Cultivation Application Fee	$3,933
Standard Processing Application Fee	$3,933
Micro-Cultivation Application Fee	$1,969
Micro-Processing Application Fee	$1,969
Sale for Medical Purposes Application Fee	$3,933

Annual regulatory fee

An annual regulatory fee is required for each fiscal year (April 1 to March 31) of a valid licence being held. The minimum amount is required regardless of the length of time you are licensed for.

Annual Regulatory Fee	Rate of Gross Revenue	Minimum Fee
Standard Cultivation regulatory fee	2.3%	$23,000
Standard Processing regulatory fee	2.3%	$23,000
Micro-Cultivation regulatory fee	revenue up to $1,000,000: 1% revenue above $1,000,000: 2.3%	$2,500
Micro-Processing regulatory fee	revenue up to $1,000,000: 1% revenue above $1,000,000: 2.3%	$2,500
Sale for Medical Purposes regulatory fee	2.3%*	$23,000*

*In certain cases, you may apply for an exemption from the annual regulatory fee.

Other Regulatory Costs

Indirect regulatory costs are more difficult to measure, as they are often operational in nature, but do tend to be of significant magnitude, particularly for items such as packaging and labelling and inventory management

Security

Under the cannabis regulations, certain license types require heightened physical security to prevent and deter diversion to the illicit market. This requires capital investment into cameras, access control, and motion detectors. Further, costs are associated with data storage for record retention and hardware maintenance. These same barriers are not in place for traditional agriculture or consumer product businesses.

Laboratory Testing

Producers must conduct validated laboratory testing from licensed analytical testing laboratories for each lot or batch released to the public to ensure product safety, potency, and compliance with regulatory standards. Further, extracts and edibles may require additional testing depending on hazards in the manufacturing process.

Expenses related to third-party lab testing services accumulate as samples must be representative of the lot/batch and conducted for each lot / batch released. A statistical sample or risk-based approach for testing is not authorized which is a common practice for food industries.

Packaging and Labelling

Cannabis products for consumer sales are expected to meet strict packaging and labeling requirements. Packages must be child resistant which introduced additional costs and may require secondary containers or wrappers.

Further, cannabis product labels must include prescribed information including cannabinoid content, THC symbol, and health warning. In addition, colour, font, size, and spacing restrictions are present.

To develop a compliant package and label, regulatory, branding, and supply chain considerations need to be considered which increases product related costs.

Good Production Practices (GPP)

The Cannabis Act and Regulations outlines GPP requirements for cannabis cultivation and production. To comply with GPP requirements additional capital investments for facility upgrades and investment into policies, procedures, and systems for maintaining on-going compliance may be required.

Direct costs breakdown	
Fee type	**Amount**
Application fee*	$2,023 - $4,040 application
Annual regulatory fee	Higher of % of gross revenue or minimum fee
Security clearance fee*	$2,041 per person

Inventory Management

The Cannabis Act and Regulations prescribes stringent record keeping for cannabis inventory from seed to sale. The Cannabis Tracking and Licensing System (CTLS), requires monthly inventory reports to be submitted to Health Canada and CRA, accounting for every gram produced, destroyed, and sold. To meet this requirement, investment must be made into record keeping, inventory management systems, and / or personnel to perform monthly reconciliations.

Personnel Requirements

The cannabis regulations mandates that an individual with valid security clearance is required to be present at the site when activities are conducted in an operations area or a storage area.
This requirement unfavorably places importance on employing previously security cleared individual or paying $2,041 per person for new security clearance requests. In addition, this requirement creates additional complexities in for scheduling and staffing, placing additional burden on the industry.

Cannabis Regulatory Costs

Both cannabis producers and regulators have highlighted the need for excise tax reform, with the Cannabis Act Review in 2024 noting a review of the excise tax model is needed

What are Cannabis Producers Views on the Excise Tax?

"The cannabis industry will struggle to capture the remaining share of the illicit market unless the excise duty is adjusted to a uniform 10% as originally intended. The flat-rate component should be eliminated entirely. Any short-term loss in tax revenue would be offset by increased sales in the legal market." – **Nuances MJ**

"Price compression. Historical price compression persists in the market, intensified by fierce competition among the approximately 1,000 Licensed Producers in Canada. Despite increased sales volume, year-over-year price compression has adversely impacted revenue by approximately $9.8 million for the year ended May 31, 2024, influencing both cannabis gross margin and the bottom line. The fixed impact of excise per gram, notwithstanding the decline in average selling prices, further compounds these challenges…" - **Tilray**

"Everybody said something has to be done on the excise tax to get a sustainable industry that would not only make sure that it met the health objective, so safe product available, but keeping money out of the illicit market." - **Organigram**

"Canada's cannabis industry has the potential to be a global leader in innovation, research, and economic growth—but excessive excise taxes are holding us back. Unlike other industries where taxes are applied to the bottom line, cannabis faces a top-line excise tax that cripples profitability before companies even cover basic costs. This flawed tax structure stifles reinvestment in R&D, job creation, and world-class product development. Reforming the excise tax will not only strengthen Canadian businesses but position Canada as the global gold standard in cannabis innovation— driving exports, GDP growth, and economic success for years to come. - **Margaret Brodie, CEO Rubicon Organics**

"We are disappointed that the Canadian government missed the opportunity to address the flawed excise tax regime in the April 16, Federal budget. This oversight signals a lack of commitment to the legal cannabis industry as well as the jobs and economic growth we create. The failure to correct this broken tax regime and to leave other critical issues like potency limits unaddressed will continue to hinder the growth of legal cannabis businesses and compromises consumer access to safe, regulated products. We urge the government to reconsider this decision and work to bolster the industry's long-term sustainability." - **Canopy Growth Corporation**

"The cannabis taxation system is in desperate need of reform and appropriate enforcement. One can't help but consider the financial benefits that the appropriate management of our sector could have on Canadian deficits, community support systems, education, healthcare, and safety. Tax compliance in the cannabis industry is certainly a fiscal issue, but also a matter of fairness and equity." - **SNDL**

"Currently 174,000 Canadians treat illness under medical supervision with medical cannabis. While Canadians have had access to medical cannabis for over 25 years, it was only in 2018 that the federal government began charging the same $1/gram or 10% excise tax that consumers pay in the recreational channel. Our view is that all cannabis, if authorized by a health-care provider for medical purposes, should not be taxed." – **Aurora Cannabis**

"Everybody can say the excise is too high because it unequivocally is. The excise model was formulated based on $10 a gram and they haven't altered it yet." - **Peak Processing**

The excise tax was addressed by the federal government during the Cannabis Act Review in 2024. Among items assessed in the review, the excise tax was prominent with several explicit recommendations regarding the excise tax, including:

- *'Finance Canada should consider a review of the excise tax model, recognizing that it was originally designed when the average price of dried cannabis was significantly higher than it is today. Further, Finance Canada should consider making reforms to the excise tax regime that would discourage the consumption of higher-risk cannabis products, for example, by applying progressively larger duties on cannabis products with higher quantities or concentrations of THC.'*
- *'Finance Canada should review whether the excise tax should be applied to cannabis for medical purposes products. Patients want cannabis for medical purposes to be treated like prescription drugs, which are generally covered by insurance or benefit programs and are exempt from excise and sales taxes.'*

While the government has acknowledged issues associated with the excise tax and lent credence to the concerns of cannabis producers, some conclusions appear misguided and would benefit from consultation with cannabis industry stakeholders. These include concerns over lower excise tax leading to further wholesale and retail price decreases and price competition among cannabis producers / retailers; and increasing excise tax on high THC content products to discourage their manufacture and consumption along with development of a market-monitoring mechanism for the illicit market to assess price-related attrition from the legal to illicit market.

Concerns over public health should prioritize eliminating or otherwise minimizing the illicit cannabis market – which per prior Deloitte studies, we have estimated to be anywhere from 25-52% of the overall Canadian Cannabis Market. Placing further restrictions and requirements on legal cannabis producers would simply strengthen the illicit market and will only be effective in the absence of a strong illicit market.

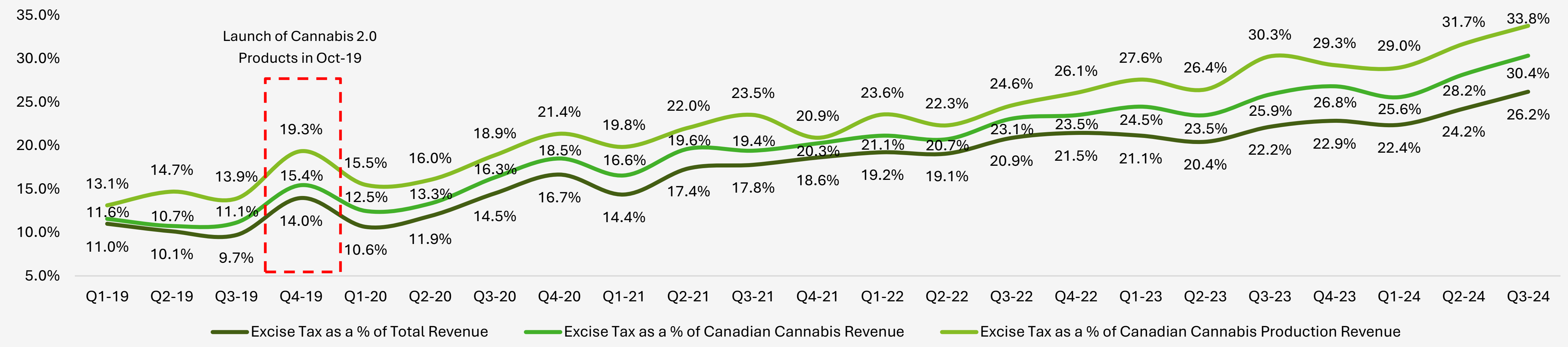
Impact of the Canadian Cannabis Excise Tax | Revenue

In FY23 and FY24 for the cannabis companies sampled, excise tax climbed from 21% to 26% of total gross revenue (increasing to 27.6% to 33.8% on the basis purely of cannabis production revenue subject to excise tax)

Viewing the impact of excise tax as a % of revenue over the period of adult-use cannabis legalization in Canada, there has been a sustained increase. As shown below, the excise tax ranged from 9.7% to 26.2% of total revenue for companies from FY19 to FY24. Diversifying across the cannabis value chain, expanding into international cannabis markets, and expanding into non-cannabis activities (e.g. beverages, pharmaceuticals distribution, etc.) has partially offset this impact for certain cannabis producers.

However, viewing excise tax as a % of Canadian Cannabis Revenue and Canadian Cannabis Production Revenue, the upward trend is more pronounced. More specifically, the excise tax ranged from 10.7% to 30.4% of Canadian cannabis revenue and 13.1% to 33.8% of Canadian cannabis production revenue in FY19 to FY24.

Excise Tax as a % of Total Revenue, Canadian Cannabis Revenue, and Canadian Cannabis Production Revenue



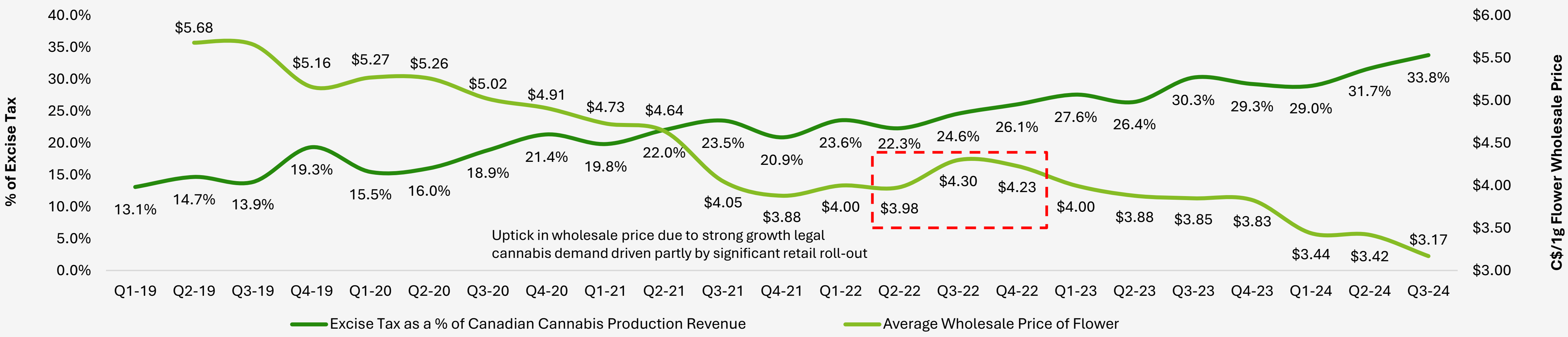
Impact of the Canadian Cannabis Excise Tax | Revenue

A major contributor to the increase in excise tax has been price compression, particularly for flower products, where wholesale prices received by LPs for 1g of Flower nearly halved from Q2-19 to Q3-24 and continues to decrease

Viewing the impact of excise tax as a % of Canadian cannabis production revenue, there is a 20.6% increase over the period. A major contributor to this trend is price compression, particularly for flower products, which represented over 50% of Canadian cannabis unit sales in YTD June 2024. Wholesale flower prices received by LPs declined from $5.81/g in April 2019 to $3.09/g in December 2024, a nearly 50% reduction over the period. The assumption of $10/g (incl. of wholesaler and retailer mark-up) initially envisioned with the introduction of the excise tax is far from the current market reality. A combination of legal market oversupply, illicit market competition, and intense legal market competition has led to significant price compression, which has not been reflected in the excise tax framework.

This trend has not abated, with most recent wholesale pricing data as of January 2025 dropping below $3/g of cannabis flower. As noted below, the ~$3/g price near the end of 2024 aligns closely with excise tax as a % of Canadian Cannabis Production Revenue, with $1/g excise tax equating to roughly 33.8% of production revenue.

Average Wholesale Price Per Unit of Flower Products v. Excise Tax as a % Wholesale Price



Source: S&P Capital IQ, Company Quarterly & Annual Filings, Cannabis Benchmarks

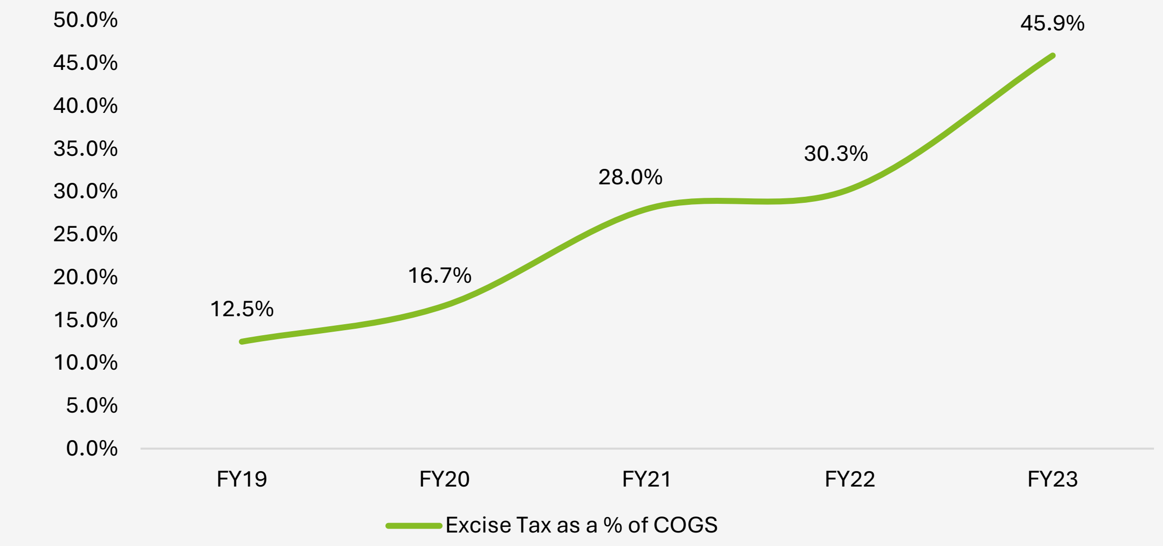
Impact of the Canadian Cannabis Excise Tax | Costs

The excise tax is also a significant portion of costs, representing on average 45.9% of COGS and 77.1% of SG&A in FY23 for the companies assessed

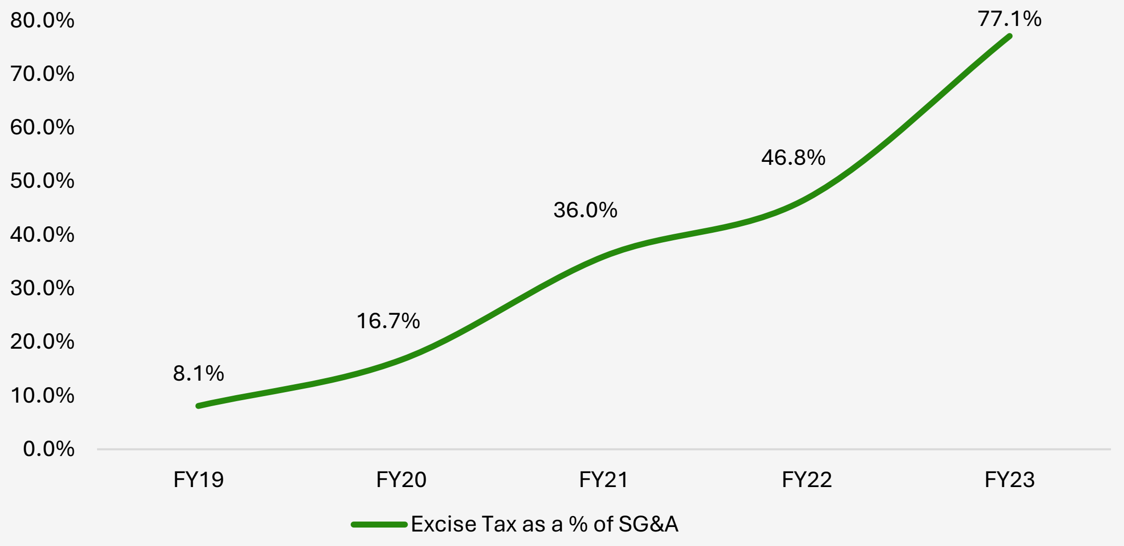
As a % of COGS, excise tax increased from 12.5% in FY19 to 45.9% in FY23 (CAGR of 38.5%) (excl. 2 outliers). We note the impact of the excise tax relative to COGS may be understated due to frequent changes to fair value of biological assets inventory within COGS – often due to declining market prices and changing consumer preferences.

Growth in excise tax as a % of SG&A was sharply increased at a CAGR of 75.8% over the period. It should be noted that many LPs undertook significant cost-cutting efforts at the administrative and executive level from FY20 to FY23, which may have also contributed to the increase in excise tax as a % of SG&A.

Excise Tax as a % of Cost of Goods Sold



Excise Tax as a % of Selling, General, & Administrative Expenses



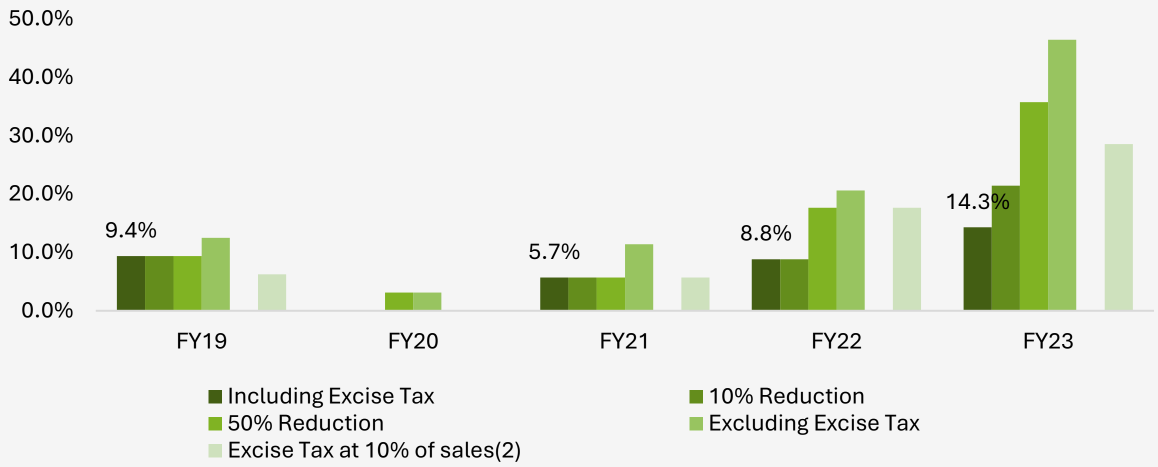
Impact of the Canadian Cannabis Excise Tax | Profitability

If excise tax were calculated on the basis of 10% of product sales, the number of LPs with positive reported net income and reported EBITDA increases from 14.3% to 28.6% and 28.6% to 55%, respectively, in FY23

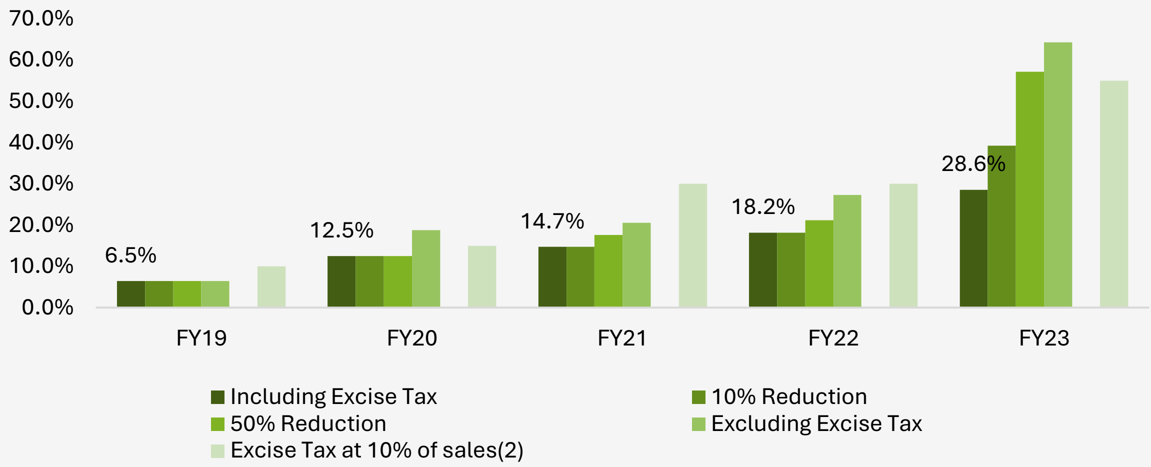
Of the companies sampled, 14.3% had positive net income in FY23 – with excise tax recalculated as 10% of cannabis production sales, this increased to 28.6%, doubling the number of profitable companies.

Of the companies sampled, 28.6% had positive reported EBITDA in FY23 – with excise tax recalculated as 10% of cannabis production sales, this increased to 55%, doubling the number of EBITDA positive companies.

Portion of Net Income Positive Companies[1]



Portion of Reported EBITDA Positive Companies[1]



Note: (1) Only includes sampled public companies. % figures exclude companies which ceased operations or were acquired for applicable periods. Further, it excludes companies in fiscal years where no or negligible excise tax was reported. (2) Excise tax at 10% of sales was calculated for sampled public companies with available Canadian Cannabis Production revenue data available. A smaller population of companies were sampled than the rows above resulting in a higher portion of Net Income / EBITDA positive companies in certain periods.
Source: S&P Capital IQ, Company Quarterly & Annual Filings

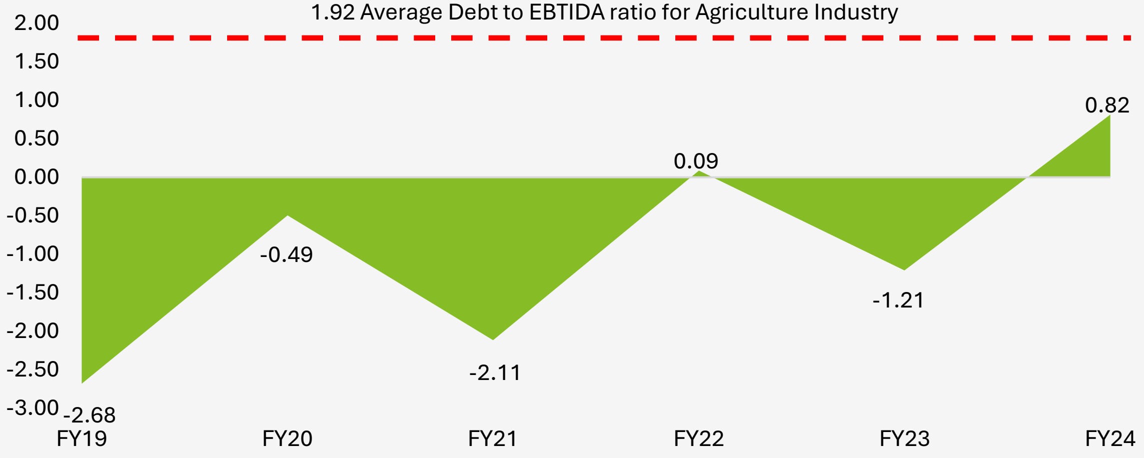
Impact of the Canadian Cannabis Excise Tax | Solvency

All of the sampled companies generated negative debt to EBITDA ratios and operating cash flows over the period, with a major contributor to negative EBITDA and operating cash flows being the excise tax

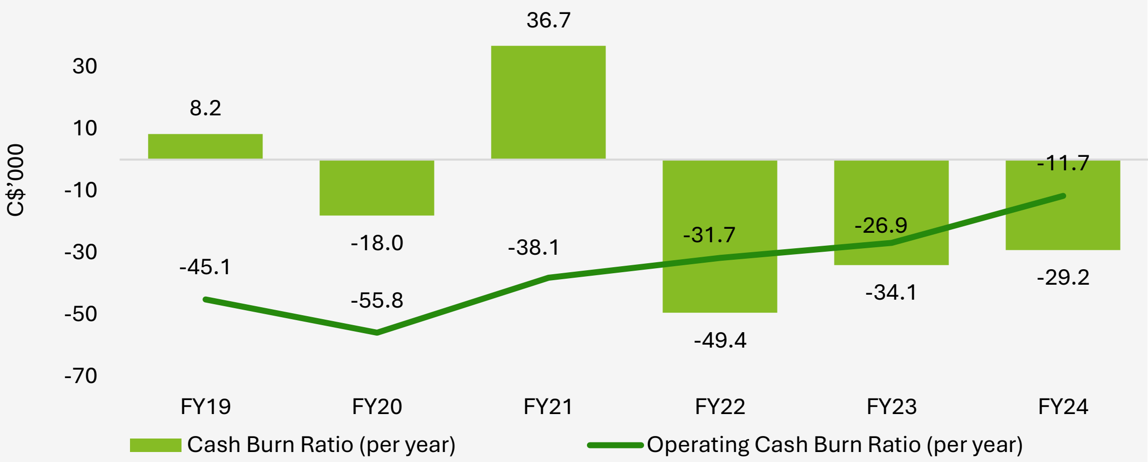
Of the sampled companies the debt-to-EBITDA ratio remained negative over a majority of the period indicating that the cannabis companies were not able to generate sufficient cash flows to cover their debts. As previously noted, excise tax expense climbed to 26.2% of total revenues in FY24, indicating that it is a major contributor to the negative / lower EBITDA generated. Notably, in FY24 companies were generating positive debt-to-EBITDA ratios indicating that the companies are decreasing their debts in proportion to EBITDA generated.

The operating cash burn ratio (per year) remained negative over the period indicating that cannabis companies were not able to generate positive cash flows from operations. Companies are required to pay excise tax within 30 days of the sale of the goods but do not typically collect cash from the sale until 60-90 days, which results in negative / lower cash flows generated from operations. Consequently, 9 of the sampled companies filed for insolvency in between FY22 to FY24. Additionally, the CRA wrote off $0.6M in FY22, $0.4M in FY23 and $4.7M as of YTD Sep-24 in excise tax. The negative cash flows generated from operations has begun to decrease from FY22-24 indicating that the companies are improving their ability to sustain cash flows required to operate their businesses.

Debt to EBITDA (x)[1]



Cash Burn Ratio v. Operating Cash Burn Ratio (per year)[2]

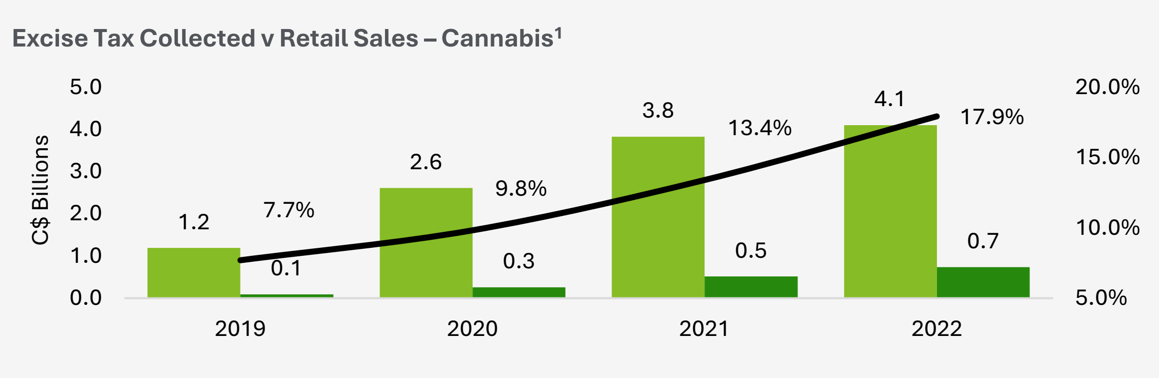


Notes: (1) Debt to EBITDA (x) is calculated by taking total debt / reported EBITDA. This ratio indicates a company's ability to repay their debts from the generated EBITDA. (2) The Cash Burn Ratio (per year) is calculated by taking subtracting beginning cash from ending cash; thus, it is inclusive of cash flow from operating, investing and financing. The Operating Cash Burn Ratio (per year) is pulled from the company's reported operating cash flows; thus, it is solely inclusive of cash generated from operations.
Source: S&P Capital IQ, Company Quarterly & Annual Filings, FullRatio

Impact of the Canadian Cannabis Excise Tax | Excise Tax Comparison

Viewing the cannabis excise tax relative to alcohol, we see a sharp increase in cannabis excise tax collected as a % of retail sales from 7.7% in 2019 to ~18% in 2022; while the Beer, Wine, and Spirits alcohol categories remained relatively steady

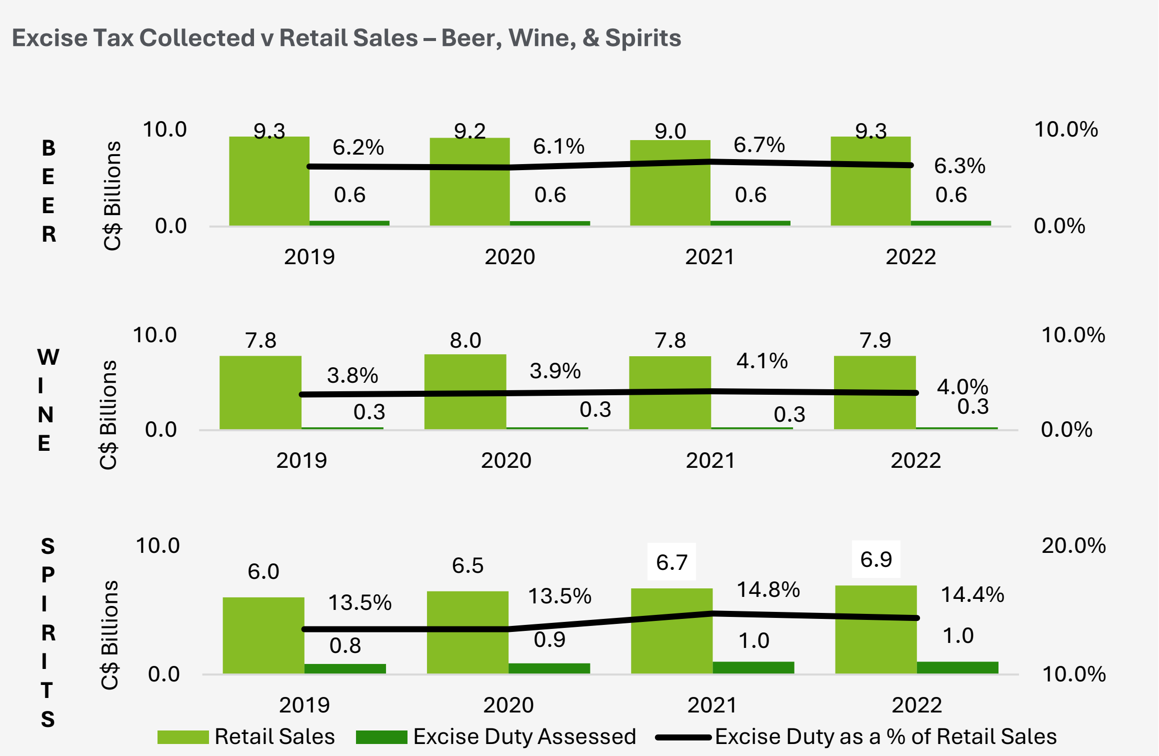
Excise tax assessed for cannabis products has been increasing as a % of cannabis retail sales and has outpaced growth in retail sales with excise tax increasing 700% from 2019 to 2022 compared to 245% for cannabis retail sales



Unlike Cannabis excise tax for recreational products which are charged when the producer sells cannabis products to wholesalers or retailers, alcohol and tobacco excise tax is charged when the goods are sold to the end customer (though this is the case for medical cannabis). This results in the companies increasing their selling prices, such that the end customer bears the cost of the excise tax which in turn allows the companies to generate profits and decreases sales volumes to align with the government's objectives to control consumption.

The current rates for excise tax for tobacco products is $0.19/Cigarette, $0.19/Tobacco Stick, $0.23/g of Manufactured Tobacco and $0.04/Cigar. Excise tax on vape products was introduced in 2022 and have since been increased to $1.12/2ml or grams for products below 10ml or grams total and then $1.12/10ml or grams thereafter.

Compared to cannabis, excise duty on beer, wine, and spirits in Canada is steady as a % of retail sales with growth in tax collected in-line with growth in retail sales



Note: (1) Cannabis retail sales exclude online and medical
Source: Health Canada, CRA, Statistics Canada

Conclusion

A collaborative approach to excise tax reform involving cannabis producers, cannabis industry stakeholders, and federal / provincial regulators is needed

There is an opportunity for both federal / provincial regulators and cannabis producers to work collaboratively to address the current excise tax framework to ensure financial viability and diversity of cannabis producers, while meeting the health and social policy objectives of federal / provincial regulators. The Cannabis Act Review has noted this issue and has emphasized the need for a review of the excise tax framework. However, it is clear that timely change is needed.

Any alterations to the current excise tax framework should consider financial implications to cannabis producers and other cannabis industry stakeholders – while this should be balanced with government policy objectives, regulators need to understand the economics of cannabis production and the interplay with the illicit cannabis market, as imposing further regulations or otherwise maintaining the current excise tax rate may ultimately empower the illicit market at the expense of legal cannabis producers who are providing safe, tested, and properly labelled cannabis products.

Ultimately, a robust base of diverse cannabis producers, ranging from large to craft to indigenous producers, would benefit consumers by providing more choice, innovation, and consumer value – and a larger set of industry partners for federal / provincial regulators to promote policy objectives and combat the illicit market in Canada.

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