



CANNABIS COUNCIL PRIORITIES

Since legalization, the regulated cannabis sector has made significant contributions to Canada's economy. The industry is present across the country in every province and territory, providing jobs to tens of thousands of hardworking Canadians, and contributing roughly \$7.4 billion to Canada's GDP in 2024; this is more than Canada's domestic brewery, winery, and distillery industries combined.

1

Harmonization to a single national excise stamp for cannabis

The cannabis excise stamp is a regulatory tool indicating tax compliance. Each province/territory has a unique stamp design. LPs must purchase and apply these stamps to each product unit, maintain records, and report to the CRA.

The current requirement for each province and territory to have its own unique stamp adds layers of complexity for producers who distribute products nationwide. It prevents reallocation of packaged products, resulting in increased labour, destruction waste, additional cost and lost time. This creates conditions for a lack of supply to meet in-market demand, causing consumers to turn to illicit sources. A single national excise stamp would:

- Immediately reduce administrative burdens for both industry and CRA
- Save an estimated \$100 million annually in administrative and operational costs
- Allow LPs to respond to fluctuations in demand across provinces
- Limit destruction waste from unsold products
- Align with the federal government's broader focus on efficiency and public health

The December 2024 Fall Economic Statement signaled government's intention to move to a single, national stamp.

The Cannabis Council of Canada urges all parties to support moving to a single, national stamp to reduce significant cost and waste across the supply chain.

2

Lowering the Excise Duty Rate on Dried Cannabis to 10% of the value of the product

Producers today face significant financial challenges as many are unable to meet ongoing obligations and are exiting the industry through insolvencies, bankruptcies or wind-ups. Economic viability remains out of reach for most. A survey conducted by C3 revealed that less than 20% of producers were able to achieve profitability, many years after legalization. This financial strain is clearly reflected in the high rates of companies continuing to enter the Companies' Creditors Arrangement Act (CCAA) process, not to mention increasing delinquencies to the Canada Revenue Agency (CRA). While various factors contribute to these challenges, the disproportionately large tax and fee burden that regulated legal cannabis operators face is by far the single biggest threat to the viability, diversity, and competitiveness of our industry, and to our ability to eradicate the illicit market and ensure the protection of public health and safety.

The current excise tax, established in October of 2018, is 10% of the value of the product or \$1 per gram, whatever the greater. At that time, the selling price of cannabis was approximately \$10 per gram. Today, producers sell to distributors at ~\$3 per gram, meaning the minimum \$1 per gram excise duty represents ~33% of that producer price, creating a disproportionately large and unintended tax burden on producers, more than triple the original intent. A survey of C3 members in August 2024 revealed an effective tax rate of ~34%.

To return to the original spirit and intention of the excise duty rates when implemented in 2018, the Cannabis Council of Canada proposes eliminating the \$1 per gram floor and instead only applying the 10% ad valorem rate as proposed by the Standing Committee on Finance. Doing so will ensure the economic viability and diversity of the legal cannabis industry; support its ability to compete with the dangerous illicit cannabis market; and create capacity for industry to invest in the long-term sustainability of the sector.

The Cannabis Council of Canada urges all parties to support moving to a 10% ad valorem tax rate.

3

Eradicating the Illicit Market

The Government of Canada needs to get serious about eliminating criminal forces from the cannabis industry. Their presence and strength are simply not a part of a properly regulated industry. There have been many estimations of its size which range from 25% to 40%, depending on the region.

Furthermore, the illicit market represents the biggest risk to achieving the other two public policy objectives of keeping it out of the hands of youth and providing a quality assured product for responsible consumers. Working with provinces and territories, we need to develop a national, comprehensive plan which addresses each of the following areas; tackling illegal production; shutting down illegal store fronts; shutting down illegal online sales; interdicting shipment of illegal product, and; a public awareness and education campaign on the dangers of supporting the illicit market.

Illegal Production

Requires a coordinated law enforcement effort at the federal, provincial and municipal levels - employing a systematic approach to find these operations, seize the product, close the facilities and prosecute those involved.

Retail Store Fronts

Illegal retail stores are all too common. These range from pop up stores to long standing brick and mortar stores who masquerade as legal operations. Many even have fake licenses displayed on their premises. Requires a coordinated law enforcement effort to find these operations, seize the product, close the facility and prosecute those involved.

Online Ordering

One of the biggest challenges is that there are too many online sources for purchasing cannabis products which are simply not legal. A large number of people who purchase through these sites do not know realize it is illegal – which makes the challenge all the more difficult.

Shipping

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Public Awareness Campaign

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The Cannabis Council of Canada urges all parties to support a national, comprehensive plan to eradicate the illicit market.