

Policy Title: Removing Excise Tax and GST on Medicinal Cannabis

Issue(s): *On October 17, 2018, the federal government implemented an excise tax on all cannabis products, including medical cannabis authorized by a physician.*

EXECUTIVE SUMMARY

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 affects patients who can least afford this increase and who are often some of the most vulnerable Canadians. 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.

BACKGROUND

Medical cannabis users are provided prescriptions and oversight from registered physicians. For example, 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, the 269,000 registered medical cannabis patients in Canada paid GST/PST/HST on their products to relieve symptoms from various conditions, including chronic pain disorders, arthritis, insomnia, multiple sclerosis, Crohn’s disease, and epilepsy. However, applying any tax to medically prescribed cannabis is inconsistent with the taxation of all other prescription medicines, which are tax exempt. Patients already pay sales tax on medical cannabis and aren’t eligible for reimbursement under most insurance plans in Canada.

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 patients with compassionate pricing for low-income households, provincial or federal disability assistance recipients, Canadian Veterans and members of Canadian Association of Retired Persons (CARP) to help offset the current federal tax and provincial taxes applied. Unfortunately, any further tax burden will put this medicine out of reach for many patients and some may need to turn to the black market for their medicinal cannabis.

ANALYSIS

Medical cannabis is regulated by Health Canada and distributed directly to clients from licensed producers. The rationale behind fees and surcharges imposed by Health Canada is to cover their costs related to medical cannabis. Therefore, there are no new regulatory or distribution touchpoints to the medical cannabis system and governments are not incurring additional costs related to it since the excise tax was implemented.

For this reason, this new excise tax can be construed as a revenue generation tool with no cost rationale or evidence provided. Suspending the implementation of this tax on medical cannabis would not reduce current revenues, as medical cannabis was in the market prior to the legalization in October 2018.

As a result, costs will increase for these patients, many of whom are society’s most vulnerable (seniors, disabled, veterans, and the severely ill) and rather than increasing costs, the federal government should be exploring ways ease the financial burden of Canadians who use medicinal cannabis.

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.

From a general population viewpoint, 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.¹

RECOMMENDATIONS

The Medicine Hat & District Chamber of Commerce recommends the Government of Canada:

1. Exempt medical cannabis from any excise or revenue generating taxes.
2. Eliminate the GST on medical cannabis, aligning overall tax treatment with other prescription medications.

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Date Reviewed: December 19, 2018

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¹ 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.