

C3 POSITION STATEMENT:

Lowering the Excise Duty Rate on Dried Cannabis

C3 calls for the immediate establishment of a fixed excise duty (ad valorem) rate of 10% of the producer's selling price, as initially proposed during the rollout of legalization.

The cannabis excise duty was introduced alongside legalization in Canada to generate government revenue while keeping legal cannabis competitively priced against the illicit market. The formula adopted was 10% of the value of the product or a dollar per gram, whatever the greater. At that time, the selling price of cannabis was approximately \$10 per gram, but today licensed producers sell their products for approximately \$3 per gram on average. This phrasing has unintentionally created taxation conditions no one anticipated at legalization, resulting in effective excise duty rates reported as an average of 34%¹ in 2023 for most producers, even as high as above 45% for some, as market prices for cannabis products adjusted over time. This effective rate has been increasing year over year for producers across Canada.

Cannabis producers face severe financial struggles due to high excise duty rates. In 2023, 67% of producers remained unprofitable six years after legalization¹. This financial strain is reflected in the high rates of insolvency within the sector, with companies continuing to enter the Companies' Creditors Arrangement Act (CCAA) process², not to mention increasing delinquencies to the Canada Revenue Agency (CRA)³, as producers struggle to meet their tax obligations. This is exacerbated by competition from the illicit market, which sells cheaper, unregulated products, endangering the health and safety of Canadians. These issues are preventing producers from investing in growth and innovation, putting the long-term sustainability of the legal industry at risk.

The Canadian House of Commons Standing Committee on Finance and several provinces support this recommendation⁴. It is clear these high tax rates do not create conditions necessary to support success for producers of cannabis in Canada and must be changed immediately.

¹ Cannabis Council of Canada, 2024, Excise Tax Survey.

² Solomon Israel, 2023, [Canadian cannabis insolvencies persist in 2023 amid industry woes](#).

³ Matt Lamers, 2024, [Canada's unpaid cannabis taxes soar 72% to almost CA\\$300 million](#).

⁴ Canadian House of Commons Standing Committee on Finance, 2024, [Shaping Our Economic Future: Canadian Priorities](#).