



PRESS RELEASE
FOR IMMEDIATE DISTRIBUTION

**Ontario Finance Minister Sousa should follow his own tax advice,
if Liberals really want to reduce the upcoming budget deficit**

Toronto, March 15, 2018 -- As Ontario's government prepares to deliver a deficit budget, a good part of the province's expected \$8 billion shortfall could be recovered with a better approach to tobacco taxation, says Canada's largest legal tobacco company.

"Ontario taxpayers are losing nearly a billion dollars a year to the contraband tobacco market," explained Eric Gagnon, Head of Corporate and Regulatory Affairs for Imperial Tobacco Canada. "With a provincial tobacco tax increase last year that failed to deliver projected revenues, as well as a recent federal increase, any tobacco tax hike in his next budget will make Ontario's thriving contraband problem even worse."

A review of tobacco taxation in Ontario report by Ernst & Young LLP (EY Canada) released this month shows that illegal tobacco has resulted in as much as \$3.4 billion in lost Ontario tax revenues since 2013. The report also predicts that upcoming provincial tobacco tax increases could contribute to further revenue losses of up to \$1.6 billion by 2020, while the government's tax revenues will fall increasingly short of official predictions.

"Ontario's Finance Minister already acknowledges that excessive taxation is counterproductive and pushes consumers towards the untaxed black market," added Gagnon. "In fact, Minister Sousa is on record stating the importance of keeping legal cannabis prices low to compete with the criminal market. So instead of ignoring his own advice, why doesn't he apply this approach to tobacco and lower the province's ballooning deficit?"

Finance Minister Sousa has stated that with respect to legal cannabis, "we need to price it in such a way as to be competitive with the illicit market". The proposed tax regime for legal cannabis would have taxes account for 10% of the purchase price, while tobacco taxes account for roughly 70% of the purchase price of legal cigarettes. Ontario's contraband industry controls nearly 40% of the provincial tobacco market.

"Minister Sousa is fully aware that tobacco tax hikes increase black market sales, and result in significant lost tax revenues" added Gagnon. "His approach to cannabis taxation is informed and reasoned, and he could save Ontarians billions of dollars if he followed his own advice when it comes to tobacco."

- 30 -

For more information, or to coordinate an interview with Eric Gagnon, please contact:

Travon Smith / Mary Moniz
Torchia Communications
Office: 416-341-9929 ext. 222 /221
travon@torchiacom.com / mary@torchiacom.com