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NEW TAX ON CIGARETTE: A GIFT FOR TOBACCO SMUGGLERS

The Quebec Government opens the floodgates to increased smuggling with drastic tobacco tax hike

Montreal (Quebec)- February 9, 2023 – Yesterday, the Legault government announced a tobacco tax increase of \$8 per carton of 200 cigarettes without taking into consideration the negative consequences.

"We understand that the Quebec government wants to implement additional measures to reach its objective of reducing smoking rate to less than 10% by 2025, but we are disappointed with the strategy adopted to achieve it" said Eric Gagnon, Vice-President of Legal and External Affairs at Imperial Tobacco Canada. "Imposing shocks like this on consumers in the current economic environment will push consumers to untaxed and unregulated tobacco products, fuelling an industry run by organized crime."

Quebec Finance Minister, Eric Girard, said that the strategy is to increase the price to reduce consumption. Unfortunately, history has shown us that a significant tax increase has a direct correlation with an increase in tobacco smuggling. After 10 years of tax stability in Quebec during which the government increased its enforcement efforts and successfully reduced illegal tobacco smuggling in the province, a tax increase of this magnitude provides a significant market opportunity for illegal traffickers.

"Let's just take British Columbia as an example. After increasing the tobacco tax by 44% since 2017, the rate of illegal tobacco smuggling has tripled, leaving citizens with a significant public safety problem. To avoid undermining their efforts to reduce smuggling in Quebec, the government should have opted for a progressive and moderate model, instead of a drastic approach such as the one announced today" said Mr. Gagnon.

In order to support its Strategy for a Tobacco-Free Quebec 2020-2025 and reach its target more quickly, the government should consider educating smokers on less harmful alternatives. In fact, Health Canada recently stated that: "Switching to nicotine vaping is less harmful than continuing to smoke cigarettes". The Quebec Government should ensure that vaping products remain affordable and accessible and encourage smokers who are unable to quit to turn to vaping products, all while ensuring that these products are not accessible to minors.

"Acceptance of vaping products as a less harmful alternative to cigarettes is a simple solution that has already proven public health benefits in many countries. We hope the Quebec Government will acknowledge the positive impact vaping products can have in achieving their tobacco reduction goal" concluded Mr. Gagnon.

About Imperial Tobacco Canada

Imperial Tobacco Canada is Canada's leading tobacco and vaping products company and is part of the world's most international tobacco and nicotine group: BAT. BAT is a global multi-category consumer goods business, operating in over 180 markets. We have a clear purpose to build A Better Tomorrow by reducing the health impact of our business. Our strong foundations, together with our capacity for cutting-edge innovation, are a platform for us to build more sustainable products for our adult consumers, and a more sustainable business for our colleagues, shareholders, and communities.

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