CMA Submission:

Excise Duty Framework for Cannabis Products

Submission to the Government of Canada consultation on the proposed excise duty framework for cannabis products

December 7, 2017

Association Médicale Canadienne
Canadian Medical Association
1867–2017 150

The Canadian Medical Association (CMA) is the national voice of Canadian physicians. Founded in 1867, the CMA's mission is empowering and caring for patients, with a vision for a vibrant profession and a healthy population.

On behalf of its more than 85,000 members and the Canadian public, the CMA performs a wide variety of functions. Key functions include advocating for health promotion and disease/injury prevention policies and strategies, advocating for access to quality health care, facilitating change within the medical profession, and providing leadership and guidance to physicians to help them influence, manage and adapt to changes in health care delivery.

The CMA is a voluntary professional organization representing the majority of Canada's physicians and comprising 12 provincial and territorial divisions and over 60 national medical organizations.

The Canadian Medical Association (CMA) is pleased to provide its comments with respect to the Government of Canada's consultation on the Proposed Excise Duty Framework for Cannabis Products published November 10.[1]

In the move towards the legalization and regulation of cannabis, there are many economic interests at play; private corporations and different levels of government stand to benefit greatly with sales and considerable tax revenue.[2] It is essential that the federal and provincial/territorial governments be held accountable to the public health and safety objectives set out for the new regime for legal access to cannabis, particularly that of protecting children and youth.[3] It is fundamental that commercialization is rigorously controlled through taxation, regulation, monitoring and advertising controls.

Final pricing must be such as to discourage the illegal production and trafficking of cannabis. However, a balance must be found with the use of taxation and pricing levers to discourage use. Revenues need to be clearly earmarked to cover the health and social costs of legalization. In some U.S. jurisdictions, for example, some of the revenue is directed to recovering the costs of regulatory programs as well as in substance use treatment programs, and for social programs.

Most of the future tax revenues should be redistributed to the provinces and territories. This is because they have jurisdiction over services that will likely feel the impact with legalization, such as health care, education, social and other services, as well as enforcement of legislation and regulations. A public health approach to legalization will emphasize prevention, education and treatment initiatives which require adequate and reliable funding. It will also require strong surveillance and monitoring activities to adjust measures should unintended harms be detected. Resources need to be promptly available to address potential negative impacts.

> CMA recommends that the revenue resulting from the taxation of cannabis production and sales be earmarked to address health and social harms of cannabis use and its commercialization, in line with a public health approach to the legalization of cannabis.

The proposal states that "Any cannabis products sold under the proposed *Cannabis Act* for medical purposes will be subject to the duty rates and conditions of the excise duty framework, which will become applicable as per the transitional rules (…) Cannabis products that are produced by an individual (or a designated person) for the individual's own medical purposes in accordance with the proposed *Cannabis Act* will not be subject to the excise duty. Seeds and seedlings used in this production will be subject to duty."[1]

The CMA is supportive of similar taxation treatment of cannabis products, regardless of whether they are used for medical or non-medical purposes.

The CMA has long called for more research to better understand potential therapeutic indications of cannabis, as well as its risks.[4] [5] Physicians recognize that some individuals suffering from terminal illness or chronic disease for which conventional

therapies have not been effective may obtain relief with cannabis used for medical purposes. However, clinical evidence of medical benefits is limited and there is very limited guidance for the therapeutic use, including indications, potency, interactions with medications and adverse effects. Health Canada does not approve of cannabis as a medicine, as it has not gone through the approvals required by the regulatory process to be a pharmaceutical. It is important that there be support for cannabis research in order to develop products that can be held to pharmaceutical standards, as is the case with dronabinol (Marinol®), nabilone (Cesamet®) and THC/CBD (Sativex®).

The experience of legalization for non-medical use in Colorado and Washington has shown that two separate regimes with distinct regulations can be very difficult to enforce given the different standards.[6] A lower tax rate on cannabis for medical use could potentially provide an incentive for people to seek a medical authorization, and that was observed initially in Colorado.[7]

> The CMA recommends that the same tax rates be applied to the production and sales of both the medical and the non-medical use of cannabis products.

The move towards the legalization and regulation of cannabis will require a balanced approach to discourage the illegal production and trafficking of cannabis while also using taxation and pricing levers to discourage use. Much of the revenues raised should be redistributed to the provinces and territories to enable them to cover the health and social costs of legalization.

A public health approach to legalization will emphasize prevention, education, treatment and surveillance initiatives which requires adequate and reliable funding.

[1] Department of Finance Canada. *Proposed excise duty framework for cannabis products*. Ottawa: Department of Finance Canada; 2017. Available: http://www.fin.gc.ca/n17/data/17-114_1-eng.asp (accessed 2017 Dec 05).
[2] Sen A, Wyonch R. *Don't (over) tax that joint, my friend. Intelligence MEMOS*. Ottawa: CD Howe Institute; 2017 Jul 19. Available: https://www.cdhowe.org/sites/default/files/blog_Anindya%20and%20Rosalie_0719.pdf (accessed 2017 Dec 06).
[3] Task Force on Marijuana Legalization and Regulation. Ministry of Justice, Ministry of Public Safety and Emergency Preparedness and Ministry of Health. *Toward the legalization, regulation and restriction of access to marijuana*. *Discussion paper*. Ottawa: Cannabis Legalization and Regulation Secretariat; 2016. Available: http://www.healthycanadians.gc.ca/health-system-systeme-sante/consultations/legalization-marijuana-legalisation/alt/legalization-marijuana-legalisation-eng.pdf (accessed 2017 Dec 05).
[4] Canadian Medical Association (CMA). *A public health perspective on cannabis and other illegal drugs*. *CMA Submission to the Special Senate Committee on Illegal Drugs*. Ottawa: CMA; 2002. Available: https://www.cma.ca/Assets/assets-library/document/en/advocacy/cannabis.pdf (accessed 2017 Dec 05).
[5] Canadian Medical Association (CMA). *Medical Marijuana. CMA Policy*. Ottawa: CMA; 2011. Available: https://www.cma.ca/Assets/assets-library/document/en/advocacy/PD11-02-e.pdf (accessed 2017 Dec 05).
[6] Canadian Centre on Substance Use and Addiction (CCSA). *Cannabis regulation: Lessons learned in Colorado and Washington State.* Ottawa: CCSA; 2015. Available: http://www.ccsa.ca/Resource%20Library/CCSA-Cannabis-Regulation-Lessons-Learned-Report-2015-en.pdf (accessed 2017 Dec 05).
[7] Office of the Parliamentary Budget Officer. *Legalized cannabis: Fiscal considerations*. Ottawa: Office of the Parliamentary Budget Officer; 2016. Available: http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2016/Legalized%20Cannabis/Legalized%20Canabis%20Fiscal%20Considerations_EN.pdf (accessed 2017 Dec 05).