Subject: MINISTER’S STATEMENT CONCERNING THE INCREASE IN THE TAX ON TOBACCO PRODUCTS AND THE ELIMINATION OF THE PARTIAL QST REBATE GRANTED TO MUNICIPALITIES

The Deputy Prime Minister and Minister of State for the Economy and Finance, Bernard Landry, today announced, in a Minister’s Statement, an increase in the tax on tobacco products and the elimination of the partial Québec sales tax rebate granted to municipalities.

This bulletin is issued to disclose the Minister’s Statement.

MINISTER’S STATEMENT CONCERNING THE INCREASE IN THE TAX ON TOBACCO PRODUCTS AND THE ELIMINATION OF THE PARTIAL QST REBATE GRANTED TO MUNICIPALITIES

Mr. President, our government, the federal government and the governments of Ontario, New Brunswick and Nova Scotia have agreed to jointly announce an increase in the tax on tobacco products.

The increase in the tax on tobacco products I am announcing today reflects the government’s determination to restore a more reasonable level of tobacco taxation while avoiding a revival of tobacco smuggling that prevailed two years ago.

Accordingly, as of midnight tonight, the rates of Québec’s tax on tobacco products will be changed as follows:

Québec
the rate of the specific tax of 2.18 cents per cigarette is raised to 2.53 cents per cigarette. This increase also applies to cigars whose retail price does not exceed 15 cents per unit;

— the rate of the specific tax of 0.72 cents per gram of loose tobacco is raised to 0.99 cents per gram;

— the rate of the specific tax of 0.33 cents per gram of leaf tobacco is raised to 0.45 cents per gram;

— the rate of the ad valorem tax of 52% of the retail price of cigars whose retail price exceeds 15 cents per unit is raised to 55% of the retail price;

— the rate of the specific tax of 1.65 cents per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars is raised to 2.27 cents per gram.

This measure amounts to a tax increase of 70 cents per carton of 200 cigarettes which, along with the increase announced by the federal government, brings the increase in taxes on tobacco applicable in Québec to $1.40 per carton. Taking the induced effect of the goods and services tax (GST) and the Québec sales tax (QST) into account on the retail sale price, the total increase in federal and Québec taxes on cigarettes is $1.60 per carton.

Every person who sells tobacco products on which the tax on tobacco has been collected in advance will have to take an inventory of such products he has in stock at midnight tonight and remit the applicable tax according to the new rate, after deducting the portion already paid.

This increase in the Québec tax on tobacco products, including the induced effect of the GST and QST, will generate revenue of some $17 million for the fiscal year ending March 31, 1997 and $49 million for the following fiscal year.

The experience of recent years has shown us that high taxes are not enough to combat smoking. An effective public health policy is needed as well. In this regard, following a round of consultation last spring, my colleague, the Member for Charlesbourg, is preparing draft legislation to update Québec's anti-smoking policy.

Mr. President, the tax increase I am announcing today is indicative of the Québec government's determination to pursue efforts to reduce smoking.
ln addition, our government has undertaken a process to restore order to public finances. We are currently in the most difficult phase of this process. In all fairness, it seems to us that everyone should contribute.

Municipalities currently do not pay full QST on the goods and services they purchase. They receive a partial rebate of 43%. This partial rebate, which amounts to $76 million a year, was introduced as part of the second phase of consumption tax reform in Québec.

Accordingly, I am announcing today in this Assembly that this partial QST rebate is eliminated. Municipalities will no longer be entitled to this rebate for purchases that they will make as of midnight tonight.

Of course, this measure will have an immediate impact on the municipalities. However, I want to point out that our government will carry out a review of taxation and financing of local bodies during the coming year in cooperation with representatives of those concerned.

Accordingly, as agreed at the Summit on the Economy and Employment, we have already started meeting with representatives of municipalities and school boards as part of our pre-budget consultations. In fact, the first meeting of the task force set up for this purpose was held this very morning.

I want to emphasize that our government is going into these exchanges with an open mind. No subject will be excluded from the discussions.

Our objective in these pre-budget consultations as in the subsequent review of local taxation, is to match each one's responsibilities and sources of financing as closely as possible.