



# *Consultation Process “Cannabis – but safe”* **International Expert Hearing: Conference on International Experiences**

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# Outline

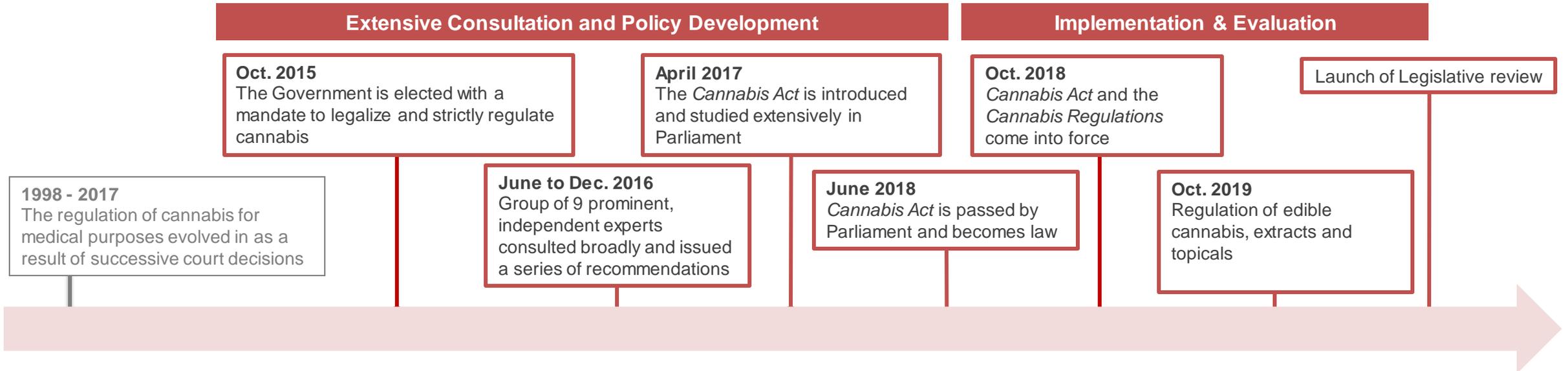
1 Canada's path to legalization and regulation

2 Legalization's impact on the market

3 Canada's marketing and advertising regulations

4 Canada's cost recovery and taxation framework

# Canada's path to legalization and regulation



- Canada has adopted a public health approach shifting the focus from criminalization to minimizing public health and safety harms associated with cannabis to:
  - Educate and raise awareness of health and safety risks;
  - Prevent problematic use and promote healthy choices;
  - Protect public health and safety by restricting access for youth and strictly controlling the cannabis supply chain; and,
  - Monitor cannabis use patterns and industry compliance.

# Legalization's impact on the market

- Early results show:
  - Prevalence of cannabis consumption has not increased substantively since legalization, including for youth (16 to 19 years old);
  - High risk behaviours, such as age of initiation and frequent use (e.g., daily, almost daily), have remained stable in Canada since the coming into force of the Cannabis Act; and,
  - An established legal cannabis supply chain continues to represent a steadily increasing proportion of the total sales, year over year. Both survey and market data indicate a substantial shift from the illegal to legal market.

Figure 1A: Illegal sources of cannabis

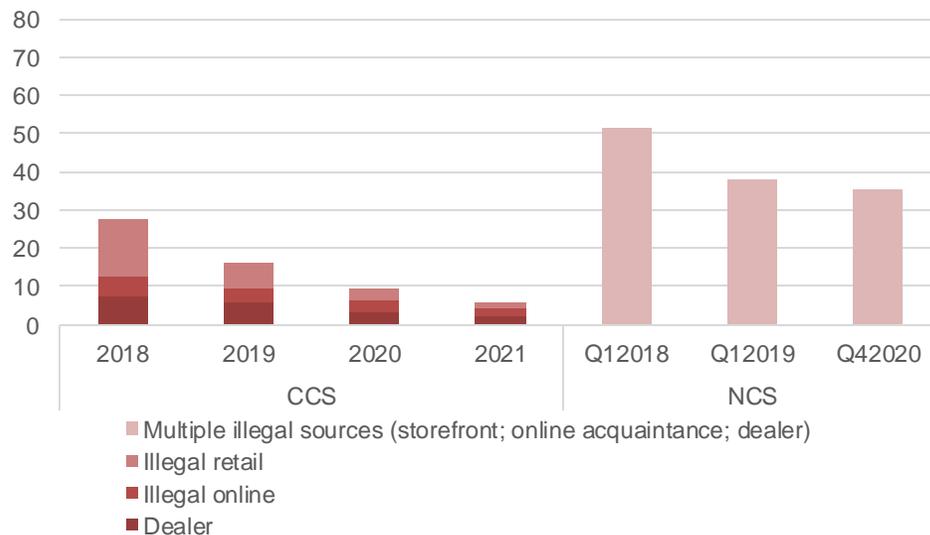
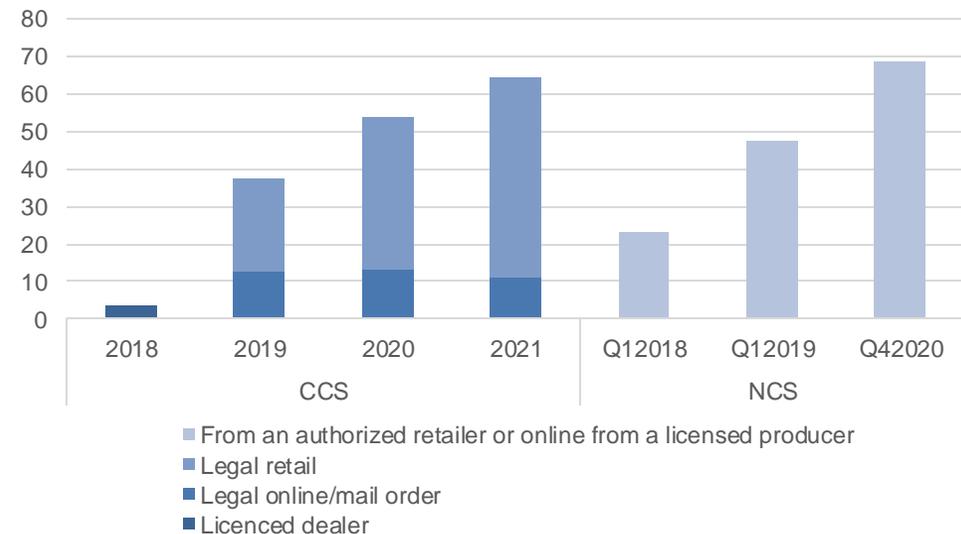


Figure 1B: Legal sources of cannabis



CCS = Canadian Cannabis Survey  
NCS = National Cannabis Survey

# Legalization's impact on the market (con't)

- 66.7% of the value of cannabis consumption was accessed legally in Q1 2022\*.
  - \$1.3B in the legal market (medical and non-medical) vs. \$631 million in the illicit market.
- 82% of current users report buying at least some of their cannabis from legal sources.

Figure 2: Legal Market Capture, by Total Consumption Expenditure (\$ millions)

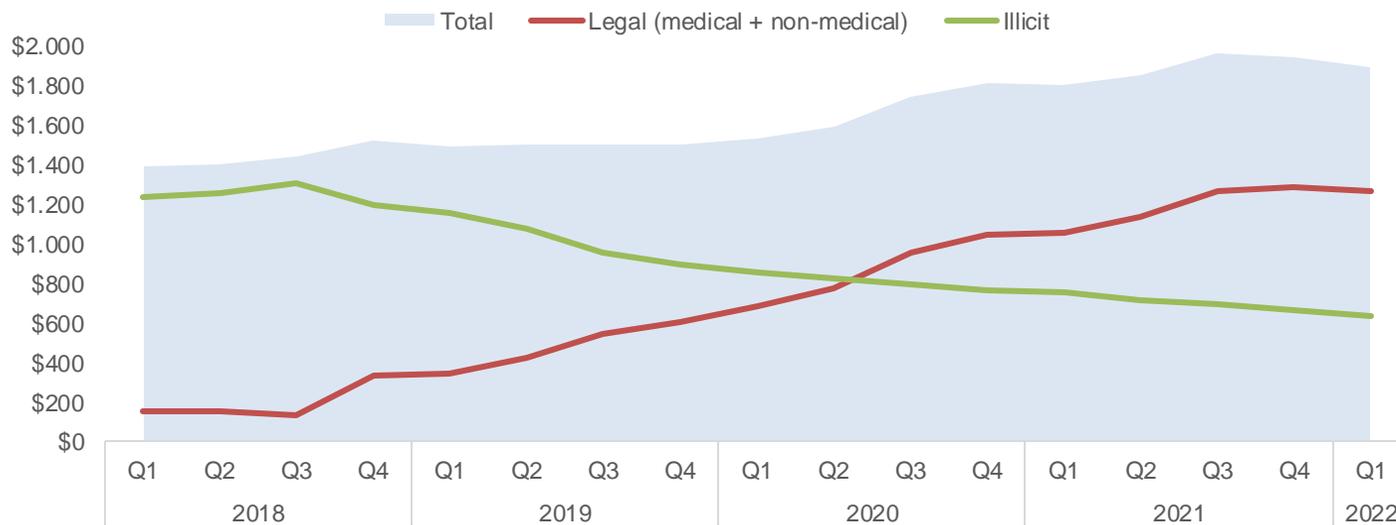
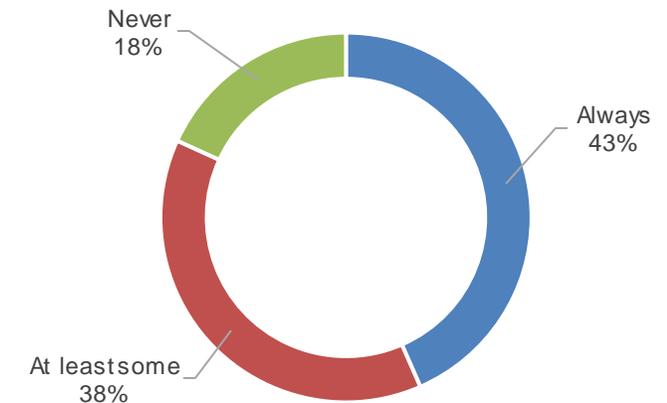


Figure 3: Frequency of Obtaining Cannabis From a Legal Source



\*[Statistics Canada Household Consumption Expenditure](#). Note that household consumption expenditure includes sales taxes as well as the value of home production so the figures may not align perfectly with data reported in the Cannabis Tracking System.

\*\*[Canadian Cannabis Survey, 2021](#)

# Canada's marketing and advertising regulations

- Divisions 2 & 3 of Part 1 of the *Cannabis Act* set out specific rules and requirements designed to ensure appropriate control and oversight of authorized activities with cannabis, including promotion, advertising and packaging and labelling.
- Generally, promoting cannabis, cannabis accessories, or related services is prohibited, except in limited circumstances. Promotion includes representation made by any means. All forms of communications are subject to promotion prohibitions, including printed publications, online content, mail, signage and broadcasts. Prohibitions apply to any person (individual or organization) engaging in relevant activities, such as persons who produce, sell or distribute cannabis, persons that sell or distribute cannabis accessories, persons who provide services related to cannabis and media organizations.

## Authorized Promotion

- Limited promotion of cannabis and cannabis accessories and services related to cannabis in specific circumstances, subject to the applicable prohibitions and any other applicable prohibitions and restrictions. This includes:
  - Informational promotion and brand-preference promotion;
  - Promotion at the point of sale; and,
  - Brand elements on things that are not cannabis or a cannabis accessory

## Non-application

- Subject to the regulations and if specific conditions are met, promotion prohibitions do not apply to:
  - Certain literary, dramatic, musical, cinematographic, scientific, educational or artistic works, productions or performances;
  - Certain reports, commentaries or opinions; and,
  - Certain intra-industry promotion.

# Canada's marketing and advertising regulations (con't)

## Promotion Restrictions

- Promotion prohibitions include:
  - no promotion considered appealing to young persons;
  - no false, misleading or deceptive promotion;
  - no promotion that is likely to create an erroneous impression about the health effects of cannabis or evokes a positive emotion or image of a way of life (e.g. glamour, risk);
  - no promotion through sponsorship, testimonials or endorsements; and
  - no promotion using the depiction of a person, celebrity, character or animals.

## Packaging and Labelling Restrictions

- Similar to federal tobacco legislation, this subdivision sets out restrictions on packaging and labelling of cannabis and cannabis accessories in ways that:
  - would be considered appealing to young persons;
  - use false or misleading information, testimonials and endorsements; and,
  - include lifestyle elements or shows a person, character or animal.
- Additional requirements, such as plain and child-resistant packaging, labelling of THC quantity, and health warning message requirements are set out in the Cannabis Regulations.

## Selling and Distribution Restrictions

- This subdivision prohibits the sale of cannabis or cannabis accessories that are considered appealing to young persons.
- It prohibits ingredients listed in column 1 of Schedule 5 (nicotine, caffeine, ethyl alcohol), the use of dispensing devices and self-service displays.

# Canada's cost recovery and taxation framework for cannabis

- The Government of Canada has committed to **fully recovering the costs of regulating the cannabis industry**. Cost recovery ensures that those who benefit from the new legal market be fairly charged the costs of regulating cannabis.
- Cost recovery for the regulation of cannabis includes four fees:

<b>1. Application screening</b>	Recovers the costs associated with screening new licence applications (\$3,527 for standard licence applicants and \$1,765 for micro and nursery licence applicants).
<b>2. Security clearance</b>	Recovers the costs associated with screening, processing, and issuing or refusing security clearances (\$1,781).
<b>3. Import/export permit</b>	Recovers the costs associated with screening, processing, and issuing or refusing to issue an import or export permit for medical or scientific purposes (\$658).
<b>4. Annual regulatory</b>	Recovers the aggregate costs of administering the cannabis regulatory program that are not covered by the fees mentioned above. Generally, 2.3% is being applied to cannabis revenue of licence holders.

- To promote a diverse market with both small and large players, Health Canada **scales fees** according to the size of the business and applies lower fees for micro-scale licence holders. Some classes of licences—namely those for research, analytical testing and hemp production—are exempt from fees.
- To support access to cannabis for medical purposes, those who produce, cultivate and sell cannabis exclusively for medical purposes are exempt from the annual regulatory fee.

## Canada's cost recovery and taxation framework for cannabis (con't)

- In Canada, taxation falls under the responsibility of the Minister of Finance. The Canada Revenue Agency (CRA) is responsible for the provisions relating to the imposition and collection of excise duties on cannabis products under the Excise Act (EA).
- Excise duties are designed to discourage the consumption of goods that have a high social cost such as those that are harmful to consumers' health or damage the environment (e.g., alcohol, tobacco, cannabis, petroleum products). For cannabis, they are imposed and collected at the producer level.
  - All cannabis (medical and non-medical) is subject to both federal excise duties and value-added sales tax (at the general rate of 5%).
  - Fresh and dried cannabis, and cannabis plants and seeds, are subject to excise duties that are the higher of \$1/gram and 10% of the product's wholesale price.
  - Cannabis extracts, edible cannabis, and topicals are subject to excise duties of \$0.01/mg of THC.
  - Duties on imported cannabis are paid by the importer, owner or other liable person under the Customs Act.
- Provinces and Territories (PTs) are able to set an adjustment rate, determining the overall duty charged to cannabis producers. Some PTs have opted out while others charge an additional percentage on top of the \$1 per gram rate.
- There is a coordinated taxation framework between the federal government and most PTs. Participating PTs receive 75% of excise tax revenue with the remaining 25% going to the federal government.
- All federal revenues, including those from taxation, are deposited in the Consolidated Revenue Fund (CRF).
  - Funds from the CRF are used for the disbursement of all federal expenditures, investments, and transfers. In practice the government does not earmark revenues, including those from taxation, for disbursement towards specific activities or initiatives.

**Questions?**

## Available resources

- The [Cannabis Act](#) and [Cannabis Regulation](#)
- [Cannabis](#): The Government of Canada homepage for cannabis. It links to information on cannabis, the process of legalization, health effects, addiction, medical use, applying for industry licenses, consumer information, market data, travelling with cannabis, talk about cannabis, and cannabis research.
- [Cannabis Stats Hub](#): Statistical information provided by Statistics Canada on matters related to health (i.e. use of cannabis by age, sex, etc.), justice (i.e. cannabis offences along with estimates of drug impaired driving), economy (i.e. household spending on cannabis), and prices (i.e. consumer price of cannabis by province and territory).
- [Cannabis Research and Data](#): The Government of Canada homepage for cannabis research and data. It links to surveys, market data, and statistics on cannabis.
- [Canadian Cannabis Survey](#) (CCS): The CCS provides detailed information about the habits of people who use cannabis and behaviours relative to cannabis use. Health Canada has published the CCS annually since 2017.
- [Packaging and Labelling Guide for Cannabis](#): This guide provides guidance and information about the packaging and labelling requirements for cannabis products under the Cannabis Act and Regulations