

## FOR IMMEDIATE RELEASE

### **Newfoundland and Labrador Budget Disproportionately Targets Convenience Sector Tobacco tax will fuel contraband industry**

**May 31, 2021** - Two new taxes unveiled in Newfoundland and Labrador's budget will negatively impact the province's convenience sector, according to the Convenience Industry Council of Canada.

"The budget is a tax on convenience," says Anne Kothawala, President and CEO of CICC. "Yet another tobacco tax, combined with a new sweetened beverage tax will hurt the bottom line of the 1,000 convenience stores across the province."

The new 20-cent per litre sweetened beverage tax will take effect in April 2022. The \$6-per carton increase is the third time in the past nine months the government has hiked taxes on tobacco products. A carton of cigarettes has increased by \$20.

"That's a major price increase and problematic," Kothawala says. "It will drive adult smokers away from responsible, law-abiding convenience stores and toward a growing contraband tobacco market. Convenience stores that follow the rules will bear the brunt of these measures while criminals will benefit."

[A 2020 study from Ernst & Young](#) conducted for the CICC, clearly proves "there is a massive illegal cigarette market in Canada and a huge cost to provincial treasuries in foregone tax revenue."

Specifically in Newfoundland and Labrador, the study revealed a 44% increase in legal sales of tobacco products in June 2020 versus June 2019.

"This sudden reversal of the trend in which year-over-year cigarette sales have historically declined, is explained by the closure of illegal tobacco manufacturing, sales and distribution networks owing to COVID-19 which forced consumers of illegal cigarettes to purchase through legal channels," states the report.

Only British Columbia and Newfoundland and Labrador have increased provincial taxes on tobacco this year.

"The provincial budget makes no mention of contraband tobacco, but as the EY report highlighted, there is a strong and well-established contraband pipeline into Atlantic

Canada,” Kothawala adds. “As a result, this \$6 per-carton tax increase will boost contraband sales and cost the government millions in lost tax revenue.”

CICC calls on the government to invest in contraband enforcement and to consult with the convenience industry as they determine details on the beverage tax. “We hope that the government will realize that these tax increases take money out of the hands of consumers and business owners, money that can be used to stimulate economic growth and recovery” concluded Kothawala.

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**ABOUT:** Convenience Industry Council of Canada

The Convenience Industry Council of Canada is a national, not-for-profit council that represents the convenience channel. Our members employ 216,000 Canadians and annually distribute and sell over \$55 billion in goods and services.

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