August 13, 2026

The Honourable François-Philippe Champagne
Minister of Finance and National Revenue
c/o Department of Finance Canada
James Michael Flaherty Building
90 Elgin Street, Ottawa, Ontario, K1A 0G5

Dear Minister,

Thank you for the opportunity to share the Convenience Industry Council of Canada's (CICC) 2026 pre-budget recommendations. CICC is the national voice for the country's 21,256 convenience stores and 182,808 workers.

At the heart of every neighbourhood, the local convenience store is where people connect, and essentials are always within reach. Our members are not just businesses; they are familiar faces and fixtures people come to count on. As the backbone of local communities and a vital economic engine, our industry generates $53.4 billion in sales.

Notably, our industry serves as Canada’s most efficient unpaid tax collection network, having remitted $24.9 billion in taxes in 2024—representing 47 per cent of our total sales. Despite this contribution, the industry is facing severe headwinds, with an average of 1.5 stores closing every day.

To ensure the survival of these small businesses, we urge the government to adopt the following recommendations.

Resolving the Uncompensated Carbon and Excise Tax Liability

From highway corridors to remote regions, convenience stores fuel the journeys that connect the country from coast-to-coast-to-coast. They keep Canadians moving and are open when nothing else is—often serving as the only stop for miles.

The implementation of fuel excise changes, alongside the removal of the consumer carbon price on April 1, 2025, has created a critical financial crisis for fuel retailers. Before the repeal, gas stations and wholesale providers purchased fuel with the consumer carbon price and excise costs applied to the total volume. However, once the tax was removed, retailers were prohibited from recovering these costs from consumers at the pump.

As a result, Canadian fuel retailers are now stuck with roughly $100 million in unpaid tax liabilities—money paid upfront to the government for inventory that customers will never pay back.

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Small and medium-sized store owners are forced to absorb this double financial hit on already razor-thin profit margins. The Canada Revenue Agency (CRA) lacks a clear regulatory mechanism to reimburse businesses for these taxes that were remitted but are no longer recoverable. This withholding of funds limits financial flexibility and accelerates the sector's economic decline, particularly for the 11,000 retail petroleum sites that serve as essential hubs in Canada.

There is a clear precedent for resolving such issues, as seen when British Columbia repealed its consumer carbon price and established a rebate mechanism for retailers. We urge the federal government to provide similar relief to ensure that retailers are made whole for taxes paid in existing inventory.

Recommendation #1: That the Government of Canada include a legislative mechanism in Budget 2026 empowering the CRA to reimburse eligible retailers for both carbon and excise tax liabilities embedded in fuel inventory through administrative avenues such as HST credits, the B402 adjustment formula, a Remission Order, or amendments to the Greenhouse Gas Pollution Pricing Act (GGPPA).

Combating the Contraband Nicotine Crisis through Financial Oversight

At the Council of the Federation meeting in Prince Edward Island this July, premiers from across the country confronted contraband nicotine as the severe public safety threat it has become. The illicit tobacco and nicotine trade directly fuels organized crime, weapons trafficking, and illicit drugs like fentanyl.

While we applaud the recent announcement by the Financial Crimes Agency to target illicit financial networks, disrupting these operations requires alignment between government policies and on-the-ground enforcement. The contraband market is already eclipsing legal sales in key regions, reaching 52 per cent market share in New Brunswick and 50 per cent in Ontario. Compounding this challenge, the federal decision to ban legal nicotine pouches from convenience store shelves and restrict them strictly to pharmacy counters has unintentionally accelerated this black-market expansion. Recent law enforcement actions—including a massive CBSA interdiction of 1.8 million pouches at the Blue Water Bridge, a 212,000-pouch seizure at Pigeon River, and an RCMP raid in Yellowknife netting nearly 600 contraband tins—demonstrate how rapidly organized crime steps in to fill retail voids when consumer demand persists outside regulated channels.

To be truly effective, the fight against illicit nicotine must be explicitly integrated into the upcoming National Anti-Fraud Strategy. The government must dedicate resources to specifically address and take down illegal tobacco and nicotine websites.

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Digital platforms and search engines must be mandated under the Framework's disruption rules to proactively screen for fraudulent profiles, block malicious links, and immediately remove known fraudulent accounts and advertisements leading to contraband nicotine vendors. In addition, we must neutralize the ability of illicit vendors to profit by mandating federally regulated financial institutions and online payment processors to close, block access to, and cut off financial services for accounts known to be controlled by these bad actors.

Lastly, general investments to strengthen the RCMP's investigative capacity are also necessary, as dedicated resources remain critically stretched. The Contraband Tobacco Task Force continues to operate on a minimal budget of just $3 million annually—a baseline that has remained unchanged since 2008.

Combatting organized crime demands a modernized, fully funded national strategy combining targeted financial oversight, enhanced enforcement, and realistic retail policies from government.

Recommendation #2: That the Government of Canada formally mandate the new Financial Crimes Agency to prioritize the disruption of illicit tobacco and nicotine financial networks, while drastically increasing funding for the RCMP's Contraband Tobacco Task Force and ensuring that the National Anti-Fraud Strategy includes specific measures to take down illegal vendor websites and block their access to financial services. The government should also return the sale of nicotine pouches to convenience stores as Health Canada data shows that our industry stops youth access and are compliant more than 99% of the time when selling age-restricted vaping products.

Providing Relief from Punitive Credit Card Interchange Fees

With nearly 85 per cent of gas purchases now made via credit card, interchange fees are the second-highest operating cost for our stores. Because 47 per cent of our sales are taxes remitted to the government, retailers are paying fees on the tax portion of every sale.

New independent validation and economic analysis confirm that the convenience and fuel retail sector pays nearly $88 million annually in processing fees solely to collect and remit taxes on behalf of the government. This includes $79 million on fuel taxes and an additional $8.6 million on tobacco and alcohol taxes. Current fee-reduction initiatives offer no relief for these compounded costs.

Recommendation #3: That the Government of Canada remove interchange fees from the tax portion of sales, or establish a reimbursement mechanism so small businesses can recoup these costs, and implement binding caps on interchange fees

Canada's convenience stores are vital community hubs and crucial partners in government revenue collection. They are the helping hand your neighbourhood relies on—steady, local, and open when others aren't. Whether meeting a last-minute need or serving as a dependable presence on the corner, convenience stores and the people who run them are always there when Canadians need them. By addressing these three critical areas, Budget 2026 can ensure our sector remains a viable partner in government revenue collection and a cornerstone of Canadian communities.

If you have any questions regarding this submission, please do not hesitate to contact me.

Sincerely,

AP. Kothawala

Anne Kothawala
President and CEO
Convenience Industry Council of Canada