



What the Provincial vs. Federal Fight for Cannabis Taxes Means for Investors

Description

The recently announced tax clawback provision which will enable the federal Canadian government to extract 50% of the excise tax levied against marijuana sales across the country has some provincial politicians on the offensive, with a fight brewing over the slice of the pie Canadian provincial governments will be able to extract from marijuana sales within the various jurisdictions the commodity is set to be sold for recreational use next year.

This past week, Ottawa announced it intends to split excise tax revenues with the provinces 50/50 amid questions as to how the \$1 per gram tax, which was announced earlier this year, will be divided. Federal MP Bill Blair who has spearheaded the marijuana legalization project for the federal government, released his proposed tax plan relating to the green commodity on Friday, with stipulations that some provinces do not feel is fair.

Following the release of the federal government's tax plan, Joe Ceci, the finance minister for Alberta, had a news conference in which he slammed the government's position on taxation relating to the regulation and policing of marijuana, the lion's share of which will happen at the provincial level. The position Mr. Ceci has taken, a view which is likely to be shared by his counterparts within the various Canadian provinces, is one which may turn out to be a protracted battle at various levels of government. This situation may delay the official legalization rollout should provinces decide to hold out in a bid to receive a deal that is perceived to be more fair.

Cannabis investors have been rewarded nicely for holding on to positions that have fluctuated significantly over the past year, as investors attempt to price taxes and other regulatory factors into the stock prices of major Canadian marijuana producers.

Canada's largest publicly traded cannabis producer, **Canopy Growth Corp.** ([TSX:WEED](#)), has seen its share price increase by nearly 50% over the past month on increased investor optimism surrounding the impending legalization and a much clearer perspective on how the rollout is likely to proceed in key jurisdictions such as Ontario, Manitoba, and Alberta. That said, questions as to how efficiently and effectively the rollout will be remain. My [prediction](#) for the 2018 marijuana rollout should be something all investors consider, especially given the extremely high valuation multiples ascribed to

all marijuana firms currently.

Bottom line

Concerns about how excise taxes may push consumers to the [black market](#) have been highlighted by many analysts, including fellow Fool contributor David Jagielski. These tax-related issues remain a concern as provinces fight for additional tax revenues to support provincial regulation and policing of the drug. If the position of the federal government is more of a mandate rather than a negotiating position, provinces may have not a choice but to increase the total excise tax charged to consumers to increase revenues — a fact which may result in taxation levels that would make legal marijuana less attractive than product sold on the black market, something the Federal government has stated it wants to avoid.

Stay Foolish, my friends.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/03

Date Created

2017/11/13

Author

chrismacdonald

default watermark