



2 Big Reasons Marijuana Legalization Could Still Be Delayed

Description

We are getting closer to legalization day, and many companies and consumers are anxiously awaiting recreational marijuana becoming legal. Although we've seen some issues sorted out, there are still some big ones on the table that need to be addressed before legalization can happen.

The government of Quebec has recently asked the federal government to postpone the legalization date to 2019. Certainly, there is a big incentive for cannabis to be legalized as soon as possible, and that's because the tax revenue that will come from pot sales will likely be significant.

However, there are a couple of big hurdles that could possibly delay marijuana legalization.

How tax revenue will be split

The federal government has recently come out with plans on how to tax cannabis, and there are already disputes regarding how it will be split between the federal government and the provinces. Excise taxes are expected to be \$1 per gram or 10% of the selling price.

However, the government is also planning to split excise taxes 50/50 with the provinces, and many provinces are already looking to contest that. After all, the federal government set the legalization date and essentially left it to the provinces to figure out how cannabis will be sold and distributed.

As a result, the provinces have been left with a lot of the costs and heavy lifting related to getting everything in order for when cannabis is legalized, so a 50/50 split may not seem all that fair.

Ironically, if a dispute over taxes delays legalization, then that would reduce the amount of tax revenue that will ultimately be collected anyway. However, it's not a small issue, especially when you consider how large the industry might become.

How cannabis will be advertised

The government has taken the approach that advertising for cannabis should be similar to what is in place for tobacco, which is effectively none at all. With many restrictions on advertising and packaging

expected to be plain, it will be very difficult for pot producers to create any brand loyalty.

It's for this reason that the Coalition for Responsible Cannabis Branding was formed and is pushing for legislation that mirrors alcohol advertising rather than what is in place for tobacco. Companies have a lot at stake; if their name isn't **Canopy Growth Corp.** ([TSX:WEED](#)) or **Aurora Cannabis Inc.** ([TSX:ACB](#)), there is a good chance consumers haven't heard of them and won't anytime soon.

As the industry continues to grow, we will only see more competitors enter the field, and early entrants like Canopy Growth that have already [secured supply deals](#) will have a significant advantage. Although this may make investors of Canopy Growth happy, as it gives the company a distinct advantage, it will harm overall competition in the industry and could create a monopoly.

Bottom line

We are less than a year away from when marijuana is expected to be legalized, and with significant issues still outstanding, there is the real possibility that we could see that date delayed. It's easy to get excited given the [strong growth prospects](#) the industry possesses, but investors shouldn't assume that marijuana being legalized next year is a given.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/29

Date Created

2017/11/21

Author

djagielski

default watermark