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B.C. revenue on cannabis a fraction of what it had budgeted a year ago

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A statement from the Finance Ministry said the disparity between the estimated revenues this fiscal year, which ends March 31, is due to delays that saw Ottawa end nearly a century of marijuana prohibition in the middle of last October.

Jeff Bassett/The Globe and Mail

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British Columbia's share of a federal excise tax on cannabis during the first months of legalization was a fraction of what the province had budgeted a year ago. But just how far short of expectations revenues have fallen is unclear because the province did not disclose final estimates for the current fiscal year in this week's budget.

In the document, the figures didn't even merit a revenue line item: The money is lumped in with the figure the federal government transfers for disaster assistance.

Last year, the province estimated federal tax revenue from cannabis sales would bring it \$50-million and that Ottawa would chip in another \$20-million for disaster financial assistance, which together would have totalled \$70-million in one line item.

But last week's budget shows the total estimated transfers from the federal government for those two categories combined this year was just \$17-million so far – a decline of \$53-million from last budget's estimates.

Under an agreement with Ottawa, the province is to get 75 per cent of the federal levy on legal sales within its borders, so the smaller figure indicates sales have not been as robust as predicted.

Kerry Jang, a former Vancouver city councillor who co-chairs B.C.'s provincial-municipal committee in charge of crafting the province's cannabis rules, said he isn't surprised at the shortfall, nor at the lack of precise revenue estimates.

"The scheme is just rolling out now across the province, there's no concrete numbers anywhere," he said of taxes on cannabis sales.

"Quite frankly, we're not sure it's going to be the cash cow everybody thinks it's going to be," said Dr. Jang, who helped design Vancouver's landmark cannabis dispensary bylaw four years ago.

A statement from the Finance Ministry said the disparity between the estimated revenues this fiscal year, which ends March 31, is due to delays that saw Ottawa end nearly a century of marijuana prohibition in the middle of last October.

"In budget 2018, it was assumed that the legalization of cannabis would be in effect by July 2018 as previously promised by the federal government," the e-mailed statement said. "Given the associated costs, we don't expect to retain substantial revenues from cannabis legalization."

Three fiscal years from now, she added, B.C. expects annual revenues to eventually rise to \$68-million from this tax – which is \$1 per gram, or 10 per cent of larger purchases, whichever is higher.

The statement did not explain how the Ministry arrived at this estimate. The figure is also less than the \$75-million the province expected to rake in each of the next two fiscal years, according to last year's budget.

A statement from the federal Finance Ministry said the first payment of excise tax revenues collected across the country will be made on March 1. Questions about the sum of funds transferred were directed to the individual provinces or territories.

Actual sales figures are also hard to come by: B.C.'s Ministry of the Attorney-General, which oversees cannabis sales, said it could not say how much revenue was received from 114,000 legal transactions at the government's online cannabis portal and lone store because it is competitive business information. It says the province does not track sales at the dozen private stores now licensed to sell the drug.

B.C. is the first province to release cannabis revenue stats from the first months of legalization as part of its budget.

New Brunswick, which is set to release its budget a month from now, has already revised its estimates for revenue from the federal excise tax this fiscal year down from \$6-million to \$3.6-million, according to Vicky Deschênes, a spokesperson for the province's Ministry of Finance.

Early data suggests that recreational sales across the country have been sluggish, due to a combination of logistical problems, product shortages and the delayed rollout of retail stores. There are still no licensed bricks-and-mortar cannabis stores in Ontario, and fewer than 20 legal dispensaries in Quebec and B.C. combined.

B.C.'s Finance Minister Carole James said last year that early estimates pointed to the potential for about \$1-billion in sales in the province.

"We went with a very conservative number of what we expect the sales to be," said Ms. James in February, 2018.