

# Intelligence MEMOS



From: Ian Irvine  
To: Anti-smoking Canadians  
Date: May 17, 2021  
Re: **VAPING IS LESS TOXIC THAN SMOKING, SO WHY TAX IT THE SAME?**

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Embedded in last month's budget was news of a federal special excise levy on vaping products in 2022. At present, no such levy is imposed, although several provinces have introduced levies on each millilitre sold (Nova Scotia) or special sales taxes (British Columbia).

Tobacco and nicotine are viewed by society as sin goods. We lump them loosely with alcohol, cannabis, gambling and so forth. We call them sin goods because they can cause damage to our health if consumed to excess and sometimes just in small amounts.

Vaping products form the largest component of what are now labelled alternative nicotine delivery (AND) systems. Others include tobacco- and nicotine-based wet snuff (small pouches that deliver nicotine when the pouch is placed in the mouth) and heated tobacco products (HTP). An HTP is a small tobacco "stick" that is heated rather than burned when placed in a special battery-driven device. Both delivery systems are already subject to a federal excise levy. So, it is natural that we get around to taxing vaping liquid.

In a recent [C.D. Howe Institute](#) paper, I argue the federal government should address the issue of AND taxation comprehensively and be guided in particular by the health risks associated with each product in the AND category.

Most Canadians are unaware of exactly how tobacco causes health problems. Cigarettes contain nicotine, which induces dependence for most of its users. But combustion is the real demon. Nicotine keeps the smoker coming back for more, but the smoke is the hazard because of the carcinogens and countless toxins it contains.

Technological developments in nicotine delivery mean nicotine can be separated from the toxins – but not completely. The new products are not risk-free and most have not been around long enough to observe how, for example, the health of life-long vapers will evolve. In the absence of that information, the best we can do is to analyze what the vaper inhales and exhales. [Public Health England](#) and the [Royal College of Physicians](#) estimate electronic cigarettes contain, at most, 5 percent of the toxins contained in a combustible cigarette.

Broadly similar toxicological findings characterize heat not burn products (HNB) and modern snuff pouches.

So how should public policy, and tax policy in particular, reflect this? To answer, we must ask what we are trying to achieve with a specific excise levy or sales tax on e-liquid. At the very least, the levy should be informed by the relative health risks associated with vaping relative to smoking. Today's daily teen vapers are getting 50 times fewer toxins than their daily smoking parents of the 90s.

The same principle should apply to HNB and snuff products. These products are currently subject to excise levies that are in the same ballpark as cigarette levies. These punitive rates not only disincentivize smokers from moving away from their traditional habit, they also disincentivize suppliers from investing heavily in switching their product line away from combustibles.

Recent Statistics Canada surveys indicate just a small fraction of the population realizes how small the health risks of e-cigarettes are compared to combustible cigarettes. There are huge gains to be reaped, in terms of lower morbidity and mortality, from switching not-yet-informed smokers to lower-risk products. Various estimates put annual smoking-related lives lost at about 40,000 individuals. A lower cost to satisfy a nicotine desire, combined with information on reduced toxicity could help get smokers to switch.

The vaping proposal in the budget contains significant inequities in that it proposes to tax products that deliver the same amount of nicotine differently. It will need to be revised if these inequities are to be avoided.

But lower AND taxes are just part of the answer to reducing smoking rates.

The biggest obstacle to using AND systems productively is youth are experimenting with them at high rates. Almost-daily vaping rates for high-school students are in the range of 6 percent or 7 percent. The good news in the statistics is that daily smoking rates among the same students are now down around 2 percent.

Finally, it is important that the federal and provincial governments approach policy in a similar manner. A risk-based approach to taxation at one level of government will bring health benefits only if the government, or governments, at the other level co-operate.

To conclude, the taxation of AND systems should reflect risk and we need to maintain a major gap in the retail price of e-cigarettes, HNB products, and snuff products on the one hand and combustibles on the other. Heavily dependent smokers should also become the object of a concerted "quit or switch" campaign.

*Ian Irvine is a Professor of Economics at Concordia University, and a Research Fellow at the C.D. Howe Institute.*

*To send a comment or leave feedback, email us at [blog@cdhowe.org](mailto:blog@cdhowe.org).*

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