

Issue

British Columbia's licensed cannabis industry has the potential to be a global leader—anchoring rural economies, creating thousands of stable jobs, and generating significant government revenues. Yet, despite our many advantages, the sector is languishing under excessive taxation, regulatory burdens, and a lack of enforcement against illicit operators. This untenable environment threatens to undermine the foundations of legalization itself.

Legal cannabis was introduced to increase public safety, displace illicit markets, and stimulate economic growth. However, if licensed operators cannot achieve financial viability, these core goals are jeopardized. Policymakers must act swiftly and decisively to create a regulatory and economic framework that supports a cannabis industry that is economically sustainable.

Background

1. Taxes & Fees

When Canada legalized recreational cannabis, a flat excise tax of \$1/gram was recommended based on the assumed wholesale price of \$10/gram. However, the average retail price in 2024 was \$4.82 per gram, driving the effective tax rate to more than 3 times the intended rate.

BC's Direct Delivery program was created to benefit small producers by allowing them to sell directly to retailers. Unfortunately, the BC Liquor and Distribution Board (BCLDB) replaced its 15% wholesale markup with a 15% "Proprietary Fee". In effect, this policy allows smaller producers to do the work of a wholesaler without allowing them to be paid for it. This move not only undermines the program's purpose but penalizes the very entrepreneurs it was designed to support.

2. International Markets

As international markets like Australia, Germany, and Israel continue to grow, international buyers are finding their way to BC's best producers and offering top dollar. Because these sales remain exempt from Canada's excise tax, [producers are increasingly likely to export their products](#). Each gram shipped internationally means \$1 less in tax revenue collected and fewer high-quality products on Canadian shelves. If current policies remain unchanged, we risk driving BC's best producers out of the local market entirely.

3. Financial Services

Despite legalization, many cannabis businesses still struggle to secure basic banking, loans, and insurance. When financing is available, it often includes an onerous "cannabis tax," reinforcing a sense of systemic stigma. Aligning cannabis with mainstream finance would bolster oversight and accountability—goals our public policy initiatives should champion.

5. Vaping

In response to nicotine-related concerns, BC introduced an additional 20% tax on cannabis vaping products. This steep surcharge inflates retail prices and nudges consumers toward

cheaper, unregulated products. Put simply: overtaxing legal cannabis vapes unintentionally encourages exactly the kind of behavior legalization was meant to curtail.

6. ALR Exclusions

Cannabis producers on ALR land in British Columbia face inconsistent treatment that excludes them from standard farm-use benefits available to other agricultural sectors. Despite being recognized as a legitimate crop, cannabis is carved out of key privileges like agritourism activities, property tax incentives, and streamlined licensing. These exclusions hinder industry growth, deter rural economic development, and undercut the province's broader push for diverse, sustainable agriculture.

7. Health & Safety

Health Canada launched a [Cannabis Data Gathering Program](#) in 2023 to help generate baseline data on total THC levels, heavy metals, mycotoxins, pesticides, and microbial contaminants for cannabis products from both sides of the Canadian market. Results were published in February '25 and included several important findings. Nearly all (94%) of illicit samples tested positive for multiple pesticides with the most common being myclobutanil. In comparison, only two licit products showed trace amounts. Illicit samples were found to have significantly higher levels of microbial (mould) contamination, often exceeding European Pharmacopeia limits. The report also showed 6 of the illicit samples tested contained mycotoxins while none were found in licit products.

These findings demonstrate the importance of regulated cannabis products, especially as it relates to product testing and product quality. It also emphasizes the shortcuts being used by illicit producers and how these shortcuts have become a direct risk to public health and safety.

8. Market Competitiveness

One of the biggest obstacles to the viability of the regulated cannabis industry is the illicit market's ability to undercut the regulated market on price. Operating outside the legal and regulatory framework, illicit producers, processors, and retailers avoid taxes, provincial mark-ups, and other regulatory burdens, allowing them to offer significantly lower prices for potentially harmful products while diverting customers away from the regulated market.

[A study by the University of Montreal](#) on the acceptance of cryptocurrencies by online cannabis retailers in Canada revealed that most illicit operators preferred e-transfers, despite the digital trail such transactions leave. Researchers attributed this practice to a lack of enforcement, suggesting that illicit businesses perceive the risk of enforcement to be low.

The BC Cannabis Alliance Recommends

For the Provincial Government

Remove the 15% “Proprietary Fee” for Direct Delivery

By eliminating this fee, BC can fulfill the original intent of the Direct Delivery program. This is not just an economic imperative, but a matter of fairness: we must support the smaller craft producers who form the backbone of BC’s globally recognized reputation for quality cannabis.

Introduce a BC Cannabis Jobs Tax Credit

To date, the BC government has collected more than \$400M in cannabis excise tax. Allocate 15% of this income to fund a BC Cannabis Jobs Tax Credit that will let BC’s cannabis industry hire some much-needed help. This reinvestment would bring stability to our industry while creating skilled, stable jobs in rural communities across the province.

Establish a Cannabis Innovation & Agri-Tech Fund

We recommend allocating an additional 10% of the province’s cannabis excise tax income to establish a BC Cannabis Innovation Fund, modeled after Innovate BC Fund. This targeted reinvestment would drive critical innovation in sustainable cultivation, agricultural technology, and manufacturing, positioning BC as a global leader while generating lasting economic growth and quality employment opportunities for communities across the province.

Cannabis Manufacturing & Processing Grants

Access to capital for expansion is one of the biggest hurdles for craft producers. Expanding provincial economic development grants and loans to include cannabis cultivation and processing projects would change this. In particular, we recommend utilizing the existing BC Manufacturing Jobs Fund to support cannabis product manufacturers who are building or expanding processing facilities, labs, or value-add operations.

Remove Farm Status Exemptions

Allow Cannabis farmers to use their cannabis crops to qualify for Farm Classification on ALR land. Removing the "Farm Status" exemption for cannabis means that licensed growers will be able to access the same benefits as other farms, including agricultural property tax rebates and preferred rates (e.g. natural gas, hydro). This includes enabling cannabis farmers to participate in cannabis related agritourism opportunities. This alignment would stimulate rural economies, uphold the integrity of the Agricultural Land Reserve, and support a more balanced, sustainable agricultural sector in British Columbia.

Adjust Farm Gate Licensing Fees to Align with Other Agricultural Sectors

A fair and consistent fee structure will support rural businesses and enable BC producers to compete globally and create unique and innovative tourism opportunities. The \$7,500 application fee for a cannabis Production Retail Store license is 13x higher than that of a winery, brewery, or cidery. Support from the Minister when engaging with the Liquor Distribution Branch would be most appreciated here.

Permit Indoor Consumption within Licensed Production Retail Stores

Despite broad support for cannabis consumption spaces, regulations effectively prevent the consumption of cannabis indoors. An exemption for licensed Production Retail Stores would provide licensed producers with a small space where customers could sample and purchase products, just as they would on a tour of a winery or craft brewery.

Enforcement of Current Regulations

Increase enforcement of illicit production and sales to ensure their lower costs can't be used to undercut the regulated market on price with products that are a proven risk to public health. If monitoring and enforcement of the regulated industry continues to exceed that of the unregulated, the unregulated industry will continue to thrive.

Publicly Endorse the 10% Ad Valorem Excise Tax

Strong advocacy from the BC government can expedite federal adoption of the Federal House of Commons Standing Committee on Finance's recommended ad valorem structure—ensuring excise taxes scale with actual prices rather than an outdated assumption. This balanced approach will help keep regulated market prices competitive while encouraging more consumers to shop within regulated markets.

The BC Cannabis Alliance Recommends

For the Federal Government

Transition to a 10% Ad Valorem Rate

Replacing the flat \$1/gram model with a percent rate that aligns with true market pricing is essential for the regulated market to prosper. This single policy change stands to do more than any other step to bolster licensed operators and reclaim market share from illicit sellers.

Adopt a Single, National Excise Stamp

Current province-by-province stamps force producers to navigate additional complexities and incur unnecessary costs. A unified system would streamline operations—lightening the regulatory burden without diminishing Canada’s excise tax.

Conclusion

B.C.’s cannabis industry stands at a crossroads. A province renowned for world class cannabis, agricultural innovation, and entrepreneurial spirit has created a regulatory framework that put licensed producers at an extreme disadvantage. The recommended measures— excise tax reform, removal of BC’s 15% “Proprietary Fee”, enforcement of current regulations and others— are not luxuries; they are prerequisites for a credible, competitive, and healthy cannabis sector.

By aligning provincial and federal policies, we can guarantee that legal cannabis continues to foster rural development, contribute to the provincial economy, and enhance public safety. The BC Cannabis Alliance urges all levels of government to embrace these reforms—so that we may unlock BC’s unrealized potential as a global leader in responsible, high-quality cannabis production.