

Quebec wants to cut down sale of tax-free smokes on reserves

QUEBEC-Non-natives will be discouraged from trying to buy tax-free cigarettes on reserves under measures introduced by the Quebec government Thursday.

Taxes on cigarettes will be collected up front by the government to make sure all retailers — including aboriginals — pay taxes on smokes sold to non-natives, said Finance Minister Bernard Landry.

"For the ordinary consumer it doesn't change anything at the counter," Landry told a news conference.

The government appears to be targeting the Kahnawake

Mohawk reserve, near Montreal, which is known for its sale of cheap, tax-free cigarettes.

Aboriginals still won't pay any taxes on cigarettes but those Quebec residents who travel to reserves won't find any more bargains.

"Non-natives will no longer be able to get cigarettes on reserves by evading Quebec taxes," Landry told the legislature.

"The desire is to be more efficient in preserving fair competition and preserving Indian rights at the same time."

To meet its objective, the government will eliminate the provincial sales tax retailers pay on cigarettes and instead charge them a higher excise tax, he said. The measures will take effect June 23.

The level of taxation won't change and prices should stay the same, Landry said. Cigarettes cost about \$4.80 a package with taxes and between \$30 and \$35 a carton.

Landry said the problem with the provincial sales tax is that aboriginals are exempted from paying it to manufacturers and wholesalers which can lead to tax fraud and unfair competition.

He said retailers who sell to natives will get part of the high-

er excise tax reimbursed by the government but they will have to prove it with receipts.

"What will native retailers do?" Landry asked. "They will just ask to be reimbursed and they are strictly entitled to that. That right will be respected."

Kahnawake Chief Joe Norton refused to comment Thursday. A spokesman said Mohawks want to study the measures before giving an opinion.

Quebec Liberals said Landry's announcement will lead to cigarette smuggling from the United States, higher inventory costs for retailers and even to aboriginals setting up their own manufacturing operations.

"Some reserves are just beginning to manufacture their own cigarettes and that phenomenon will increase in the future," said Liberal member Jacques Chagnon.

Cornerstore owner Forozandeh Ganji said it's too soon to say if the measures will affect how she does business but she worries relations between aboriginals and the Quebec government will worsen as a result.

"It's not a very peaceful relationship between natives and the Quebec government," she said from Montreal. "They're (aboriginals) not going to like it."