



# News Release

For Immediate Release

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## ONTARIO MISSING OUT ON UP TO \$500 MILLION A YEAR: AUDITOR GENERAL

(TORONTO) The province may be collecting \$500 million a year less in tobacco tax than it should be, Auditor General Jim McCarter says in his *2008 Annual Report*, released today.

“This is a lot of money that the province could be missing out on during these difficult economic times,” McCarter said. “The existence of this tax gap remains a major issue for provincial tax coffers.”

McCarter explained that this tax gap—the difference between the amount of tax that should be collected and the amount that actually is collected—has increased dramatically since his Office’s last audit of tobacco-tax collection in 2001.

The tax shortfall was identified in a value-for-money audit of the gasoline, diesel-fuel, and tobacco-tax collection work of the Ministry of Revenue. The audit also found the government may be missing out on millions of dollars in revenue from fuel tax because the province lacks the appropriate systems for monitoring the collection of such taxes.

Among the Auditor General’s observations and recommendations:

- The Ministry should “consult and work closely” with the Canadian Border Services Agency, the RCMP, and the OPP to “bring to bear the resources and policy changes necessary to deal more effectively with the importation of illegal cigarettes and other tobacco products into Ontario.”
- The Ministry should assess whether expanding inspections of retail outlets is the most effective way to prevent tax evasion rather than greater efforts to closely monitor cigarette manufacturers and tax-evasion schemes.
- Needed changes to modernize the electronic system for filing, processing, and auditing gasoline, diesel, and tobacco tax returns—which were to have been implemented years ago—are still several years away from completion.

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