



News release

Federal and provincial governments reach landmark settlement with tobacco companies

Lévis, Québec, July 31, 2008... The Honourable Gordon O'Connor, Minister of National Revenue today announced that the federal and all provincial governments have entered into civil settlement agreements with Imperial Tobacco Canada Ltd. and Rothmans, Benson & Hedges to resolve all potential civil claims they may have in relation to the two companies' role in the movement of contraband tobacco in the early 1990s.

In addition to the civil settlement, the two companies each pleaded guilty in court to a single count of "aiding persons to sell or be in possession of tobacco products manufactured in Canada that were not packaged and were not stamped in conformity with the *Excise Act* and its amendments and the ministerial regulations" between 1989 and 1994. The fines in these prosecutions, combined with the civil settlements, will result in the companies paying \$1.15 billion to governments.

"Today's announcement sends a strong message that all governments are united in their determination to address the problems and challenges posed by the contraband tobacco market. Governments are taking action so that no one will profit from evading Canada's tax laws," said Minister O'Connor. "We are satisfied with the terms of the agreements and are confident that the public interest is protected as a result."

The comprehensive settlement agreement also includes a compliance protocol which will ensure that the companies have effective internal compliance controls in place. It also requires the companies to provide governments with information to assist in the battle against contraband.

"The agreements reached with Imperial Tobacco Canada Ltd. and Rothmans, Benson & Hedges reflect their recognition of governments continuing commitment and ongoing efforts to fight contraband tobacco in Canada," said O'Connor. "The civil settlements require the companies to make payments in the approximate amount of, respectively, \$400 million and \$450 million over 15 years, as well as a commitment to implement effective programs to control the movement of tobacco products and combat contraband."

The CRA is responsible for administering the agreements. Payments received from the companies will be distributed to federal and provincial governments according to percentages agreed upon by all governments. The settlements announced today are the collective efforts of 11 governments working together to resolve issues that have been outstanding for more than a decade.

For more information about the agreements, see the attached backgrounder or visit the CRA's Web site at cra.gc.ca.

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