

**TRANSFORM**  
Drug Policy Foundation

**HIGH RETURNS:  
THE ECONOMIC  
BENEFITS OF  
UK CANNABIS  
LEGALISATION**

**EXECUTIVE SUMMARY**



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# EXECUTIVE SUMMARY

This report evaluates the economic impacts of legalising and regulating cannabis for adult non-medical use in the UK from a Treasury perspective of income and spending. The report focuses on government revenues (corporation and income tax, VAT, National Insurance, licensing fees and, in the scenario of a state monopoly model, profits), savings across the criminal justice system (CJS) from reduced costs on enforcement, and the costs of administering a regulatory model.

For Transform, the economic arguments for the legal regulation of non-medical adult-use cannabis, though significant, are secondary to public health and social justice policy priorities. But the economic dimensions of the cannabis reform debate are undoubtedly gaining political salience, particularly as governments face growing budgetary pressures. Public support for cannabis reform, particularly for economic reasons such as disrupting illegal profits and the potential tax windfall, is growing in both the U.S. and the UK. Legal cannabis markets are expanding globally – with reforms now unfolding on every continent. This global momentum, coupled with growing public support in the UK – polls show a majority favours legalisation – suggests reform is increasingly likely, if not inevitable, with economic arguments potentially decisive.

## POTENTIAL NET ECONOMIC BENEFITS OF UP TO £1.5 BILLION

- **Tax revenue and CJS savings:** Legal regulation could generate significant annual net benefits to the Treasury of up to **£1.5 billion**.
- **Job creation:** Up to **15,500 full-time equivalent jobs** could be created across cultivation, manufacture, retail and ancillary services depending on the regulatory model.
- **Market capture:** A mature regulated market could capture **up to 80% of the current illegal cannabis market** within five years, based on international precedents in regulating jurisdictions such as Canada.

## CRIMINAL JUSTICE SAVINGS OF UP TO £284 MILLION

- **Reducing policing costs:** Legal regulation could **save up to £88 million annually** by reducing arrests and stop-and-searches for cannabis-related offences.
- **Crown Prosecution Service, courts and prisons savings: £167 million** via a decrease in cannabis-related prosecutions.

## WIDER BENEFITS

- Removing criminal penalties for cannabis offences and deleting criminal records for past cannabis offences can **alleviate the long-term economic harms of criminal records, improving life opportunities** and economic prospects for those impacted.
- Opportunities for **repairing historic harms of punitive cannabis enforcement**, disproportionately carried by socially and economically marginalised communities, in particular the Black community. This can be achieved through proactively facilitating participation of impacted communities in emerging markets, and targeted reinvestment of cannabis revenues.
- Opportunity for **safer, responsibly labelled, quality/dosage controlled products**, and redirection of **resources into targeted risk education and proven health interventions** (prevention, harm reduction and treatment).

This report models three different post-prohibition market scenarios and outlines the different outcomes in terms of spending and revenue. It uses real-world data from emerging legal cannabis markets to inform updated estimates and assumptions.

Key assumptions in Transform's analysis:

- There is a five-year time horizon post-reform to allow for a more comprehensive market roll out.
- It is a UK domestic only, legal market (no international trade).
- All three scenarios are responsibly regulated in line with Transform's best practice regulation guide *How to Regulate Cannabis: A practical guide*.

## MODEL 1

### HOME-GROW PROVISION FOR PERSONAL USE AND NON-PROFIT MEMBERSHIP-BASED ASSOCIATIONS, WITH NO COMMERCIAL RETAIL

Adults can grow cannabis for personal use and have access via regulated non-profit membership-based associations (as established in Spain, Uruguay, Germany and Malta).

- Tax revenue: £345 million.
- 7,000 new jobs.
- Criminal Justice Savings: £174 million.
- Legal market capture: 45% of the total market by year five.
- Advantages: Lower regulatory cost and avoids profit-driven incentives of a commercial retail market.
- Disadvantages: Less able to displace the illegal market than with commercial retail options.

## MODEL 2

### HYBRID MODEL INCLUDING HOME GROW, NON-PROFIT ASSOCIATIONS, AND REGULATED COMMERCIAL RETAIL

Allows for non-profit community-based production/supply as well as commercial cannabis distribution under a strict regulatory framework.

- Tax revenue: £1.1 billion.
- 15,525 new jobs.
- Criminal Justice Savings: £284 million.
- Legal market capture: 80% of the total market by year five.
- Advantages: Balances revenue generation with public health safeguards, offers a greater opportunity to redress the harms of prohibition through social equity programmes.
- Disadvantages: Higher risk of market consolidation, emergence of monopolies, and corporate capture distorting policy priorities – compromising wider social policy and public health goals.

## MODEL 3

### HOME GROW, NON-PROFIT ASSOCIATIONS, AND COMMERCIAL RETAIL OPERATING UNDER A STATE MONOPOLY

A hybrid model similar to Model 2, but with commercial cannabis retail operating under a state monopoly, as in some Canadian and US jurisdictions.

- Tax Revenue (plus retail profits): £1.23 billion.
- 15,000 new jobs.
- Criminal Justice Savings: £284 million.
- Legal market capture: 80% of the total market by year five.
- Advantages: Maximises government revenue, prioritises public health and avoids market consolidation and corporate capture.
- Disadvantages: Limits market competition and innovation.

	MODEL 1: HOME-GROW AND NON-PROFIT ASSOCIATIONS	MODEL 2: HYBRID (HOME-GROW, NON-PROFIT ASSOCIATIONS AND COMMERCIAL RETAIL)	MODEL 3: HYBRID WITH STATE MONOPOLY ON RETAIL
<b>GOVERNMENT REVENUE (£MILLION)</b>			
Cannabis Excise Tax	87	462	462
VAT	175	376	376
Corporation tax	n/a	68	34
Income tax and National Insurance contributions	83	184	178
Profit from sales	n/a	n/a	180
<b>TOTAL REVENUE:</b>	<b>345</b>	<b>1,090</b>	<b>1,230</b>
<b>CRIMINAL JUSTICE SAVINGS (£MILLION)</b>			
Policing	50	88	88
Stop and search	9	9	9
Court proceedings	59	106	106
Crown Prosecution Service	9	16	16
Prisons	36	45	45
Legal aid	11	20	20
<b>TOTAL SAVINGS:</b>	<b>174</b>	<b>284</b>	<b>284</b>
<b>COSTS OF REGULATORY FRAMEWORK (£MILLION)</b>			
Regulatory fees (income)	24	160	80
Regulatory costs	30	200	100
<b>TOTAL NET COSTS</b>	<b>6</b>	<b>40</b>	<b>20</b>
<b>TOTAL TREASURY NET BENEFIT (REVENUE, SAVINGS AND COSTS)</b>	<b>513</b>	<b>1,334</b>	<b>1,494</b>

Summary of total revenue, savings and costs expected for three different cannabis regulation models (to the nearest £million)

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**Thank you for additional support to the Transform team.**

**Thank you to the many individuals who have contributed to the production of this publication, including:**

Beau Kilmer  
Kojo Koram  
Pat Oglesby

**The report would not have been possible without the support of the people below (as well as those who wished to remain anonymous) who generously donated to our #LegaliseUKCannabis crowdfunder and campaign:**

Paul Anderson  
Amy Barber  
Tom Crossland  
Joe Ellis  
Peter Hall  
Henry Hoare  
Simon Harrison  
Ben Lawrie  
Ben Pettitt

**A special thank you to all of Transform's current and past funders, including:**

Open Society Foundation  
Esmée Fairbairn Foundation  
John Ellerman  
Glass-House Trust  
AB Charitable Trust  
Howard Jacobs

The views expressed in this report are those of the authors and Transform Drug Policy Foundation, but not necessarily the contributors, funders and supporters of Transform.

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## ABOUT US

### WHO WE ARE

WE ARE AN INDEPENDENT, UK-BASED CHARITY WORKING NATIONALLY AND INTERNATIONALLY TOWARDS A JUST AND EFFECTIVE SYSTEM OF LEGAL REGULATION FOR ALL DRUGS

Our vision is a world where drug policy **contributes to safer and healthier societies.**

At Transform, we educate the public and policymakers on effective drug policy; we develop and promote viable options for legal regulation; and we support governments, policymakers and practitioners in achieving positive change that contributes to safer and healthier societies.

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In addition to our long-term goal, we work actively to support pragmatic changes to how we approach drugs and drug use that can save lives today.

Through our Anyone's Child campaign, we provide opportunities for people with personal experiences of drug policy failures to be heard.



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