

Note • Bill C-69: Budget Implementation Act, 2024, No. 1

Cost estimate of alcohol excise duty relief

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Legislative
Costing
Note



A revised version of this note was published on December 6, 2024.

In an announcement on March 9, 2024, the government proposed two measures to provide excise duty relief to alcohol producers.¹ These measures would be in place for the 2024-25 and 2025-26 fiscal years. The first measure was maintaining the yearly increases on excise duty rates at 2 per cent, instead of the yearly increases being tied to inflation.² The second measure was a further reduction of 50% on excise duty applied to a brewer's first 15,000 hL of beer brewed in Canada.³

The PBO estimates these measures will have a fiscal cost of \$393 million over 5 years. In each year of this costing, the policy changes would only reduce the total alcohol excise duty revenue by about 3%.

¹ For more information, consult: [Supporting Canadian businesses with alcohol excise duty relief](#). This measure was included in Bill C-69: [Budget Implementation Act, 2024, No. 1](#).

² The government had also capped the 2023-24 alcohol excise duty increases at 2%.

³ One hectolitre (hL) is equal to 100 litres.

5-Year Cost

\$ millions

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Annual increase capped at 2% - Spirits	11	14	14	14	15	67
Annual increase capped at 2% - Beer	11	14	14	15	15	70
Annual increase capped at 2% - Spirits coolers	1	2	2	2	3	11
Annual increase capped at 2% - Wine	5	6	7	7	7	33
50 % reduction on first 15,000 hL of beer	47	43	38	41	43	212
Total cost	75	80	76	79	83	393

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

Estimation and Projection Method

The PBO created a model to estimate the revenue from excise tax on alcohol. Because different rates apply to different types of alcohol, the model includes four categories: spirits, beer, spirit coolers and wine. The model was run in two scenarios: once with policy changes and once without. The difference in government revenue between the two scenarios represents the total cost of the policy change.

To project the volume of alcohol subject to excise duty for each of the four categories, the latest data point available (2022-23) was grown by the average annual growth rate between 2009-10 and 2018-19 for that same category. The excise duty rate in each category varies depending on the alcohol content. Since the PBO does not have access to volume data by alcohol content, an average effective duty rate was calculated for each category. This rate was obtained by dividing the total federal excise revenue for each category from the 2023 Public Accounts by its volume for that same fiscal year.

In the scenario without the policy change, the effective duty rates are projected forward using PBO's CPI projection. In the scenario with the policy change, the effective duty rates are simply grown by 2% for the first two years, and then by PBO's CPI projection for the following years. Since beer is subject to an additional duty relief, the PBO created a weighted average beer excise duty rate based on the proportion of beer that would qualify for the 50% rate reduction using beer production data.

Changes to the excise duty rates have an impact on the final price the consumer faces. This change in price is expected to affect the amount of alcohol consumers would purchase. To account for this behavioural effect, the model incorporates elasticities from academic literature, in order to project variations in alcohol consumption.⁴ The projected alcohol volumes were multiplied by the projected excise duty rates to estimate the total excise duty revenue in each scenario.

Even though the policy changes end after 2025-26, there will still be a fiscal cost in future years. This is because excise duty rates would be lower at the end of 2025-26 than in the status quo. Even when indexation resumes in 2026-27 and beyond, the levels of the excise duty rates would be lower than if the growth rates were not capped at 2%.

With respect to the duty relief aimed at beer brewed in Canada, the PBO estimates maximum savings to individual breweries would be \$86,951 in 2024-25 and \$88,691 in 2025-26.

Sources of Uncertainty

Consumption trends of various types of alcohol, as well as inflation rates in the years after the policy, may differ from the PBO's projections.

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Data Sources

Beer production and brewery data

⁴ Other aspects of the consumer-facing price may also change between years. The PBO's model takes this into account, in order to isolate the effect of the change in excise duty on consumption behaviour.

Canada Revenue Agency, obtained from Beer Canada

Consumer Price Index projections

Office of the Parliamentary Budget Officer

Alcohol volume and tax data

Statistics Canada Tables [10-10-0010-01](#), [10-10-0011-01](#) and [20-10-0066-01](#)

Historical excise duties revenue

Public Accounts of Canada

Elasticities

Ogwang & Cho (2009)

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