



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

# Cost Estimate of Election Campaign Proposal

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Short Title: Freeze the excise duty rate on alcohol

Description: Freezing the excise duty rate on alcohol, also known as the escalator tax, at the current rate.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		11	69	111	152	195	538

Notes:

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).
- "-" = PBO does not expect a financial cost.

Estimation and projection method: Under the baseline, growth in the volume of sales was projected forward based on its historical mean. The excise duty was projected to grow in line with the Consumer Price Index. The baseline revenue from these excise duties was calculated by multiplying the projected volume of sales and the projected excise duty rate.

The same method was used to project volumes under the proposal; however, the excise duty rate was held constant at its 2022 level. A behavioural effect was applied based on the elasticities of each category of alcohol (spirits, beer, spirit coolers, and wine). Own-price and cross-price elasticities were obtained from external estimates.

The cost of the proposal is the difference between excise duties in the baseline and the proposal with the constant duty rate.

Source of Uncertainty: The main sources of uncertainty relate to the projected volumes of alcoholic beverages and their assumed elasticities.

Data Sources:	Variable	Source
	Excise duties	Public Accounts of Canada 2019-20
	CPI	2021 Election Proposal Costing Baseline
	Alcohol volume	Statistics Canada. Table 10-10-0011-01 Value of sales of alcoholic beverages of liquor authorities and other retail outlets, by beverage type
	Alcohol gross margin	Statistics Canada. Table 20-10-0066-01 Annual retail trade survey, financial estimates by type of store

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Sales tax

Statistics Canada. Table 10-10-0010-01 Sales of alcoholic beverages types by liquor authorities and other retail outlets, by value, volume, and absolute volume

Behavioural effects

Ogwang, T., & Cho, D. I. (2009). Economic determinants of the consumption of alcoholic beverages in Canada: a panel data analysis. *Empirical Economics*, 37(3), 599-613.