

Election Proposal Costing

Reducing alcohol duty rates

April 22, 2025

Removing the automatic escalator on alcohol excise duties and resetting the excise duty rates to those in effect before the escalator was passed (2017), effective June 1, 2025.

Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Total cost \$ millions	272	366	401	441	483	1,963

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

PBO used historical alcohol duty revenues from the Public Accounts of Canada and its excise tax model to estimate alcohol duty revenues from fiscal year 2025-26 to fiscal year 2029-30 under the EPC baseline. The model used current excise duty rates provided by the Canada Revenue Agency (CRA) and accounts for the impact of inflation and changes in population growth.

The same model was then used to estimate alcohol duty revenues under a scenario where duty rates were reduced to levels in place prior to the implementation of the escalator in 2017. The cost of the measure is the difference between the projected revenues under the EPC baseline and under the proposed measure. The cost estimate includes behavioural responses and the impact of duty changes on Good and Services Tax (GST) revenue. It was assumed that reductions in excise duties are directly passed on to consumers through lower alcohol prices, resulting in increased alcohol sales.

Sources of Uncertainty

The main sources of uncertainty relate to passthrough of excise duty relief to consumers and the resulting behavioural impact.

Data Sources

Alcohol Excise Duty Revenues

[Public Accounts of Canada](#)

Consumer Price Index and Population

[Election Proposal Costing: Baseline Note](#)

Alcohol Excise Duty Rates

[Canada Revenue Agency](#)

Alcohol Sales Quantity and Prices

[Table: 10-10-0010-01 \(StatsCan\)](#)

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