

Note • Bill C-78

Implementing a two-month Goods and Services Tax/Harmonized Sales Tax (GST/HST) break for groceries and holiday essentials



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Bill C-78 introduces amendments to the *Excise Tax Act* to implement a temporary GST/HST holiday between December 14, 2024, and February 15, 2025. The proposed list of exempt items includes certain groceries, restaurant meals, drinks, snacks, children's clothing, and gifts.

PBO estimates this measure will reduce federal revenues by \$1.5 billion in 2024-25.

PBO also examined the potential impact of the Bill on federal compensation to provincial governments that collect the Harmonized Sales Tax (HST) under their respective Comprehensive Integrated Tax Coordination Agreements (that is, Ontario, Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick). If these provinces do not waive the compensation required under these agreements, PBO estimates that the federal cost would be \$1.3 billion greater.

5-Year Cost

\$ millions

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Total cost	1,460					1,460

Potential 5-Year Cost

\$ millions

Fiscal year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	Total
Cost	1,460					1,460
Potential provincial costs	1,260					1,260
Total potential federal cost	2,720					2,720

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 Statistics Canada's Supply and Use tables to estimate the amount of federal sales tax (GST and HST) for the applicable exempted categories, with certain assumptions made where the level of data was not sufficiently granular. PBO used 2019 data (pre-pandemic), projecting forward using household consumption from PBO's October 2024 Economic and Fiscal Outlook (EFO). Data regarding estimated Christmas tree purchases were sourced from Agriculture and Agri-food Canada.

The proportion of annual sales occurring during the two-month period used data from Statistics Canada's monthly retail sales and the survey of food services and drinking places.

A behavioural effect was incorporated to reflect households shifting some purchases to take advantage of the GST/HST holiday. PBO used a similar assumption to what was used in a previous costing completed during the 2021 election proposal costing, which

estimated the cost of a month-long GST holiday in December 2021.¹ Adjustments were made to reflect the longer eligible period. PBO also assumed that there would be no overall increase to eligible purchases made over the course of 2024-25.

The administrative costs for companies to comply with the federal tax holiday is not included in this cost estimate, nor are consequential audit expenses incurred by the Canada Revenue Agency.

Sources of Uncertainty

The main source of uncertainty relates to the size of the behavioural effect, both in terms of the timing and incrementality of purchases. If more households shift the timing of their purchases to take advantage of the tax holiday period, the negative impact on federal revenues could increase. Alternatively, if households are more inclined to purchase more than they otherwise would, it would also negatively impact federal revenues.

Another source of uncertainty is whether provincial governments will elect to waive their rights to compensation for the unilateral federal decision to implement the tax holiday.

Finally, there is uncertainty based on the historical values used in the cost estimate, specifically that the share of federal sales tax for the eligible items is consistent with that in 2019, and that it grew with overall household consumption. There were also assumptions made when the level of publicly available information was not as granular for the exempted items listed in the legislation.

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Data Sources

Supply and Use Tables

Statistics Canada

Monthly retail commodity sales

Statistics Canada, [Table 20-10-0080-01](#)

Monthly survey of food services and drinking places

Statistics Canada, [Table 21-10-0019-01](#)

Household Final Consumption Expenditure

PBO's Economic and Fiscal Outlook – October 2024

¹ [Implementing a month-long GST holiday in December 2021.](#)

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