

# PBO Assessment of Spring Economic Update: Temporarily suspending the federal fuel excise tax

This Cost Estimate assesses the budgetary impact of suspending federal excise taxes on gasoline, diesel and aviation fuel from April 20, 2026, to September 7, 2026.

On April 14, the government [announced](#) it will temporarily suspend federal excise taxes on gasoline, diesel, and aviation fuel from April 20, 2026, to September 7, 2026. After September 7, the federal excise tax rates will return to their previous rates of 10 cents per litre of gasoline, and 4 cents per litre of diesel and aviation fuel.

The PBO estimates that suspending federal fuel excise taxes will cost \$2.1 billion in 2026-27. This translates to an average tax savings of \$124 per household in Canada.

## Cost in 2026-27

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\$ millions

| Fiscal year | Gasoline | Diesel | Aviation | Total Cost |
|-------------|----------|--------|----------|------------|
| 2026-27     | 1,612    | 476    | 53       | 2,141      |

Note:

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

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The PBO used its [Other Excise Tax and Duty](#) model to estimate the cost of the measure.

For diesel and aviation fuel, the model provides a static projection using historical revenues from the Public Accounts. The cost of suspending the excise tax on diesel and aviation fuel is the projected revenue multiplied by the share of the year that the tax will be suspended.

For gasoline, the model includes a behavioural projection that accounts for changes in gasoline prices. The PBO used real-time data from Natural Resources Canada to forecast the near-term impact of the conflict in the Middle East on gasoline prices and incorporated it into the gasoline excise tax projection.

Historical monthly gasoline sales were used to estimate the share of gasoline excise taxes that were collected from April 20 to September 7. The cost of suspending the excise tax on gasoline is the projected revenue multiplied by the share collected during that period.

The net impact on GST revenue was also included using a static projection for diesel and aviation fuel, and a behavioural projection for gasoline. The PBO estimates that the behavioural impact of reducing the excise tax on gasoline will increase gasoline consumption by 435 million litres in 2026-27, relative to the scenario without the excise tax relief.

## Distributional Analysis

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The PBO estimated tax savings per household and by household income. Total savings increase with household income, ranging from \$59 per household in the lowest quintile to \$211 per household in the highest quintile, as higher-income households tend to consume more fuel. Conversely, total savings as a share of household income decrease with household income, ranging from \$17 per \$10,000 of income in the lowest quintile to \$6 per \$10,000 of income in the highest quintile, as fuel costs represent a larger share of the budget for lower-income Canadians (Table 1).

**Table 1**

Total savings by household income quintile (\$)

|                        | Lowest Quintile<br>(\$34,442) | Second Quintile<br>(\$73,858) | Third Quintile<br>(\$116,880) | Fourth Quintile<br>(\$174,947) | Highest Quintile<br>(\$344,422) |
|------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|
| Per Household          | 59                            | 89                            | 113                           | 149                            | 211                             |
| Per \$10,000 of Income | 17                            | 12                            | 10                            | 9                              | 6                               |

## Sources of Uncertainty

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The near-term impact of the conflict in the Middle East is uncertain and could impact the cost of the measure for gasoline.

The estimates assume that 100 per cent of tax savings are passed on to households. Tax savings captured by corporations could affect the total cost and distributional impacts.

The PBO did not include behavioural impacts for diesel and aviation fuel excise taxes.

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## Data Sources

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### [Other Excise Tax and Duty Model](#)

Parliamentary Budget Officer

### [Daily Average Retail Prices for Regular Gasoline](#)

Natural Resources Canada

### [Monthly Gasoline Sales, 1993-2015](#)

Statistics Canada, Archived

**Uses of Gasoline, Diesel, and Aviation fuel**

Statistics Canada, Supply and Use Tables, 2022

**Number of Households by Income Quintile**

Statistics Canada, Table: 36-10-0101-01

**Household Expenditures by Income Quintile**

Statistics Canada, Table: 11-10-0223-01

**Real Average Before-tax Household Income Quintiles**

Canada Housing and Mortgage Corporation

