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# Explanatory Notes Relating to Excise Levies

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## **Preface**

These explanatory notes describe proposed amendments to the *Excise Tax Act*, the *Excise Act* and the *Excise Act, 2001*. These explanatory notes describe these proposed amendments, clause by clause, for the assistance of Members of Parliament, taxpayers and their professional advisors.

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Minister of Finance and National Revenue

These notes are intended for information purposes only and should not be construed as an official interpretation of the provisions they describe.

## Table of Contents

Clause in Draft Legislation	Section Amended	Topic	Page
<b>Part 2 – Amendments Relating to the Fuel Excise Tax Relief and the Alcohol Excise Duty Relief</b>			
<b>Excise Tax Act</b>			
11	Sch. I, s. 9.2	Applicable tax rates	5
<b>Excise Act</b>			
12	170.2	Adjustment – 2026 and 2027	5
13-15	Sch., Pt. II.1	Duty on Canadian Beer	6
<b>Excise Act, 2001</b>			
16	123.1	Adjustment – 2026 and 2027	8
17	135.1	Adjustment – 2026 and 2027	8

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## **Part 2 – Amendments Relating to the Fuel Excise Tax Relief and the Alcohol Excise Duty Relief**

### **Excise Tax Act**

#### **Clause 11**

##### **Applicable fuel tax rates**

ETA

Sch. I, s. 9.2

Schedule I to the *Excise Tax Act* (the Act) sets out the applicable tax rates in respect of certain goods, for the purpose of imposing excise tax under section 23 of the Act.

Section 9 of Schedule I sets the tax rate at \$0.10 per litre in respect of unleaded gasoline and unleaded aviation gasoline. Section 9.1 of Schedule I sets the tax rate at \$0.04 per litre in respect of diesel fuel and aviation fuel other than aviation gasoline.

Schedule I is amended by adding new section 9.2, which provides that the tax rates in respect of unleaded gasoline, unleaded aviation gasoline, diesel fuel and aviation fuel are set to \$0.00 per litre if excise tax imposed under section 23 on a quantity of these fuels becomes payable after April 19, 2026 and before September 8, 2026.

This amendment is deemed to have come into force on April 20, 2026.

### **Excise Act**

#### **Clause 12**

##### **Adjustment – 2026 and 2027**

EA

170.2

Section 170.2 of the *Excise Act* (the Act) sets out the manner in which the rates of duty on beer or malt liquor are adjusted according to the Consumer Price Index on April 1 of each inflationary adjusted year.

New subsection 170.2(2.4) provides that, in respect of the inflationary adjusted year that is 2026, the rates of duty on beer or malt liquor are adjusted on April 1, 2026 by a factor of 1.02.

New subsection 170.2(2.5) provides that, in respect of the inflationary adjusted year that is 2027, the rates of duty on beer or malt liquor are adjusted on April 1, 2027 by a factor that is the lesser of 1.02 and the Consumer Price Index.

These amendments are deemed to have come into force on April 1, 2026.

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**Clauses 13 to 15****Duty on Canadian Beer**

EA

Sch., Pt. II.1

Part II.1 of the schedule to the Act sets out the rates of duty on the first 75,000 hectolitres of beer and malt liquor produced in Canada per year by a licensed brewer under section 170.1 of the Act. The rates of duty vary based on the production volume of the licensed brewer. The rates also vary depending on the absolute ethyl alcohol volume of the beer or malt liquor being produced.

**Subclause 13(1)****Duty on Canadian Beer – 2026 and 2027**

EA

Sch., Pt. II.1, s. 1

Paragraphs 1(a) to (c) of Part II.1 of the schedule to the Act are amended to reduce the rate of duty on the first 2,000 hectolitres of beer and malt liquor produced in Canada per year by a licensed brewer under section 170.1 of the Act by 50%, from 10% of the regular rate to 5% of the regular rate.

This amendment is deemed to have come into force on April 1, 2026.

**Subclause 13(2)****Duty on Canadian Beer – 2028 and after**

EA

Sch., Pt. II.1, s. 1

Paragraphs 1(a) to (c) of Part II.1 of the schedule to the Act are amended to reverse the reduction of the rate of duty on the first 2,000 hectolitres of beer and malt liquor produced in Canada per year by a licensed brewer under section 170.1 of the Act.

This amendment comes into force on April 1, 2028.

**Subclause 14(1)****Duty on Canadian Beer – 2026 and 2027**

EA

Sch., Pt. II.1, s. 2

Paragraphs 2(a) to (c) of Part II.1 of the schedule to the Act are amended to reduce the rate of duty for a quantity of 2,001 to 5,000 hectolitres of beer and malt liquor produced in Canada per year by a licensed brewer under section 170.1 of the Act by 50%, from 20% of the regular rate to 10% of the regular rate.

This amendment is deemed to have come into force on April 1, 2026.

**Subclause 14(2)****Duty on Canadian Beer – 2028 and after**

EA

Sch., Pt. II.1, s. 2

Paragraphs 2(a) to (c) of Part II.1 of the schedule to the Act are amended to reverse the reduction of the rate of duty for a quantity of 2,001 to 5,000 hectolitres of beer and malt liquor produced in Canada per year by a licensed brewer under section 170.1 of the Act.

This amendment comes into force on April 1, 2028.

**Subclause 15(1)****Duty on Canadian Beer – 2026 and 2027**

EA

Sch., Pt. II.1, s. 3

Paragraphs 3(a) to (c) of Part II.1 of the schedule to the Act are amended to reduce the rate of duty for a quantity of 5,001 to 15,000 hectolitres of beer and malt liquor produced in Canada per year by a licensed brewer under section 170.1 of the Act by 50%, from 40% of the regular rate to 20% of the regular rate.

This amendment is deemed to have come into force on April 1, 2026.

**Subclause 15(2)****Duty on Canadian Beer – 2028 and after**

EA

Sch., Pt. II.1, s. 3

Paragraphs 3(a) to (c) of Part II.1 of the schedule to the Act are amended to reverse the reduction of the rate of duty for a quantity of 5,001 to 15,000 hectolitres of beer and malt liquor produced in Canada per year by a licensed brewer under section 170.1 of the Act.

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This amendment comes into force on April 1, 2028.

## **Excise Act, 2001**

### **Clause 16**

#### **Adjustment – 2026 and 2027**

EA, 2001

123.1

Section 123.1 of the *Excise Act, 2001* (the Act) sets out the manner in which the rates of duty applicable in respect of a litre of absolute ethyl alcohol or in respect of a litre of spirits are adjusted according to the Consumer Price Index on April 1 of each inflationary adjusted year.

New subsection 123.1(2.4) provides that, in respect of the inflationary adjusted year that is 2026, the rates of duty applicable in respect of a litre of absolute ethyl alcohol or in respect of a litre of spirits are adjusted on April 1, 2026 by a factor of 1.02.

New subsection 123.1(2.5) provides that, in respect of the inflationary adjusted year that is 2027, the rates of duty applicable in respect of a litre of absolute ethyl alcohol or in respect of a litre of spirits are adjusted on April 1, 2027 by a factor that is the lesser of 1.02 and the Consumer Price Index.

These amendments are deemed to have come into force on April 1, 2026.

### **Clause 17**

#### **Adjustment – 2026 and 2027**

EA, 2001

135.1

Section 135.1 of the Act sets out the manner in which the rates of duty applicable in respect of a litre of wine are adjusted according to the Consumer Price Index on April 1 of each inflationary adjusted year.

New subsection 135.1(2.4) provides that, in respect of the inflationary adjusted year that is 2026, the rates of duty applicable in respect of a litre of wine are adjusted on April 1, 2026 by a factor of 1.02.

New subsection 135.1(2.5) provides that, in respect of the inflationary adjusted year that is 2027, the rates of duty applicable in respect of a litre of wine are adjusted on April 1, 2027 by a factor that is the lesser of 1.02 and the Consumer Price Index.

These amendments are deemed to have come into force on April 1, 2026.