February 8, 2024

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance
80 Wellington Street
Ottawa, Ontario K1A 0A3

Re: 2024 Pre-Budget Submission by Spirits Canada

Recommendation: That, as of Budget 2024 and onwards, the federal government permanently set the alcohol excise duties at a maximum rate of 2%

Dear Minister Freeland,

On behalf of Spirits Canada's members, we are pleased to share with you our submission to the 2024 Pre-Budget Consultation. As manufacturers and importers of distilled spirits in Canada, our members are major employers and investors. Through our processes which run "from seed to spirit", we support businesses across Canada, from small farms to large distilling operations, and everything in between.

With the next federal budget fast approaching, we are concerned that Canadians will face another hit to their weekly basket of goods and their shrinking budget. If the annual alcohol excise tax increases on April 1st in line with the 2023 Consumer Price Index (CPI), Canadians will have to pay a 4.7% additional tax on spirits, wine, and beer, far beyond current government targets for inflation.

As it became clear with Budget 2023, when your government supported our sector and Canadian consumers by capping the excise tax at 2%, the CPI yardstick measure was not designed for the current fiscal climate. By tying the tax to the CPI without any limitations as to the rate of increase, the government is committing to a volatile and unpredictable pattern of earnings that can harm Canadian consumers, businesses, and the government itself through long-term uncertainty. Increasing the price of alcohol by 4.7% would itself contribute to inflation.

Our members accordingly **ask that, as of Budget 2024 and onwards, the federal government permanently set the excise duties at a maximum rate of 2%** to align with its own expectations of a normal inflationary environment and create a stable outlook that consumers, entrepreneurs of many sectors and sizes, and the government itself can rely on to plan for Canada's long-term fiscal stability.

This way, the federal government can help farmers, restaurateurs, and small business owners across Canada to cope with increasing business costs, without adding an additional tax that limits their revenue and directly impacts their already decreasing consumer base. By doing this the government can also predictably plan for its own long-term viability and stable revenue.

Finally, we would appreciate an opportunity to present this issue and its implications in more detail to you at a time convenient to you and we remain available to answer any questions you may have.

With kind regards,

Lorena Patterson
Senior Vice President, Public Affairs and Policy
Lorena.Patterson@acd.ca
613-219-4369

Spirits Canada,
Association of
Canadian Distillers

219 Dufferin St, 100A-2,
Toronto, ON M6K 3J1, Canada
spiritscanada.ca