Explanatory Notes Relating to the Federal Fuel Excise Tax

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Preface

These explanatory notes describe proposed amendments to the *Excise Tax Act*. 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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These notes are intended for information purposes only and should not be construed as an official interpretation of the provisions they describe.

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Excise Tax Act

Clause 1
Short title

Clause 1 makes the short title of the Act the *Canadian Fuel Affordability Act*.

Clauses 2 and 3
Applicable fuel tax rates
ETA
Sch. I

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 rates at $0.10 per litre in respect of unleaded gasoline and unleaded aviation gasoline and at $0.11 per litre in respect of leaded 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.

The *Spring Economic Update 2026 Implementation Act*, which received royal assent on June 19, 2026, temporarily set those rates to $0.00 per litre in respect of tax that became payable after April 19, 2026 and before September 8, 2026.

Clauses 2 and 3 extend the period during which those rates are set at $0.00 per litre to tax that becomes payable before February 1, 2027, and reduce the rates otherwise applicable by 50% if the tax becomes payable after January 31, 2027 and before April 1, 2027.

Clause 2
Extension of suspension
ETA
Sch. I, s. 9.2

Section 9.2 of the Act provides that the tax rates in respect of unleaded gasoline, unleaded aviation gasoline, leaded aviation gasoline, diesel fuel and aviation fuel are set to $0.00 per litre if excise tax imposed under section 23 of the Act on a quantity of these fuels becomes payable after April 19, 2026 and before September 8, 2026.

Section 9.2 is amended to provide that the tax rates in respect of these fuels 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 February 2027.

This amendment is deemed to have come into force on September 8, 2026.

Clause 3
Temporary reduced rates
ETA
Sch. I, s. 9.3

Schedule I to the Act is amended by adding new section 9.3. New section 9.3 provides that the tax rates in respect of unleaded gasoline, unleaded aviation gasoline, leaded aviation gasoline, diesel fuel and aviation fuel are set to 50% of the regular rates set under sections 9 and 9.1 of Schedule I in respect of these fuels if excise tax imposed under section 23 on a quantity of these fuels becomes payable after January 2027 and before April 2027.

Under new section 9.3, if excise tax becomes payable on a quantity of these fuels during this period, the rate is set to $0.05 per litre in respect of unleaded gasoline and unleaded aviation gasoline, $0.055 per litre in respect of leaded aviation gasoline and $0.02 per litre in respect of diesel fuel and aviation fuel.

This amendment comes into force or is deemed to have come into force on February 1, 2027.