

2026 Issue No. 44
3 September 2026

Tax Alert – Canada

Suspension of federal excise tax on fuel extended

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 2 September 2026, Canada announced it will extend the current suspension of the fuel excise tax levied under Part III of the *Excise Tax Act* (ETA), which has been in effect since 20 April 2026.

The tax holiday will continue to apply to gasoline, unleaded aviation gasoline, leaded aviation gasoline, diesel fuel and aviation fuel for which the tax becomes payable on or after 8 September 2026 and before February 2027. As well, a reduced rate of tax will apply from 1 February 2027 through 31 March 2027.

Background

The ETA imposes an excise tax on gasoline, aviation gasoline, diesel and aviation fuel that is imported into Canada, or manufactured or produced in Canada and delivered to a purchaser.



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Excise tax rates on fuel that were in effect prior to 20 April 2026 are set out below:

Fuel type	Tax rate
Gasoline (unleaded)	10¢/L
Aviation gasoline (unleaded)	10¢/L
Diesel fuel	4¢/L
Aviation fuel (other than aviation gasoline)	4¢/L
Gasoline (leaded)	11¢/L
Aviation gasoline (leaded)	11¢/L

For additional background on the tax, see [EY Tax Alert 2026 Issue No. 24, Federal excise tax on fuel temporarily suspended](#).

On 14 April 2026, Prime Minister Mark Carney announced that Canada would temporarily suspend the excise tax on unleaded gasoline, unleaded aviation gasoline, diesel fuel and aviation fuel that becomes payable on or after 20 April 2026 and before 8 September 2026. This measure was intended to address fuel price pressures caused by disruptions to global oil supplies. Schedule I of the ETA was amended to set the tax rate on these fuels to zero for this period. Notably, these amendments also extended the tax holiday to leaded aviation gasoline.

Excise tax holiday extended

On 2 September 2026, the Minister of Finance and National Revenue, François-Philippe Champagne, [announced](#) that the suspension of the federal excise tax on unleaded gasoline, unleaded aviation gasoline, leaded aviation gasoline, diesel fuel and aviation fuel will continue through 31 January 2027. For the period from 1 February 2027 through 31 March 2027, tax will apply to these fuels at 50% of the regular rate.

Excise tax on fuel (1 February 2027 - 31 March 2027)	
Fuel type	Tax rate
Gasoline (unleaded)	5¢/L
Aviation gasoline (unleaded)	5¢/L
Diesel fuel	2¢/L
Aviation fuel (other than aviation gasoline)	2¢/L
Aviation gasoline (leaded)	5.5¢/L

The excise tax rates on fuel that applied before 20 April 2026 will resume effective 1 April 2027.

On the same day as the Minister's announcement, the Department of Finance introduced the requisite legislative amendments to Schedule I of the ETA. These proposals will need to be introduced in a subsequent bill to be enacted.

Learn more

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