

Liquor taxes by jurisdiction
January 2020

	NU	NT	YK	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
Specific Liquor Tax	-	-	12%	10%	-	10%	-	Various**	Beer: 0.063¢/L Other: 0.14 ¢/L	5%	-	25%	9%
Provincial Sales Tax (PST/HST)	-	-	-	6%	-	6%	7%	13%	9.975%	15%	15%	15%	15%
Total Provincial Tax	-	-	12%	16%	-	16%	7%*	13%*	9.975%*	20%	15%	40%	15%

Notes:

*Ontario and Quebec sales taxes plus their various liquor taxes are be applied.

The fact so few jurisdictions do *not* tax alcohol products suggests a gap in Nunavut’s current tax regime. This is particularly true given the widely cited evidence that excise taxes have a modest capacity to reduce harmful consumption.

How would the tax work?

Should the Assembly choose to enact Bill 56, the tax will be levied on consumers on an *ad valorem* basis; that is, as a percentage of a product’s retail price. For alcohol purchased in Nunavut, registered collectors would levy and collect the tax on behalf of the Government of Nunavut. These taxes would then be remitted and reported to the Department of Finance on a monthly or quarterly basis.

Different tax rates would be levied on three broad alcohol types: beer, wine, and spirits. This categorization is currently reflected in the current Nunavut *Liquor Act*.

Bill 56 also includes a volumetric basis for instances where alcohol is imported under Nunavut’s import permit process. This is necessary because when import permits are issued the final price paid by the consumer is not yet known—making it impossible to apply an *ad valorem* tax. However, with the volumetric method taxes can be calculated by multiplying the volumes contained in the permit application by a representative price calculated from data provided by the Nunavut Liquor and Cannabis Commission (NULC).

The proposed tax model ensures tax fairness between alcohol purchased inside Nunavut and that imported by consumers directly.

Would the tax apply to home brew and personal import-exempt alcohol?

The current home brew and personal import exemptions outlined in the *Liquor Act* would still apply, meaning these products will not be subject to tax.

What information is included in Bill 56?

Bill 56 outlines the tax's basic administrative and enforcement structure, including definitions, tax arrears, collector duties, search and seizure powers, and civil sanctions.

It also empowers the Minister of Finance to make *regulations* governing a wide variety of operational details, including the tax rates, reporting requirements, enforcement provisions, and other administrative aspects.

At what rate will the three alcohol types be taxed?

A final determination regarding the specific tax rate for each category of alcohol will not be made until after the *Liquor Tax Act* has been approved in the Assembly.

How much revenue is this tax expected to raise?

The amount of revenue the Liquor Tax can be expected to raise will ultimately depend on the rates adopted.

What is the evidence that consumption taxes reduce harm from alcohol?

Alcohol taxes have consistently demonstrated themselves as an effective and efficient way to reduce consumption (WHO [2010](#)). Like most other products, consumers will generally consume less alcohol the more expensive it becomes. In Canadian research, increasing the price of alcohol by 10% has typically led to a 3-to-8% reduction in consumption (CIHI [2017](#)). Lower consumption is widely considered a good thing from a public health perspective (Wagenaar et al [2010](#)).

Do higher consumption taxes reduce harm for *everyone* affected by alcohol?

While the relationship between higher price and lower consumption is generally true, it does not hold for everyone.

Some people are price insensitive, meaning that even severe price changes will not alter their behavior. Nunavut's own Liquor Act Review Task Force commented in [2012](#) that increasing the price of alcohol was not likely to significantly reduce the most harmful drinking practices in Nunavut.

For others, higher prices may push them to consume cheaper brands without impacting overall consumption levels. If prices increase too much, it may encourage some consumers to leave the legal market entirely and purchase illegal product from bootleggers. The Department of Finance acknowledges these factors.

Generally, however, higher prices can be expected to lead over time to lower overall consumption by Nunavut's light and moderate consumers—which is a reasonable goal in and of itself.

Are alcohol taxes regressive?

As with most consumption taxes, taxes on alcohol are generally considered regressive. By this we mean the tax burden, as a share of personal income, is usually more onerous for low income individuals than for those with higher income. Although we only have [national](#) data, we expect this distribution to hold true in Nunavut.

Despite the regressive nature of consumption taxes, lower-income Nunavummiut may still benefit from the tax if the higher price leads to a decrease in consumption. Again, while we do not expect the heaviest-drinking Nunavummiut to be significantly deterred by the proposed tax, there is good reason to expect more modest consumers of alcohol will reduce their consumption, if only slightly.

I am a retailer of liquor products. Would I have to register as a collector?

Yes. Any retailer selling alcohol products to consumers in Nunavut would have to register as a collector with the Department of Finance.

This includes any beer and wine store, including any operated by the NULC, and all licensed restaurants, bars, and other such establishments.

I am expected to be a collector. How would I register?

The administrative requirements for collector registration will be outlined in the forthcoming regulations.

However, the basic process would be for each registrant to complete an application form and credit reference, then receive approval from the Deputy Minister of Finance. A signed certificate would confirm registration.

Registrants are able to contact the Department of Finance at LiquorTax@gov.nu.ca.

How difficult would it be for collectors to report and remit the tax?

The administrative requirements for collector reporting and remittances will be outlined in the forthcoming regulations. We intend, however, to make this process as easy and straightforward as possible.

For retailers, taxes would be levied as a simple percentage of the retail sales price. This method removes the necessity for complicated inventory tracking or extensive modification of point-of-sale systems. The amount to be remitted to the Department of Finance would be a simple percentage of the retail sales price, and easily recorded on customer receipts.

Reporting will be done on a monthly or quarterly basis, depending on the sales volume of the registered collector.

I intend to import alcohol into the territory by sealfift. Would I have to pay the tax?

Yes. Bill 56 includes a volumetric basis for instances where alcohol is imported under Nunavut's import permit process. This is necessary because when import permits are issued the final price paid by the consumer is not yet known—making it impossible to apply an ad valorem tax. However, with the volumetric method taxes can be calculated by multiplying the volumes contained in the permit application by a representative price calculated from data provided by the Nunavut Liquor and Cannabis Commission (NULC).

Using the volumetric approach ensures tax fairness between alcohol purchased in Nunavut and that which is imported by consumers directly.

Who would administer the tax levied through the import permit process?

Import permits would continue to be issued by the Department of Finance and its associated agents. Collection of the tax would happen at the time of permit sale.

What is the proposed penalty for not collecting or paying the proposed tax?

Bill 56 proposes both penalties to be imposed by tax administrators (known as 'administrative penalties') and offences enforceable upon summary conviction through the Nunavut Court of Justice.

These penalties include the power to seize alcohol (such as in cases where tax is owing), fines ranging from \$500 to \$10,000, and imprisonment of up to six months.

I have questions and/or comments about this tax. How do I make my concerns known?

The Government of Nunavut is currently meeting with key stakeholders identified through earlier consultations regarding Nunavut's liquor laws. If you have not already been contacted through this process and would like to make your comments known, please inform the following:

Sean Clark
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Where can I find more information about alcohol policy in Nunavut?

The Department of Finance's home site for information regarding the proposed Liquor Tax is <https://gov.nu.ca/finance/information/liquor-tax>.

Information about the Nunavut Liquor and Cannabis Commission ([NULC](#)), the Government of Nunavut's harm [reduction](#) efforts, Special Occasions [Permits](#), and Alcohol Education Committees ([AECs](#)) is available on the Department of Finance website: <https://www.gov.nu.ca/finance/information/liquor-and-cannabis>.

The Department of Health's 'Living Well Together' information portal for alcohol can be found at <https://livehealthy.gov.nu.ca/en/health-topics/alcohol>.

Information about the Government of Nunavut's 'Let's Be Aware' campaign regarding alcohol use in Nunavut can be found at <https://www.responsiblenunavut.ca/en/community/alcohol-use-nunavut>.

If you have a question or would like to speak to someone on how you can live a healthy life, call the Department of Health at 867-975-5700 or email wellness@gov.nu.ca.

About this document *The GN Department of Finance prepared this document using the latest information available at the time of writing. Some legislative and other details may change during the next several weeks. Any updates will be provided on the GN Finance website: www.gov.nu.ca/finance.*