



## Canadian Alcohol Policy Evaluation (CAPE) Community of Practice Event Series

### Event #10 – The basics of alcohol pricing and taxation mechanisms: minimum unit pricing, excise tax, sales tax, and markups

## Key Terms & References

### Key terms

Price elasticity of demand	The term 'elasticity' describes the responsiveness of one variable to changes in another variable. In economics, price elasticity of demand is defined as the percentage change in consumption that results from a 1% increase in price. Ratios with an absolute value greater than 1 are termed 'elastic' and those below 1 'inelastic'.
Cross price elasticity of demand	A measure of the responsiveness in the quantity demanded (i.e. consumption) of one type of alcoholic beverage (e.g. wine) when the price for another type (e.g. beer) changes.
Excise tax (excise duty)	A tax (duty) applied by the Federal government to alcohol products. Although this tax is levied at the point of packaging (products made in Canada) or importation (products made outside Canada), it is passed onto consumers in the final retail price of the product.
Volumetric taxation	Tax based on product volume (e.g. per litre of beverage)
Sales tax	A sales tax is a consumption tax imposed by the government on the sale of goods and services. A conventional sales tax is levied at the point of sale, collected by the retailer, and passed on to the government. In Canada, examples of sales taxes include Goods and Services Tax (GST) or Harmonized Sales Tax (HST) and provincial sales taxes (PST).
Markups	The amount applied by the retailer to cover their operating expenses and achieve a profit margin/dividend.
Ethanol	The type of pure alcohol contained alcoholic beverages
Non-beverage alcohol	Non-beverage alcohol is a substance that has ethanol combined with other ingredients. The other ingredients make the liquid not suitable to drink as a beverage (e.g. rubbing alcohol, mouthwash)
Standard drink	A defined amount of ethanol. This varies by country. In Canada it is 17.05mL.
Inflation	Occurs when there is a broad increase in the price of goods/services thus a fall in the purchasing power of money over a given time period.
Indexation	A system of economic control in which certain variables are tied to a cost-of-living index (e.g. CPI) so that both rise or fall at the same rate removing the effect of inflation.
Minimum pricing (MP)	Minimum pricing establishes a floor price below which an alcoholic beverage cannot be sold. The price may be set either by amount of beverage or amount of ethanol. When set by litre of beverage, minimum prices typically vary by beverage category (e.g. beer, wine, spirits etc).
Minimum unit pricing (MUP)	Minimum unit pricing is a type of minimum pricing that establishes a floor price below which a defined amount of ethanol (standard drink) cannot be sold. MUP results in a single minimum price across beverage types, as ethanol is treated the same regardless of beverage type (e.g. beer, wine, spirits, etc).



## Canadian Alcohol Policy Evaluation (CAPE) Community of Practice Event Series

### Event References (in alphabetical order)

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- Thompson, K., Stockwell, T., Wettlaufer, A et al. (2017). [Minimum alcohol pricing policies in practice: A critical examination of implementation in Canada](#). *Journal of Public Health Policy*. 38(1), 39-57.
- Wagenaar, A. C., Maldonado-Molina, M. M., & Wagenaar, B. H. (2009). [Effects of alcohol tax increases on alcohol-related disease mortality in Alaska: time-series analyses from 1976 to 2004](#). *American Journal of Public Health*. 99(8), 1464-1470.
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**Presentation slides** [English](#)

**Event recording** [English](#) [français](#)

### *Event highlights*

- 5:22 Pricing 101 – Ashley Wettlaufer
- 20:06 Pricing and taxation for public health: pros and cons of different approaches – Dr. Tim Stockwell
- 37:13 Minimum unit pricing – Dr Adam Sherk

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