**In the Spirit of Business**

**Greater Peterborough Chamber of Commerce, Prince Edward County Chamber of Commerce, Quinte West Chamber of Commerce, Belleville Chamber of Commerce**

**Issue:**

Aligning the craft distilling industry with the policy regimes of the craft brewery and winery industry will help maintain this industry as a positive growth sector for the Ontario economy.

**Background:**

Craft distilling is a growth industry. Distillers are creating jobs and boosting economies in large and small centres alike.

In the past few years, there has been some movement to parity with other craft alcohol industries. These improvements include allowing craft distillers to distribute their products to bars and restaurants and are appreciated by the industry.

But there is more to be done. In its 2019 report “Refreshing the Sale of Beverage Alcohol in Ontario”, the Ontario Chamber of Commerce (OCC) identifies a number of positive economic results from the industry that would only be enhanced by parity with the other sectors of beverage alcohol, including:

* The spirits industry and craft distillers in Ontario generate over $2.4 billion in annual sales
* The spirits industry supports 6,000 jobs across the province and contributes $1.5 billion to Ontario's Gross Provincial Product every year.
* Ontario is currently home to 39 spirit distillers. There has been an increase in the number of small and artisan distillers that specialize in niche products across Canada.
* The spirits industry works closely with local farmers and contributes to the economic growth of rural areas across Ontario.

The report also connects the beverage alcohol industry to a number of adjacent industries, including farming, tourism, and hospitality. The power of beverage alcohol to be a force for economic development – particularly rural economic development – should therefore be reflected in policymaking.

However, the most significant challenge to be addressed is around taxation. The tax is currently 61.5% at craft distillery tasting rooms, which is 10 times what Ontario wineries pay. And the time is now to consider change as the tax regime for beverage alcohol is part of the comprehensive Government of Ontario review that is underway.

The call for change is not only coming from chambers of commerce and boards of trade, but alongside the Ontario Craft Distillers Association. Modelling by the Ontario Craft Distillers Association (based on experience in Nova Scotia, BC, and Alberta) shows that any cut in taxes is more than recouped within approximately two years because of taxes associated with job growth in the industry.

Nova Scotia continues to be a leader in the spirit industry as the government reduced the government mark-up by 60-80% in 2014, with another 10% mark down if distillers use provincially-grown agricultural products. The government also cut the license fee from $2,000 to $500 and increased production threshold, and introduced a graduated mark-up based on annual production. This has allowed craft distillers to thrive. Furthermore, in British Columbia, since the introduction of a graduated tax system in 2013, the industry has grown from 7 to 60 distilleries and the volume of craft spirits produced in British Columbia grew by almost 400 percent.[[1]](#footnote-1)

In order to achieve parity across alcohol categories, where spirits can be sold and how consumers access the product also deserves consideration. As such, spirits should also be allowed at grocery, convenience, corner stores etc; dedicated shelf space/displays for craft distillers at the LCBO, so that the small players can compete next to the international brands; and permitted at farmers markets.[[2]](#footnote-2)

**RECOMMENDATIONS:**

**The Ontario Chamber of Commerce urges the Government of Ontario to:**

1. Align regulations pertaining to craft distilling with those of the craft beer and wine industries by applying a graduated rate to the current spirits basic tax, with a zero percent mark-up on the first 50,000 litres sold.
2. Offer further pricing incentives to craft distilleries for spirits made primarily with Ontario ingredients, graduated by production method and volume.
3. Improve access for craft distillers and consumers by:
	1. Allowing spirit sales at grocery, convenience, and corner stores, etc.
	2. Having dedicated shelf space/displays for craft distillers at the LCBO, so that the smaller players can compete next to the international brands
	3. Permitting the sale of spirits at farmers markets
1. “Refreshing the Sale of Beverage Alcohol in Ontario,” Ontario Chamber of Commerce, 2019, pg 15. [↑](#footnote-ref-1)
2. “Refreshing the Sale of Beverage Alcohol in Ontario,” Ontario Chamber of Commerce, 2019, pg 5. [↑](#footnote-ref-2)