

February 7, 2020

Bill Morneau

Minister of Finance

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Mary Ng

Minister of Small Business, Export Promotion and International Trade

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Marie-Claude Bibeau

Minister of Agriculture and Agri-Food

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Minister Morneau, Minister Ng, Minister Bibeau

The Greater Vernon Chamber of Commerce appreciates the government's desire to grow the national economy and broaden international trade, and an amendment to taxation policy could assist in achieving these goals.

Specifically, we request that the federal government match the hugely successful small-distillery excise tax reduction in the United States by reducing the federal excise tax on distilled spirits to \$1.77 per litre on the first 150,000 litres of absolute alcohol produced. This reduction was trialed in the United States as a mechanism to stimulate growth in the domestic US farm-to-flask distilling and it has proven to be so successful that the reduction has just recently been extended beyond its initial trial period.¹

Currently, a distillery in Canada experiences an excise duty of \$12.375 per litre of absolute alcohol. For a 750-millilitre bottle of spirit at 40 per cent alcohol priced at \$40CDN, this carries a tax of \$3.71 at the federal level. A 750ml bottle of wine produced by a Canadian vineyard using Canadian grown grapes pays no federal excise tax. Breweries have excise duty applied using a tiered system based on each brewery's annual production. A reduction in excise tax will support Canadian business and demonstrate fairness and balance within the industry and ensure that Canadian distilleries can effectively compete in the market with their U.S. counterparts.

Distilleries are economic drivers for employment and tourism, thereby offsetting the excise revenue loss. An average distillery employs 20 to 100 people directly, and it leads to further employment opportunities in spin-off sectors including agriculture, bottle production and equipment manufacturing. Through a reduced excise tax, Canadian distilleries will have additional financial resources to invest in

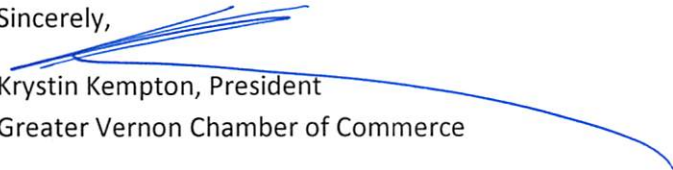
¹ <https://distilling.com/resources/government-affairs/temporary-tax-parity/>

equipment and facilities as well as creating employment opportunities in numerous small and medium-sized communities across Canada.

The need for tax equity for the distilled spirits industry was brought to the attention of Ministers Ng and Bibeau during separate visits to Vernon, and delegates at the 2019 Canadian Chamber of Commerce conference gave 99 per cent support to a resolution from our Chamber that urges the federal government to reduce the excise tax on distilled spirits. The approved policy is attached to this letter for your ease of reference.

Ultimately, there is a significant opportunity to create an environment that encourages the entrepreneurial spirit and economic growth in all regions of Canada. We urge you to consider our initiative. We look forward to a meeting or telephone call to discuss this further.

Sincerely,


Krystin Kempton, President
Greater Vernon Chamber of Commerce

CC. Mel Arnold, North Okanagan-Shuswap MP
Tyler Dyck, Craft Distillers Guild of BC President
Victor Cumming, City of Vernon Mayor
Kevin Acton, Regional District of North Okanagan Chair
Alistair MacGregor, NDP Critic for Agriculture, Rural Economic Development
Paul Manly, Green Party MP
Yves Perron, Bloc Quebecois Critic for Agriculture
Glen Lucas, BC Fruit Growers Association
Canadian Federation of Agriculture
B.C. Grain Producers Association
Grain Growers of Canada
Canadian Horticultural Council
Artisan Distillers Canada