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## New Bills Introduced to the Craft Beverage Industry

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There are currently two pieces of proposed legislation, one in Parliament and one in the Ontario Legislature which, if enacted, would have a significant impact on the alcoholic beverage industry. Both proposed pieces of legislation are designed to provide incentives to small businesses, namely craft brewers and micro-distilleries (also known as craft spirit distilleries).

### **BILL C-250 – THE SUPPORTING SMALL BREWERS ACT**

Bill C-250, the *Supporting Small Brewers Act* is a proposed amendment to the *Income Tax Act*. It is designed to provide a tax credit for taxpayers who brewed less than 15,001 hectolitres of beer and malt liquor in a fiscal year. The brewing must have been done in Canada to qualify. The amendment will provide a tax credit of 10% to breweries brewing less than 5,001 hl and a formula specific credit to breweries brewing between 5,001 and 15,001 hl.

The first reading of the bill was on March 9, 2016 and was introduced by Brian Masse (Windsor West) as a private members bill.

### **BILL 203, FREE MY RYE ACT (LIQUOR STATUTE LAW AMENDMENT)**

On May 17, 2016, Bill 203, the *Free My Rye Act* was introduced in the Ontario Legislative Assembly and carried. The Bill amends the *Liquor Control Act* and the *Liquor Licence Act*. It is directed at Micro-distilleries and some of the measures are designed to provide craft-distillers opportunities to take advantage of the popularity and economic benefit that craft brewers and small wineries have experienced in three ways: (1) Increasing shelf space at LCBOs for craft distilleries, (2) limiting requisite mark up on liquor products sold at the LCBO, and (3) empowering municipalities to license sales of product at micro-distilleries.

Under the proposed amendment to Section 3 of the *Liquor Control Act* the Liquor Control Board of Ontario would be required to ensure that there is at least a 20 per cent increase in the number of stores for the sale of spirits over the five years after the Bill comes into force.

The act would be further amended by adding a series of graduated maximum amounts for the mark-up on the sale of spirits when sold either to the Board or at the manufacturer's own retail store. The amounts start with the first 50,000 litres sold in the year and is lower than the mark-up that presently applies.

Bill 203 would also amend Subsection 5 (4) of the *Liquor Licence Act* to allow microdistillers to sell, keep, solicit orders for, and deliver spirits, so long as they meet the criteria of microdistiller.



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The Act is further amended to permit manufacturers of spirits to serve their product by the glass to interested patrons of the distillery. The impact may be quite substantial provided that preconditions which require municipal approval and conditions of the licence are satisfied. The Ontario craft spirit industry will be significantly affected, allowing microdistillers to take advantage of increased retail opportunities, mark-up regulation, and licence to sell spirits onsite, by the glass, and to a person who holds a licence to sell liquor.

Bill 203 has been carried after first reading. It has not been referred to any committees. While unlikely to pass through their respective legislatures and become law in the near future, the proposed federal legislation and the proposed provincial legislation each appear to be positive developments for small businesses in the alcoholic beverage industry. Politicians are slowly recognizing the importance and impact of the local craft beverage industry. Incentive tax credits and uniform regulations with respect to breweries, cideries, and distilleries are good for business owners and consumers alike.

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