



Coalition of  
Canadian  
Independent  
Craft Brewers

**Written Submission to the House of Commons  
Standing Committee on Finance: Pre-Budget  
Consultations in Advance of the 2024 Federal Budget**

**August 2023**

## **Recommendation**

- We recommend that the Government of Canada modernize the Excise Tax Act to lessen the punitive tax burden placed on Canada's locally owned and operated craft breweries, allowing the industry to continue to grow, add jobs and contribute to local economies.

## **Introduction**

Despite an inflationary crisis impacting Canadians, craft breweries across Canada continue to grow and create employment opportunities. The industry now accounts for over 21,000 jobs in Canada, and new breweries continue to open each month right across the country. Of the over 1,100 craft breweries that have opened in just the last decade, over 55% are in rural areas, contributing to a “rural renaissance” in Canada.

No other economic sector has opened hundreds of new manufacturing facilities in rural communities in the past ten years. Each of these new businesses has sparked increased economic development and tourism, and many have become community cornerstones supporting local events and charitable initiatives.

Craft beer has gained widespread market acceptance and market share continues to grow. The explosion of new craft breweries has created an entirely new value-added agri-food category in Canada. Currently 24% of all beer produced in Canada is the product of an independently owned and operated craft brewery. Furthermore, craft breweries are redefining the beer drinking experience in Canada, with a focus on quality over quantity, premium pricing, and mindful consumption.

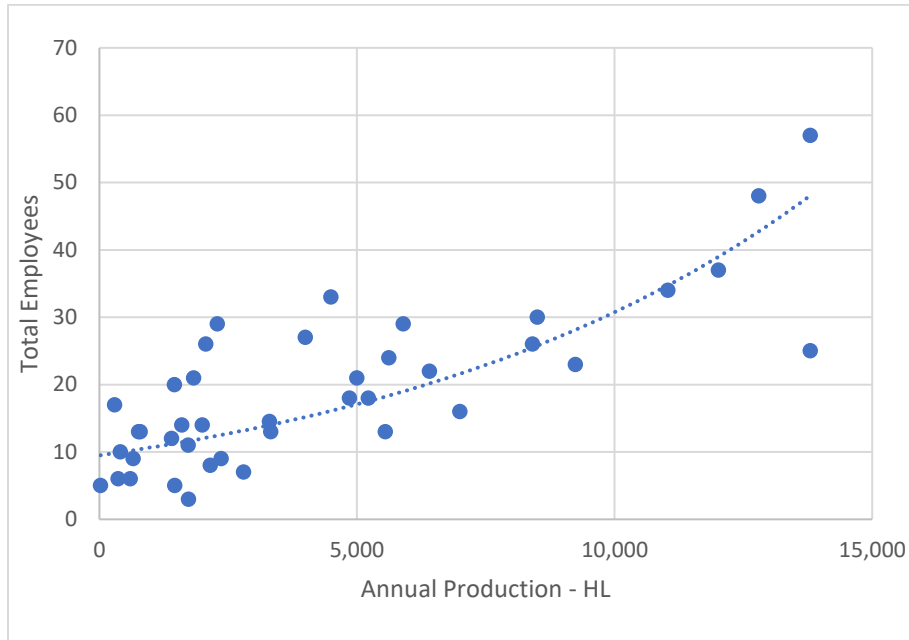
To ensure Canada’s craft brewing industry can continue to grow and be successful, we are asking for the federal government to modernize the current excise tax schedule on beer. This will allow craft breweries to achieve their maximum economic value to their communities and their country.

## **Modernize Canada’s Excise Tax Act**

The Excise Tax Act is one of Canada’s oldest pieces of legislation. The last time it was significantly updated was in 1985, but the Act has its roots from some of the first parliaments in Canadian history. At that time, and even in the 1980’s, craft beer as it is understood today did not exist. Then, alcohols were divided into three tax categories: beer, wine, and liquor. Since then, there has been widespread innovation in the alcohol sector, including the introduction and popularity of today’s Canadian craft beer.

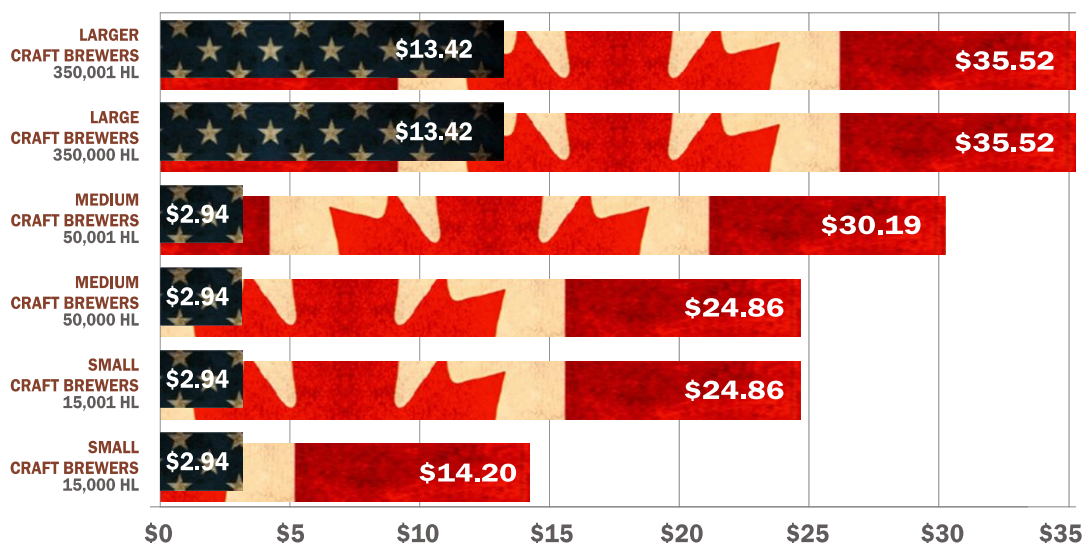
Of the over 1,100 craft breweries in Canada, 80% of them produce less than 2,000 hectolitres a year, accounting for less than \$1,000,000 in annual revenue. These businesses are small manufacturing companies requiring significant capital investment long before their first batch of beer is brewed. The majority of them are less than 5 years old, and most are not yet profitable. Investment capital is hard to come by, and the owner-operator is rarely able to attract equity investors other than friends and family. Cashflow is important, as it is in all small manufacturing environments, and these young companies are in constant need of more raw materials, more capital equipment, and more employees.

To support the majority of Canada’s craft brewers, all of whom are small businesses, we are asking the federal government to introduce a progressive and growth-oriented excise tax schedule that will allow craft breweries to grow up to 500,000 hectoliters without encountering any fiscal cliffs and leave the rates for 500,001 hectolitres and above at the current rate. This change would benefit all breweries large and small equally in terms of excise tax dollars saved and would lead to significant investment, job creation and economic growth across the entire sector. These additional dollars saved by Canada’s smallest craft breweries would be used to invest in equipment, company growth, and increased employment. Most importantly, this change can be revenue-neutral to government.



At present, the Excise Tax Act currently allows for a reduced rate of excise duty on a brewery’s first 75,000 hectolitres of beer. Any annual production above that level is taxed at the same rate as the millions of hectolitres produced in Canada by the largest multi-national breweries. For the emerging large independent Canadian craft breweries, this represents a barrier to growth as they attempt to compete with multinational corporations for market share in Canada and eventually internationally.

The United States reduced excise rates on beer such that breweries producing 25,000 hectolitres of beer annually now pay \$200,000 in excise duty. In Canada, that same production level is taxed at \$420,000, representing over half of the brewery’s net profits. A brewery producing 100,000 hectolitres in the United States pays \$850,000 in annual excise taxes. In Canada it would be \$2,700,000. As the brewery grows in size, so does the disparity.



To rectify this problem, we recommend that the Government of Canada modify the existing excise duty rates by increasing the annual production level at which beer is taxed at the highest level. Specifically,

the government should raise the annual production threshold from 75,000 hectolitres to 500,000 hectolitres and stretch the existing rate brackets accordingly.

This will have the effect of reducing the overall excise tax burden on the emerging large craft breweries and allow them to invest those dollars instead in people, production equipment, sales channel development and manufacturing innovation. Furthermore, it would create a larger ramp for Canada's most successful craft breweries to continue to grow prior to competing with multinational corporations. The recent changes in the United States reflect this realization as well, where craft breweries enjoy lower taxes on their first 7 million hectolitres.

A recent MNP study commissioned by the industry found that the implementation of a progressive excise tax schedule from 0 - 500,000 hectolitres would have a neutral or positive impact on the Government of Canada's tax revenue. This would be through the spin-off effects, including increased investment, sales, and employment. It would also have a multiplier effect with industries that support, supply, and service the craft brewing industry.

### **Recommendation**

We recommend that the Government of Canada modernize the Excise Tax Act to lessen the punitive tax burden placed on Canada's locally owned and operated craft breweries, allowing the industry to continue to grow, add jobs and contribute to local economies.

### **About the Coalition of Canadian Independent Craft Brewers**

The Coalition members represent larger scale craft breweries in Canada that have made a substantial economic commitment in their breweries to promote job creation, investment and economic growth. We're handcrafted in a high-volume world, and we're proud of it. Our industry leaders have always believed that to raise one glass is to raise the entire sector.

### **About the Canadian Craft Brewers Association**

The Canadian Craft Brewers Association (CCBA) is the national voice of Canadian craft beer. We represent the interests of 1,100+ small and independent craft breweries and their supplier partners from every province and territory in Canada. The Association is a federation of provincial craft brewers' associations and advocates on behalf of them and their member breweries. The CCBA owns and licenses the Independent Craft Seal of Authenticity™.