

EMPOWERING B.C.'S CRAFT DISTILLERIES TO FUEL LOCAL PROSPERITY

Issue

British Columbia's craft distilleries face structural barriers that limit their ability to grow, compete fairly, and contribute fully to local economic resilience, despite being deeply embedded in local value chains and communities. A restrictive 50,000L production cap, punitive markup structures at BC Liquor (BCL) Stores, prohibitions on producing ready to drink (RTD) beverages, and significantly higher federal excise rates than other beverage alcohol categories collectively constrain investment, innovation, and local employment. Addressing these barriers through targeted policy changes would keep more value, jobs, and tax revenue in B.C., while reducing the province's vulnerability to external supply chain shocks and labour disruptions.

Background

Economic importance and local value chains

Craft distilleries transform low-margin B.C. grain into high-margin spirits, with one tonne of grain yielding roughly 600 L of finished spirit and up to \$30,000 or more in retail product value before taxes and mark-ups. This transformation creates local jobs in farming, trades, production, design, marketing, and hospitality, amplifying the value that stays within B.C.'s communities.

As with the Okanagan wine industry, locally produced, branded spirits can become export-ready products that showcase B.C. internationally while supporting domestic supply chains and regional tourism.

Vulnerability revealed by disruptions

The 2025 BCL strike, combined with ongoing tariffs and supply chain disruptions, exposed how heavily B.C. relies on complex, external supply chains dominated by businesses with a limited local footprint. These shocks had cascading impacts on the hospitality sector and local businesses that rely on stable access to product, highlighting the need for stronger local production capacity and more resilient supply chains.

Allowing B.C. craft distilleries to scale and diversify production would mitigate future risks by increasing local self-reliance and reducing exposure to global disruptions beyond the province's control.

Regulatory and fiscal barriers limiting growth

The 50,000L production cap for B.C. craft distilleries artificially restricts growth, discourages capital investment, and limits economies of scale, while large spirit brands, breweries, and wineries operate with far more flexible regulatory conditions. This creates a structural disadvantage for small B.C. producers and suppresses the sector's economic contribution and export potential.

A 142% markup applied to craft spirits sold through BCL Stores is significantly more punitive than the effective treatment of many B.C. wines and beers, especially for premium spirits, constraining market access, brand recognition, and revenue available for reinvestment.

Missed opportunities in product diversification and taxation fairness

Current LDB regulations prevent craft distilleries from producing Ready to Drink (RTDs) using their own spirits, blocking access to one of the fastest-growing, high-volume segments of the liquor market and limiting an important channel for brand awareness and customer acquisition. The choice to compete in RTDs is a basic business decision that should be available on equal terms across beverage alcohol categories, rather than restricted to certain producers by outdated policy.

Federal Excise Tax

Federal excise rates for spirits are disproportionately high. Craft spirit producers now pay \$14.117 per litre of bottled spirit compared to \$0.358 per litre for beer, meaning roughly 40-times more excise per volume¹. This disparity undermines profitability for small distilleries, especially in a capital-intensive industry, and stands in contrast to the more favorable, tiered excise structures that have supported growth in the craft beer and wine sectors domestically and internationally.

The rates of excise duty on spirits are determined in accordance with Schedule 4 to the *Excise Act, 2001* and apply:

- per litre of spirits for spirits containing not more than 7% absolute ethyl alcohol by volume
- per litre of absolute ethyl alcohol for spirits containing more than 7% absolute ethyl alcohol by volume

Rates of excise duty on spirits

Product	Rate effective April 1, 2026	Rate effective April 1, 2025 to March 31, 2026	Rate effective April 1, 2024 to March 31, 2025	Rate effective April 1, 2023 to March 31, 2024	Rate effective April 1, 2022 to March 31, 2023
Spirits containing not more than 7% absolute ethyl alcohol by volume	\$0.358	\$0.351	\$0.344	\$0.337	\$0.330
Spirits containing more than 7% absolute ethyl alcohol by volume	\$14.117	\$13.840	\$13.569	\$13.303	\$13.042

The United States applies a federal excise tax of about \$13.50 per proof gallon (roughly \$2.80 per litre of pure alcohol) on spirits. This rate is much lower than on beer per volume, with reduced rates for small producers to spur growth. The U.S. adopted reduced excise rates for craft producers (CBMA) explicitly to support small businesses and investment².

Australia uses a volume-based system starting at around AUD \$108 per litre of pure alcohol³ (about CAD\$103) but offers concessional rates for low-alcohol products and supports craft distillers through

¹ <https://www.ttb.gov/public-information/industry-circulars/ttb-industry-circular-2022-3>

² <https://distilledspirits.org/taxes-federal-regulations/>

³ <https://www.foodanddrinkbusiness.com.au/news/first-spirits-excise-rise-for-2026>

rebates, fostering industry expansion. These jurisdictions demonstrate that lower, tiered excise duties encourage investment, supports small domestic producers, and drive long-term sector growth without undermining revenue.

Need for parity and policy alignment

Unlike breweries and wineries, B.C. craft distilleries have not yet received comparable excise relief or regulatory flexibility, despite operating within the same highly regulated distribution system and competing against large international brands. As a relatively young industry with limited advocacy infrastructure, distilleries often lack visibility in policy discussions, leading to frameworks that unintentionally favour foreign shareholders over local constituents and small businesses. This is where support is required for an industry with local value and community support.

Craft spirits from B.C. distillers are premium products, often priced at \$50–\$100+ per bottle due to artisanal methods, local ingredients, and small-batch production. Their high cost targets consumers seeking quality over quantity, not high-volume or budget drinkers.

With balanced reforms—focused on parity, competition, and local value retention—the provincial government can help empower local distilleries to help stabilize the hospitality sector, strengthen local tax bases, and build long-term economic resilience without harming other local stakeholders.

Taxes account for approximately 80% of the price of spirits, compared to about 50% for beer. This high-tax regime on spirits, combined with automatic increases, disproportionately harms local producers and fails to differentiate between high-strength, high-risk consumption and moderate use.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. **Increase production cap to ensure craft distillers can operate and scale profitably**
 - a) Raise production caps from 50,000L to 250,000L for B.C. craft distilleries so they can scale operations without losing key benefits tied to their “craft” status.
 - b) Ensure that the structure of revised thresholds promote investment, innovation, and job creation across the sector while maintaining appropriate public health and safety oversight.
2. **Enable craft distilleries to sell through BCL Stores without punitive markups**
 - a) Reduce or remove the BCL markup so B.C. craft spirits can be sold in BCL stores at a lower, preferential rate to align with the treatment of B.C. wine and beer.
 - b) Design markup reforms to improve visibility and competitiveness of local BC spirits on BCL shelves, supporting brand recognition, revenue growth, and reinvestment in local facilities and employment.

3. **Permit craft distilleries to produce ready-to-drink (RTD) beverages using their own spirits**
 - a) Amend LDB regulations to allow craft distilleries to manufacture RTDs made from their own distilled products under clear, consistent rules applied across beverage alcohol categories.
 - b) Ensure that RTD production by craft distilleries is subject to appropriate licensing and reporting requirements, while enabling access to this high-growth market segment to support scale, diversification, and brand development.

4. **Advocate for a tiered or reduced federal excise structure for small distilleries**
 - a) Work with the Government of Canada and other provincial partners to implement a tiered or reduced federal excise tax regime for craft spirit producers, comparable to the relief already provided to small breweries and wineries.
 - b) Support reforms that significantly narrow the current gap (where distillers pay about \$14.117 per litre versus \$0.358 per litre for beer) and align B.C. practice with other countries which have demonstrated that reduced excise encourages investment and long-term sector growth.

5. **Recognize craft distilling as a strategic sector for local resilience and hospitality**
 - a) Formally acknowledge B.C. craft distilleries as key partners in local economic development, agriculture, tourism, and hospitality, and include the sector in relevant provincial economic resilience, value-added agriculture, and supply chain strategies.
 - b) Establish an ongoing consultation mechanism with craft distilleries and local chambers to monitor sector health and ensure that future policy changes continue to promote local value retention, employment, and tax revenue in B.C. communities.

Submitted by the North Vancouver Chamber of Commerce

Supported by TBD