

PROTECTING B.C.'S CRAFT BREWING INDUSTRY: THE CASE FOR FAIR TAX REFORM

Issue

British Columbia's craft brewing sector has been one of the fastest growing segments of the provincial agri-food and tourism economy over the past two decades. More than 200 craft breweries operate across the province, producing approximately 760,000 hectolitres of beer annually, representing approximately 38 percent of beer manufactured in British Columbia.

Craft breweries play a significant role in regional economic development. They create local employment, support agricultural producers and supply chains, attract tourism to rural and urban communities alike, and contribute to the cultural vibrancy of communities throughout the province.

Since 2019, at least 25 craft breweries in British Columbia have closed including 6 closures reported in 2026 to date, the majority of which produced less than 2,000 hectolitres annually. Economic data also indicates significant profitability challenges within the sector. National financial data suggests 63 percent of breweries with revenues between \$30,000 and \$5 million are not profitable, a range that includes most small and mid-sized craft breweries.

These pressures are compounded by an outdated provincial beer markup structure. The current markup schedule has remained largely unchanged since 2016, despite significant structural changes in the industry and substantial increases in operating costs.

Under the existing system, small breweries face relatively high starting markup rates while large commercial breweries benefit from preferential rebates. Commercial breweries producing more than 350,000 hectolitres annually receive a rebate of \$60 per hectolitre on the first 50,000 hectolitres produced, representing approximately \$9 million annually in rebates to large brewers operating in British Columbia.

This structure places locally owned breweries at a competitive disadvantage relative to large commercial brewers, which benefit from global purchasing power, economies of scale, and greater capacity to absorb rising operating costs.

Without reform, the sector faces continued brewery closures, job losses, and reduced economic activity in communities across the province. Craft breweries often anchor businesses in smaller communities and tourism destinations, meaning closures can have immediate impacts on local employment, tourism activity, and regional supply chains. The craft brewing sector also supports a wide network of local suppliers, hospitality businesses, tourism operators, and agricultural producers, meaning that brewery closures can have ripple effects across local economies throughout British Columbia.

Background

In British Columbia, beer is subject to a provincially administered markup applied on a per-litre basis through a tiered system

based on annual production volumes. The sector is now facing mounting financial pressures. Rising input costs, labour shortages, increased distribution costs, inflationary pressures and new trade disruptions affecting aluminum and other brewing inputs have placed many breweries under severe financial strain. So, the B.C. Craft Brewers Guild commissioned an economic analysis from MNP LLP to evaluate the impact of modernizing the provincial beer markup structure.

The analysis determined that a revised markup schedule could significantly improve the financial viability of craft breweries while maintaining overall fiscal balance for government. The proposed markup reform introduces a graduated rate structure beginning at \$0.10 per litre for the smallest breweries, gradually increasing across production tiers and extending the highest production threshold from 350,000 hectolitres to 500,000 hectolitres, with a maximum rate of \$1.14 per litre.

This revised markup structure would:

- provide financial relief to breweries producing under 15,000 hectolitres annually
- smooth incremental markup increases as breweries grow
- remove structural growth penalties that discourage scaling production
- extend the upper production threshold to better reflect modern industry realities

Under current production levels, the revised structure is estimated to save B.C. craft breweries approximately \$16.3 million annually in markup costs, funds that could be reinvested into operations, employment, and capital investment. Economic modelling indicates these savings could result in:

- 76 new jobs created within the craft brewing sector
- approximately 48,700 hectolitres of additional production and
- approximately \$29 million in additional industry revenues⁸

The B.C. Craft Brewer's Guild is asking the government to review the 2016 beer markup schedule as it feels the current tiered volume model is outdated and does not reflect the current market conditions. Simply put, it starts too high for over 80% of the craft beer businesses at 15,000 HL and ends too early at 350,000 HL for 3 of the world's largest breweries who manufacture in B.C.

By reducing the starting tier to 2,000 HL and increasing to 500,000 HL the volume scale is more gradual and allows for small breweries to reinvest savings into their business, opens up opportunities for regional breweries to merge, acquire and grow their business and better reflects the volumes of the largest foreign owned breweries with a more realistic top tier of 500,000 HL.

The craft brewing sector also plays an increasingly important role in tourism development across British Columbia. The B.C. Ale Trail now connects more than 200 brewery destinations across over 70 communities, attracting visitors and supporting local economies throughout the province. Strengthening the financial viability of breweries supports tourism growth, rural economic development, and job creation across British Columbia.

This recommendation reflects analysis conducted using B.C. Liquor Distribution Branch production and markup data and has been developed in consultation with industry stakeholders. The proposed reform is designed to maintain overall fiscal balance while modernizing an outdated markup structure that has not been updated since 2016. Increased production and sector growth are also expected to generate additional provincial tax revenues through sales, payroll, and related economic activity.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Modernize the provincial beer markup structure by adopting a revised production-volume markup grid that:

- a. introduces a lower starting markup rate for small breweries producing under 15,000 hectolitres annually
- b. smooths incremental markup increases as production levels grow
- c. extends the highest production threshold from 350,000 hectolitres to 500,000 hectolitres
- d. modestly increases the top markup tier to maintain overall fiscal balance.

Submitted by: Duncan Cowichan Chamber of Commerce

(The North Vancouver Chamber is pleased to have worked with the Duncan Chamber is helping this Policy succeed, and has permission from them to use represent ourselves as a key supporting Chamber in the process.)