

**To:** LDB Wholesale Customers  
**Date:** Friday June 4, 2010  
**Re:** July 1, 2010: Implementation of Harmonized Sales Tax (HST)

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On July 1, 2010, provincial sales tax and GST will be combined into a single 12% Harmonized Sales Tax (HST) that will be administered by the federal government in the same way that GST is currently administered. The provincial portion of the 12% HST will be 7% (3% lower than the current provincial liquor sales tax of 10%) and the federal portion will be 5%.

There are a number of changes associated with the implementation of HST which are discussed below.

## PRICE IMPACTS

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As previously announced by the Ministry of Finance, Liquor Distribution Branch (LDB) mark-ups are being increased to offset the 3% reduction in provincial liquor sales tax associated with implementation of the HST (currently, the provincial sales tax on liquor is 10% compared to the provincial tax component of HST which will be 7%) in order to maintain LDB display prices. On average, the LDB mark-up changes will increase your pre-sales tax price by approximately 2.7% although this will vary slightly depending on the product categories. There will be minimal changes in LDB display prices related to the new mark-up rates as they have been designed to offset the 3% decrease in the sales tax as closely as possible. Due to differences in the mark-up system for beer, there will be more variability in beer price impacts than with other categories. Also, some suppliers may choose to change their prices for July 1 and this would impact display prices.

For wholesale customers that charge their customers more than the LDB display price (e.g. licensees and many private retailers), the 3% reduction in the provincial sales tax will be greater than the increase in LDB mark-ups. This means that the total amount of provincial government liquor revenue from your sales (combination of LDB mark-ups and sales tax) will be reduced. Included in this package are examples which show the pricing impact of HST on sample products for your customer type (**Appendix A**).

## DISCOUNT FACTORS AND HST

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The implementation of the HST requires changes to the discount factor that converts LDB display prices to the prices that you pay. The current discount factors include an adjustment for both the customer discount, if applicable, and the provincial sales tax. Under the HST, there is no provincial sales tax, so the new discount factors will adjust for the customer discount (if applicable) only. Licensees do not receive a discount and therefore the new discount factor for licensees is zero.

The new discount factors are included in the attached **Table 1.1**. Also included is a HST factor, which when applied to the LDB display price, calculates the amount of HST that is applicable to your purchases.

## INVOICES

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Attached is an example of an invoice modified for HST. Invoices for other customer types (e.g. LRS, RAS, Licensee) are the same as current invoices except that HST replaces PST/GST (**Appendix B – LDB Wholesale Invoice Example**).

## LDB WEB STORE

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There are HST-related changes to the online order screens used by customers when ordering through Web Store. The Shopping Cart and Order Confirmation screens (**Appendix C – LDB Web Store Screen Shots**) are attached for your reference.

## ORDER CONFIRMATION AND PRICING

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Price confirmations for orders that are made before July 1, 2010 will be based on the pre-sales tax price in place at that time plus 5% GST. If purchases for these pre-July 1 orders are completed on or after July 1, 2010, the purchase price will be based on the pre-sales tax price at the time the order was made plus 12% HST.

## DIRECT DELIVERY FEE

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For those customers that receive direct delivery, the current GST-included delivery fee of \$30 will be changing to a HST-included fee of \$32 to reflect the higher tax rate (12% HST vs. 5% GST). The base freight charge before tax \$28.57 has not changed.

Sincerely,



Katharine Jowett  
Director, Wholesale Business  
BC Liquor Distribution Branch

## JULY 1, 2010 DISCOUNT FACTORS AND HST FACTORS

### TABLE 1.1

CUSTOMER TYPE	DISCOUNT FACTOR	HST FACTOR
Licensed Establishment	0	10.714 %
Licensee Retail Store	16.0 %	9.000 %
Rural Agency Stores	10.0 %	9.643 %
Independent Wine Store	30.0 %	7.500 %
Duty Free Store	N/A	0

# APPENDIX A – INDEPENDENT WINE STORE (WIN)

## Pricing Impact of HST on Sample Products

Comparison of Prices <u>before</u> and <u>after</u> implementation of the Harmonized Sales Tax for a WIN store		
<b>Assumption:</b>		
	WIN selling at LDB Display price of 12.99	
<b>Product</b>	750 ml Wine	
	Before	After
<b>Retail Price from above</b>	11.30	11.60
<b>Discount @ 30%</b>	3.39	3.48
<b>Price before taxes</b>	7.91	8.12
<b>GST - no PST payable</b>	0.40	
		Input credit
<b>Harmonized tax</b>		0.97
		Input credit
<b>Net payment</b>	8.31	9.09
<b>Selling Price</b>	12.99	12.99
<b>less: Taxes collected</b>	1.69	1.39
		Payable
<b>less product cost</b>	7.91	8.12
<b>Net Profit to WIN</b>	3.39	3.48
<b>Taxes to be remitted - collected less paid</b>	1.29	0.42

*Keeping the selling price the same as the LDB Display Price, allows the WIN to make \$3.48 under the harmonized tax versus \$3.39 under the present PST/GST model.*

# APPENDIX B - LDB WHOLESALE INVOICE EXAMPLE (WIN)

## BCLDB INVOICE REPORT

CUSTOMER#/NAME: WINXXXX  
BUSINESS#:  
SHIP TO ADDRESS:

PAGE NO: 1 / 1  
INVOICE #: 100089779  
INVOICE DATE: 07-JUN-10  
DELIVERY ID: 170799  
PAYMENT METHOD: CREDIT VISA  
LDB HST#: 124642945

CONTACT:  
PHONE#:  
FAX#:  
EMAIL: ldbitest@bcldb.com

SKU	PRODUCT DESCRIPTION	SELLING UNIT/SIZE	SU QTY	SU DISPLAY PRICE INCL. HST	EXTENDED DISPLAY PRICE	EXTENDED CONTAINER DEPOSIT	EXTENDED DISCOUNT PRICE EXCL. HST	ORIGINAL ORDER#
00000323	CHENIN BLANC - KWV	12 X 0.750 L	60	\$11.47	\$688.20	\$6.00	\$430.10	433247
00438721	ALMANSA - TINTORALBA HIGUERUELA	12 X 0.750 L	60	\$13.97	\$838.20	\$6.00	\$523.75	433247
00512988	ARBOR MIST - EXOTIC FRUIT WHITE ZINFANDE	12 X 0.750 L	60	\$6.98	\$418.80	\$6.00	\$261.65	433247
00561753	PILLITTERI ESTATE - VIDAL ICEWINE	48 X 0.050 L	240	\$8.99	\$2,157.60	\$24.00	\$1,638.10	433247
			420		\$4,102.80	\$42.00	\$2,853.60	

TOTAL EXTENDED DISPLAY PRICE:	\$4,102.80
TOTAL DISCOUNT AMOUNT:	\$906.77
TOTAL SELLING UNITS:	420

TOTAL EXTENDED DISCOUNT PRICE EXCL. HST	\$2,853.60
FREIGHT CHARGE:	\$0.00
CONTAINER DEPOSIT:	\$42.00
HST:	\$342.43

Note: Total Discount Amount includes customer purchase discount, HST reduction on purchase discount, where applicable.

INVOICE TOTAL:	\$3,238.03
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\*HST is inclusive of freight charge HST  
Inquiries: Contact the Wholesale Customer Center 604-775-0681 or 1-888-775-0681 Toll Free.

# APPENDIX C - LDB WEB STORE SCREEN SHOTS EXAMPLE SHOPPING CART and ORDER CONFIRMATION

Shopping Cart Continue Shopping    Checkout

Items Save To Shopping List

**Tip:** This is your active shopping cart and will expire on 17-AUG-2010. Use this page to manage the displayed content. [More details...](#)

Delete	SKU	UPC	Product	Pack Size	UOM	Display / SU Inc. HST	Quantity	Price / UOM	Ext. Display	Ext. Customer Price Excl. HST
	00000786	00048415345101	ROYAL RESERVE	12 X 0.750 L	Cases	23.75	<input type="text" value="1"/>	Display: 285.00 Customer Price 213.80 Excl. HST:	285.00	213.80
	00000893	00048415000307	WISERS - DELUXE	12 X 0.750 L	BTL	25.98	<input type="text" value="24"/>	Display: 25.98 Customer Price 19.49 Excl. HST:	623.52	467.76
	00001768	00048415345903	RED TASSEL	24 X 0.375 L	Cases	11.87	<input type="text" value="10"/>	Display: 284.88 Customer Price 213.70 Excl. HST:	2848.80	2,137.00
	00002063	00048415345422	LAMBS - NAVY	12 X 0.750 L	BTL	26.16	<input type="text" value="120"/>	Display: 26.16 Customer Price 19.62 Excl. HST:	3139.20	2,354.40
	00697268	00620213310514	BACARDI BREEZER - KEY LIME	6(4 X 0.330 L)	Cases	9.51	<input type="text" value="30"/>	Display: 57.06 Customer Price 42.79 Excl. HST:	1711.80	1,283.70

Sub-Total: \$6,456.66  
Container Deposit + Freight, if applicable: \$111.60  
HST (Rate: 12%): \$774.80

Totals on your invoice may differ depending on product availability and delivery charges if applicable  **Total: \$7,343.06**

**Confirmation - You have successfully placed your order.**

Your Preliminary Order Submission number is: **433070**

Please print this page and keep it for your records by choosing the **File** option from your browser and select **Page Setup**. Format to a landscape orientation and click **OK**. Click **File** and select **Print**. Orders must be placed a minimum of 36 hours prior to shipment from the LDB Wholesale Customer Centre. A delivery fee, if applicable will be calculated when we process your order. The prices featured on this order confirmation might not be identical to the prices reflected on your invoice.

SKU	UPC	Product	Pack Size	UOM	Display / SU Inc. HST	Quantity	Price / UOM	Ext. Display	Ext. Customer Price Excl. HST	
1	00000786	00048415345101	ROYAL RESERVE	12 X 0.750 L	Cases	23.75	1	Display: 285.00 Customer Price 213.80 Excl. HST:	285.00	213.80
2	00000893	00048415000307	WISERS - DELUXE	12 X 0.750 L	BTL	25.98	24	Display: 25.98 Customer Price 19.49 Excl. HST:	623.52	467.76
3	00001768	00048415345903	RED TASSEL	24 X 0.375 L	Cases	11.87	10	Display: 284.88 Customer Price 213.70 Excl. HST:	2848.80	2,137.00
4	00002063	00048415345422	LAMBS - NAVY	12 X 0.750 L	BTL	26.16	120	Display: 26.16 Customer Price 19.62 Excl. HST:	3139.20	2,354.40
5	00697268	00620213310514	BACARDI BREEZER - KEY LIME	6(4 X 0.330 L)	Cases	9.51	30	Display: 57.06 Customer Price 42.79 Excl. HST:	1711.80	1,283.70

Sub-Total: \$6,456.66  
Container Deposit + Freight, if applicable: \$111.60  
HST (Rate: 12%): \$774.80

Totals on your invoice may differ depending on product availability and delivery charges if applicable **Total: \$7,343.06**