



Wine Taxes

Overview of Changes Affecting Ontario's Wine Industry as of July 1, 2010

- This bulletin provides general information about some of the changes affecting the Ontario wine manufacturing and distribution industry.
- It is not exhaustive and should not be considered as a substitute for the *Alcohol and Gaming Regulation and Public Protection Act, 1996 (Act)* and its regulations.

Background

Legislative Framework

The 2009 Ontario Budget proposed to replace certain alcohol and other fees, levies and charges imposed by the Alcohol and Gaming Commission of Ontario (AGCO), with taxes to enhance their operational structure and legislative clarity. On December 15, 2009, changes to the *Alcohol and Gaming Regulation and Public Protection Act, 1996*, became law, replacing certain fees, levies and charges with taxes on certain beer, wine and wine coolers.

Purchasers of beer, wine and wine coolers from the Liquor Control Board of Ontario (LCBO) and consumers that make their own beer, wine and wine coolers are not subject to the taxes.

The move to a tax-based structure, along with streamlined processes and modern and convenient tools, will help beer and wine manufacturers meet their reporting and remittance requirements under the legislation.

When Changes Take Effect

The taxes, called the "beer and wine taxes", come into effect on July 1, 2010.

Current AGCO Practices

Currently, the AGCO (and LCBO) is responsible for the general regulation of the beer and wine industries in Ontario, including licensing. The AGCO also administers and collects various fees paid by manufacturers of beer, wine and wine coolers in Ontario.

Generally, manufacturers file reports and remit fees to the AGCO on a monthly basis. Manufacturers are required to keep records for AGCO audit purposes.

General Changes

Manufacturers Collect the Beer and Wine Taxes

When the beer and wine taxes come into effect on July 1, 2010, the Ministry of Revenue will administer the taxes. However, the AGCO (and LCBO) will remain responsible for the general regulation of the beer and wine industries in Ontario, including licensing.

Under the tax-based structure, Ontario beer, wine and wine cooler manufacturers will collect the beer and wine taxes and remit them to the ministry on a monthly or quarterly basis. This process is similar to other tax statutes that the ministry administers, where manufacturers in certain industries act as agents of the Minister in collecting the taxes in trust and remitting them to the ministry with a return by the required date.

As part of the transition to collecting the beer and wine taxes, certain processes currently in place with the AGCO for manufacturers will change. Some of these changes are described further in this bulletin.

Wine Taxes – Wine and Wine Coolers

Wine and Wine Cooler Purchases from Winery Retail Stores Subject to Wine Taxes Wine or wine coolers purchased from a winery retail store (onsite or offsite) are subject to the wine taxes. The wine taxes include:

1. Wine basic tax,
2. Volume tax, and
3. Environmental tax.

How Wine Taxes are Collected A wine or wine cooler manufacturer in Ontario collects the taxes on wine and wine coolers it distributes through a winery retail store (onsite or offsite) in Ontario and remits the wine taxes to the ministry on a monthly or quarterly basis.

Deemed Purchasers A winery is deemed to be a purchaser of the wine and wine cooler it distributes in Ontario without charge (e.g., providing free samples), and must pay the wine taxes on that wine and wine cooler.

In addition, where a winery sells a sample of wine or wine cooler to a purchaser and the amount paid for the sample is less than the amount of the wine taxes attributable to that sample, the winery is deemed to be a purchaser and must pay the difference.

Wine Basic Tax

How Wine Basic Tax is Calculated The wine basic tax is calculated as a percentage of the “retail price”. The retail price of the wine or wine cooler is the price of the wine or wine cooler, as fixed by the LCBO, less the total of the following amounts:

1. All wine taxes imposed under the Act in respect of the purchase of the wine or wine cooler,
2. All taxes imposed under Part IX of the *Excise Tax Act* (Canada) in respect of the purchase of the wine or wine cooler, and
3. The amount of any deposit on the wine or wine cooler container that is required to be collected or remitted under the Ontario Deposit Return Program.

Wine Basic Tax Rate Depends on Whether it is Ontario Wine or Wine Cooler The tax rate applicable to the retail price of the wine or wine cooler depends on whether it is an Ontario or non-Ontario wine or wine cooler:

Type of Wine or Wine Cooler	Wine Basic Tax Rate
Ontario Wine or Wine Cooler	6.1% of retail price of wine or wine cooler
Non-Ontario Wine or Wine Cooler	16.1% of retail price of wine or wine cooler

For Ministry of Revenue taxation purposes, “Ontario wine” is, generally, wine produced from 100% Ontario produce. “Ontario wine” and “Ontario wine cooler” are defined terms in the Act and are included in the definitions section at the end of this bulletin.

Wine Volume Tax

How Wine Volume Tax is Calculated The volume tax is calculated based on the volume of wine or wine cooler purchased.

The tax rate applicable to the volume purchased depends on whether the product purchased is wine or wine cooler:

Type of Product	Wine Volume Tax Rate
Wine	29 cents per litre
Wine Cooler	28 cents per litre

For example, on a 750mL bottle of wine sold at a winery retail store, the wine volume tax would be $0.750\text{L} \times \$0.29/\text{L} = \0.2175 .

Environmental Tax

Non-refillable Containers The environmental tax is 8.93 cents for each non-refillable container in which the wine or wine cooler is purchased. A “non-refillable container” is a defined term in the legislation and is included in the definitions section at the end of this bulletin.

Administrative Changes

Changes to Administrative Processes Ontario wine and wine cooler manufacturers will collect the wine taxes and remit them to the Ministry of Revenue on a monthly basis or, if certain criteria are met, on a quarterly basis. The information required in the ministry’s wine tax return forms, as well as the filing and remittance dates, may be slightly different than what is currently in place for the AGCO reports.

Free Online Tax Service to File Returns and Make Payments The Ministry of Revenue’s online tax service – ONT-TAXS online – provides businesses with secure, convenient and free online access to their Ontario business tax accounts, where and when they need it. With ONT-TAXS online, businesses can file tax returns, make tax payments, view and update tax account information, and more, 24 hours a day, seven days a week.

Audit Functions The Ministry of Revenue will be responsible for the audit functions for the beer and wine taxes. Consistent with other tax statutes, and to maintain the integrity of the provincial tax system, the ministry will periodically conduct on-site audits to verify compliance with the legislation. Records must be maintained for a minimum of seven years back from the current fiscal year.

More information on the maintenance of books and records is available in the ministry’s Tax Information Bulletin, [Retention/Destruction of Books and Records](#).

Notice of Objection Processes Consistent with other tax statutes, businesses which are issued notices of assessment or statements of disallowance of refund claims may formally object and request a reconsideration of the assessment or disallowance by the Ministry of Revenue.

Definitions

Wine-related Definitions

“non-refillable container” means a container that the manufacturer of a beverage or other person who initially fills the container with the beverage does not intend to refill.

“Ontario wine” means wine that is Ontario wine for the purposes of the *Liquor Licence Act*, and means:

- (a) wine produced in Ontario from grapes, cherries, apples or other fruits grown in Ontario, the concentrated juice of those fruits or other agricultural products containing sugar or starch and includes Ontario wine to which is added herbs, water, honey, sugar or the distillate of Ontario wine or cereal grains grown in Ontario,
- (b) wine produced by the alcoholic fermentation of Ontario honey, with or without the addition of caramel, natural botanical flavours or the distillate of Ontario honey wine, or
- (c) wine produced from a combination of,
 - (i) apples grown in Ontario or the concentrated juice thereof to which is added herbs, water, honey, sugar or the distillate of Ontario wine or cereal grains grown in Ontario, and
 - (ii) the concentrated juice of apples grown outside of Ontario, in such proportion as is prescribed;

“Ontario wine cooler” means Ontario wine or a beverage containing Ontario wine that contains not more than 7 per cent alcohol by volume;

“purchaser” means a person, including the Crown in right of Ontario, who purchases or receives delivery of beer, wine or a wine cooler in Ontario,

- (a) for use or consumption by the person or by someone else at the person’s expense, or
- (b) on behalf of or as agent for a principal who desires to acquire the beer for use or consumption by the principal or by someone else at the principal’s expense.

“wine” means a beverage that is wine for the purposes of the *Liquor Licence Act*; that is, any beverage containing alcohol in excess of the prescribed amount obtained by the fermentation of the natural sugar contents of fruits, including grapes, apples and other agricultural products containing sugar, and including honey and milk;

“wine cooler” means wine or a beverage containing wine that contains not more than 7 per cent alcohol by volume;

“winery” means a person licensed under the *Liquor Licence Act* to sell wine or wine coolers to the Board and includes a manufacturer that is authorized under the *Liquor Control Act* to sell its wine and wine coolers in stores that it owns and operates;

“winery retail store” means a store in Ontario owned and operated by a winery at which a winery is authorized under clause 3 (1) (e) of the *Liquor Control Act* to sell wine and wine coolers to purchasers.

Additional Information

If this bulletin does not completely address your particular situation, refer to the Act and related regulations, visit our website at ontario.ca/revenue or contact us:

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This bulletin and various other English and French tax materials published by the Ministry of Revenue may be obtained online at ontario.ca/revenue.

The *Alcohol and Gaming Regulation and Public Protection Act, 1996*, and Ontario's other public statutes and regulations may be obtained online at ontario.ca/e-laws.

Cette publication est disponible en français sous le titre « Taxes sur le vin : Aperçu des changements concernant l'industrie du vin en Ontario à compter du 1er juillet 2010 ». Vous pouvez en obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297) ou en visitant ontario.ca/revenu.

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