

November 2017

Purpose

- To establish conditions under which the LCBO will authorize a small Ontario distillery to sell and deliver its own products directly to Ontario Duty Free Stores on behalf of the LCBO.

Definitions

- “Spirits” means any beverage containing alcohol obtained by distillation.
- “Spirits product” means spirits cooler, Ready-to-drink and/or liqueur.
- “Spirits Cooler” means a spirit-based product to which ingredients such as sugar, fruit juices, vegetable juices, natural or artificial flavouring preparations, water, mineral water, herbs, spices, other botanical substances and/or carbon dioxide may be added. The alcohol by volume may not exceed 7%.
- “Ready-to-drink” means a spirit-based product to which ingredients such as sugar, fruit juices, vegetable juices, natural or artificial flavouring preparations, water, mineral water, herbs, spices, other botanical substances and/or carbon dioxide may be added. The alcohol by volume may not be less than 7% and may not exceed 17%.
- “Liqueur” means an alcoholic beverage made from a distilled spirit that has been flavored with fruit, cream, herbs, spices, flowers or nuts and bottled with added sugar or other sweetener (such as high-fructose corn syrup).
- “Distillery” refers to a business where spirits and spirits products are manufactured by the holder of a manufacturer’s license as outlined in Section 22 of the *Liquor Licence Act*.
- “Duty Free Store” refers to a business that holds a federal Duty Free Shop licence issued under the *Customs Act* by Canada Border Service Agency and that is authorized by the LCBO under the *Liquor Control Act* to sell beverage alcohol.

Objectives

- To enable small Ontario distilleries to sell and deliver their products to all land border point and airport Duty Free Stores in Ontario on behalf of the LCBO; and
- To ensure program participants comply with LCBO monthly reporting and remittance requirements, including payment of all applicable charges related to direct deliveries to Duty Free Stores.

LCBO Policy

Direct Delivery to Duty Free Stores (Small Ontario Distilleries)

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Policy Requirements

General Principles

- All sales under a direct delivery authorization are LCBO sales. Program participants sell and deliver products to Duty Free Stores on behalf of the LCBO.
- As sales are made on behalf of the LCBO, program participants must sell products to Duty Free Stores in accordance with the LCBO's duty free pricing structure.
- Program participants are required to comply with all the requirements outlined in this policy, and with all requirements set out in the Distillery Delivery to Duty Free Stores Authorization (the "Authorization"). In the event of a conflict between provisions in this policy and the Authorization, the policy takes precedence.

Applicant Eligibility

- An Authorization is available to Ontario spirits manufacturers that:
 - have a valid Manufacturer's license issued by the Registrar of Alcohol and Gaming;
 - manufacture spirits and spirits products in Ontario;
 - have an authorized onsite retail store at their distillery;
 - have worldwide sales, including sales of affiliates, of less than or equal to 900,000 litres in the year preceding the year in which the direct delivery is taking place, and
 - submit the required application materials.

Affiliates

- Affiliate has the same meaning as it does in the Alcohol and Gaming Regulation and Public Protections Act, 1996, section 17 (6).

Eligible Products

- Program participants may deliver spirits and/or spirit products that are brands which are owned by the manufacturer that holds the Distillery Retail Store Authorization and are manufactured at their distillery in the Province of Ontario.
- The LCBO or an external ISO/IEC 17025 accredited laboratory must test and confirm that all products under this program meet LCBO Quality Assurance requirements.

Delivery

- Products that are sold under an Authorization may be delivered to the Duty Free Store by the distillery itself, or by any other person who is legally authorized to do so (for example, a delivery operator authorized under an LCBO Board Policy).

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Reporting, Inspection, and Non-compliance penalties

- Program participants must report all sales made under the Authorization in the Distillery Reporting Template maintained by the LCBO Finance Department, within ten (10) calendar days following the end of each calendar month, consistent with the requirements outlined in the Authorization.
- Program participants must retain all purchase orders and invoices issued to a Duty Free Store on behalf of the LCBO for a period of seven years, and must make them available to the LCBO upon request.
- Failure to complete the forms in their entirety and/or submit them on time will result in non-compliance of the Authorization, which may result in interest charged on amounts owed or other administrative actions as set forth in the Authorization.

Term of the authorization

Authorizations issued to eligible Ontario distilleries will be valid until June 30, 2022 and must be renewed every five years thereafter.