

NEWS LOCAL

Local brewery cheers tax changes



By Omar Mosleh, Fort Saskatchewan Record
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Two Sergeants Brewing co-owner Kevin Moore (pictured on right) said he doesn't believe the province's new universal tax markup will be passed onto consumers. Ultimately, he believes it will create a fairer market for Alberta craft breweries. (File photo)

Local craft brewery Two Sergeants Brewing isn't alarmed by Alberta's recently-introduced tax markup.

In fact, co-owner Kevin Moore believes it's good news for the province.

As of Aug. 5, any brewery selling beer in Alberta will pay a \$1.25 per litre tax. Previously, there was a sliding scale under what was called the New West Partnership, for breweries in Alberta, B.C. and Saskatchewan depending on how much they produced.

That resulted in small breweries such as Two Sergeants only paying a \$0.10 per litre markup. While they pay a higher tax now, the province has a rebate program for Alberta breweries.

"These new changes basically dissolve the New West Partnership and made it a \$1.25 for everyone across the board," Moore said. "The scaled up tax structure technically doesn't exist (anymore), but we get rebates back to what we would have paid under the old tax structure."

Moore said the brewery has already received their first rebate from the government.

When the new markup system was announced, many brewers and associations predicted it would result in higher prices for consumers.

Moore said he doesn't believe that will be the case, at least when it comes to Two Sergeants products. That's because the province applies the markup fee after the brewers sell their product to the retailers.

"We, as brewers, don't pay that tax," Moore said. "It's applied on top of our invoice price, so it basically comes in between us and the retailer."

According to Moore, the majority of craft breweries are reducing their invoice price to the retailers, so that when the new markup is applied, it won't affect the retailer's final price.

It makes sense for local breweries, because they get the difference back in the rebate. That won't be the case for breweries in B.C. or Saskatchewan.

Moore says this will provide a "homefield advantage" for local breweries, as he believes breweries in other provinces were previously taking advantage of Alberta's lower markup rate. For a brewery producing 15,000 hectolitres a month, they paid 55 cents in B.C. versus 10 cents in Alberta. For a larger craft brewery producing approximately 160,000 hectolitres, they would have paid 67 cents in B.C. versus 46 cents in Alberta.

"This new incentive is good for our business because it's going to make it a more level playing field," Moore said. "What was happening is the larger breweries from other provinces were taking advantage of the lower markup in Alberta and just basically flooding the market.

"I won't name any specific brewery, but when they sell 60 per cent of their volume in Alberta instead of their home province, it says a lot," he added.

He noted that the universal tax markup is nothing new and provinces such as Ontario have had similar policies and rebate programs for some time.

The change won't affect the large breweries as they were already paying the \$1.25 rate, Moore contends.

"The government's not trying to pass this onto the consumer, they're simply leveling the playing field for Alberta craft breweries ... This is completely related to the craft beer market," Moore said .

Having said that, he acknowledged that the change could have a detrimental effect on B.C. and Saskatchewan breweries who don't get the provincial rebate.

"As far as selection wise, it will definitely result in increased price for those outside province breweries, unless those breweries are willing to sacrifice some of their profit margin," he said.

But he also notes that for a long time in Alberta "the gates have been wide open".

"We might not see the volumes that we're coming across (now). But Alberta's such a wonderful market for retail beer, that if customers demand something, it will make it here."

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