



January 2, 2018

TO: All Trade Partners

RE: Updates/Changes to Cost of Service Differential (COSD), Wine Markup, Federal Excise Tax, Beer Price Change Schedule

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Administration

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Please be advised of the following updates and changes:

Cost of Service Differential (COSD) – applicable to spirits, wines (including packaged cider) and coolers

The COSD applied to imported products will be adjusted from:

1. Ad Valorem rates to fixed per litre rates; and
2. A general import rate to regional specific rates

For several years, as permitted by previous trade agreements, the LCBO has administered a differential in the percent mark-up between imported and domestic spirits and wines referred to as a Cost of Service Differential (COSD). The differential has been +6% on imported wines and +7% on imported spirits. The newly enacted Canada-European Union Comprehensive Economic and Trade Agreement (CETA) continues to permit the application of a COSD for imported products but now requires it to be based on fixed per-litre rate, rather than the value of the product.

The following per-litre rates for imported products are derived from an independent audit of LCBO's financial and operational data and will come into effect April 1, 2018.

COSD \$/Litre	Spirits	Wine	Coolers
EU	\$0.9730	\$0.6015	\$0.8138
NAFTA	\$1.2390	\$0.3159	\$0.1105
Other	\$1.5503	\$0.6496	\$1.3049

Please note: To have the correct rate applied, suppliers must submit a declaration of origin prior to the beginning of each calendar year. If no documentation is received, the 'other' rate will be applied. Details are available [here](#). Suppliers who have declarations on file for the purposes of import duty (i.e., NAFTA and CETA) are not required to re-submit for COSDs for calendar year 2018.

Wine Markup – applicable to all wine products

On April 1, 2018, the *ad valorem* markup for wine products will increase two percentage points and the following new rates will come into effect. Please note: the application of the new COSD will result in the same markup rates applied to imported and domestic products.



Wine Categories	Current	As of April 1st
Ont. Table	69.5%	71.5%
U.S., Other Cdn. & Import Table	75.5%	71.5%
Ont. Max 7% (Sparkling)	62.6%	64.6%
U.S., Other Cdn. & Imports Max 7%	68.6%	64.6%
Ont. Cider	58.6%	60.6%
U.S., Other Cdn. & Import Cider	64.6%	60.6%
Draught Cider All	44.4%	46.4%
Ont. Cream or Flavoured	112.0	114.0%
U.S., Other Cdn. & Import Cream or Flavoured	118.0	114.0%
Ont. Fortified	67.3%	69.3%
U.S., Other Cdn. & Import Fortified	73.3%	69.3%
Ont. Coolers	58.6%	60.6%
U.S., other Cdn. & Import Coolers	64.6%	60.6%

Federal Excise Tax

On April 1, 2018, the Federal Excise Tax will increase based on the consumer price index. This increase will be applied to the landed cost of products where applicable. The new rates will be published as soon as they are available and price calculators will be updated accordingly.

Pricing Dates

The new rates listed above (COSD, Wine markup, excise) will be applied to new LCBO products and Private Orders starting Tuesday, April 3, 2018. LCBO products and Vintages Essential/Continuous products will be re-priced for effective date Monday, April 30th.

For suppliers of continuously available LCBO or Vintages products who wish to submit revised quotes, please note the following key dates:

- Monday, February 26 - revised wholesale quote deadline
- Monday, April 2 - wholesale quote revision effective
- Monday, April 30 - retail prices effective

Beer Price Changes

The submission schedule for beer price changes will be modified by one week to allow for the administration of the increase in federal excise. The schedule is as follows:

- Monday April 9 - Submissions and supplier quotes due by 4pm for April 30 change
- Monday April 16 - no price change submissions will be accepted
- Monday April 23 - no beer price changes; submissions accepted for May 7 change
- Monday April 30 - new excise tax rate and retail prices in effect

For brewers of domestic beer listed at TBS, LCBO or grocery

To maintain the current retail price, no action is required. The change in excise tax has no impact on the retail price as domestic beer is purchased “excise paid.” If a change in price is desired, please submit the [Beer Price Submission](#) form.

For brewers of imported beer

To maintain the current retail price, a revised wholesale quote is required along with a completed [Beer Price Submission](#) form. The quote must state: “The supplier will pay to reduce the cost of inventory on hand and on order.” If no revised quote or Beer Price Submission form is received, the new excise tax will be applied to the landed cost and the product will be re-priced accordingly. Please note: For products listed at TBS, no changes will be made to licensee prices or pack-up prices unless requested by the brewer on the Beer Price Submission form.

All supplier quotes and beer price submissions must be sent to pricing@lcbo.com. Revised price calculators can be found in the [documents](#) section of www.doingbusinesswithlcbo.com.

Questions may be directed to David Cacciottolo, Manager, Pricing Administration (416-365-5869 or david.cacciottolo@lcbo.com).

Thank you for your continued support and partnership.

Sincerely,

A handwritten signature in black ink, appearing to read 'D.C.', with a small dot at the end.

David Cacciottolo

Manager, Pricing Administration