



## **Q&As: COMMERCIAL DISTILLERIES – NEW REMITTANCE MODEL**

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These questions & answers pertain to the new remittance model that will take effect in March 2018. A glossary is provided on page 7 of this document.

### **Important dates:**

#### **What are the key dates I need to know about?**

- **February 21, 2018:** Your Pre-Authorized Debit Agreement (PAD) is due to the LDB.
- **March 3, 2018:** The last batch date to use under the current model.
- **March 4, 2018:** Distilleries who have met the requirements will officially onboard the new model.
- **March 5, 2018:** Last submission date for batches under the current model (batches must be dated March 3, 2018 or prior).
- **March 7, 2018:** Earliest batch date for batches to be submitted under the new model.

For more information about these dates and the transition, please refer to the [Transition Instructions](#) document.

#### **What happens if I miss the deadline to submit my PAD agreement? What if I'm not ready to onboard the new model for March 4?**

Transition to the new model is a requirement for all commercial distilleries. If you miss the February 21, 2018 deadline to submit your PAD agreement to the LDB, or if extenuating circumstances prevent you from onboarding the new model by March 4, 2018, please inform the LDB as soon as possible by emailing: [pd.settlement.support@bcldb.com](mailto:pd.settlement.support@bcldb.com).

### **Pre-Authorized Debit (PAD) Agreement:**

#### **Is a PAD agreement with the LDB a requirement for the new model?**

Yes, a PAD agreement is a requirement for all commercial distilleries for this new remittance model. There is no option to opt-out.

#### **How will I be informed about the amount that will be debited?**

You will receive a PAD Settlement Notification via email before the money is withdrawn. The PAD Settlement Notification email outlines the value of sales and returns of packaged products reported by you, cost of sales and returns, and commission due by the LDB on these transactions, if applicable. Please refer to the Timelines and Notifications document for more information and for an example of the PAD Settlement Notification.

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**Under the new model, what are the various notifications I will receive?**

You will receive four reports/notifications to support your accounting and reconciliation tasks:

- **Batch Control Summary** – a summary of your direct sales and returns reported in each batch from DSWR.
- **LDB Cost Details for Direct Sales Report** – information on the supplier cost of all your sales and returns, GST on supplier cost and container deposits (if applicable), commission payments, and GST on commission payments. This will be emailed to you after you report and submitted your batch in DSWR
- **Pre-Authorized Debit (PAD) Settlement Notification** – notification of the amount to be debited from your PAD bank account will also be emailed to you.
- **Statement of Account** – a monthly statement that incorporates all transactions reported in the month, for your reconciliation purposes.

For more information about these dates and the transition, please refer to the [Transition Instructions](#) document.

**Can the bank account I choose only be debited, or can I also receive credit from the LDB for returns?**

For the purpose of the remittance of direct sales reported, the LDB will only be debiting your PAD account.

If a submitted batch only contains return transactions, or if the net total of the batch is negative, the LDB will decrease your balance owing to the LDB on the next batch you report.

**Will the account I choose for my PAD agreement be debited for any other government purposes?**

No – the PAD agreement only provides the LDB with permission to withdraw, following written notice, the funds as outlined in your Sales Agreement. Any other debts owed to government or other government agencies may not be withdrawn from this account without your permission.

**What type of bank account will be required for the PAD agreement?**

In the [PAD agreement](#), you will provide the LDB with your choice of bank or credit union account from which the LDB will be withdrawing the funds via PAD.

**What exactly is a PAD agreement?**

A pre-authorized debit agreement (PAD) refers an agreement to provide direct withdrawal of funds from a payor's bank account. The payor (in this case, the commercial distillery) and payee (in this case, the LDB) enter into an agreement whereby the payor authorizes the payee to make such withdrawals.

**Reporting and Batching:**

**Are there any changes to my reporting frequency?**

No – you will still be required to report your sales **weekly** to the LDB.



**Do I need to change the day on which I report my sales?**

No – other than during the transition black-out dates, you will be able to report your sales on the same day of the week as you do today.

For the purpose of transitioning between the current model and the new model, all reports for the batch dated March 3, 2018 will need to be reported by March 5, 2018 which is a Monday. After the transition date, the distillery may go back to reporting their batches on the day of the week they report today.

For more information about these dates and the transition, please refer to the [Transition Instructions](#) document.

**Will there be changes to my reporting process through DSWR?**

This is a significant change in the way that commercial distilleries remit their funds to the LDB. Please see other smaller changes implemented in DSWR as part of this transition [here](#).

The new remittance model requires all sales reporting to be done online using DSWR. Commercial distilleries will not be required to deposit the sale into the LDB bank account. Instead, LDB will withdraw the net funds from the distillery's designated bank account under the PAD agreement.

**In addition to my commercial distillery licence, I am also licensed as another type of manufacturer. Can I report my brewery/cider/wine sales using the new remittance model?**

If you also have another licence type to sell beer/cider/wine products, these product sales can be reported under the new model only if the transition to the new PDR model occurred. By March 4, craft breweries, commercial wineries and commercial distilleries will be transitioned to the new net remittance model. BC land-based wineries and craft distilleries as well as large commercial breweries have not transitioned to the new remittance model and therefore will continue to report their sales as per usual. We will keep you informed as to any potential changes to the remittance model for other licence types.

**Transition:**

**In the graphic from the PowerPoint slides provided during the January 31 webinar, page 9 outlines Days 1 through 5. What date does Day 1 refer to – batch date or submission date?**

Day 1 refers to the date on which your batch is submitted. Therefore, Day 1 is the system submission date and not the batch date.

For more information about these dates and the transition, please refer to the [Transition Instructions](#) document.

**If the last batch date closes on March 3, does that batch still include all the sales from that day?**

Please 'batch date' your last DSWR batch of reported sales under the old model as March 3, 2018. Include within this batch all outstanding transactions up to and including March 3. You have until March 5 to submit this batch. Again, please note that if you submit the batch on March 5, it needs to be dated March 3.



**What happens if I don't submit and deposit my batches by March 5?**

If you foresee problems with submitting and depositing batches reported under the current model by the deadline of March 5, please contact the LDB as soon as possible: [pd.settlement.support@bclldb.com](mailto:pd.settlement.support@bclldb.com).

**Will my deposit need to be up-to-date and deposited by March 5?**

We strongly encourage all reporting and related deposits to be up to date by March 5 as this will allow for a smoother transition process.

**Government Sales:**

**Will the LDB credit my PAD account for my sales to the LDB?**

No – while a distillery may choose to use the same bank account for other business with the LDB, such as for sales of product to the LDB, payment on these transactions will not be included into this transition and will continue as is based on the payment terms currently in effect.

**I currently receive payments for my sales to the LDB through Electronic Funds Transfer (EFT) – can I use this same account for my PAD agreement?**

Yes – distilleries who currently receive funds from the LDB through EFT payments may choose to use this same bank account when they submit the PAD agreement. Please contact your financial institution to ensure they are able to support your new PAD agreement with the LDB.

**I am not set up to receive funds from the LDB for my LDB sales through EFT – how can I move from receiving cheques to receiving the funds via EFT?**

The LDB encourages any distilleries who are currently receiving funds via LDB-issued cheques for their LDB sales to transition to EFT, which is a simpler and quicker way to receive funds. Using EFT, the LDB will deposit the money owed to you for LDB sales directly into your nominated account. You may choose to use the same bank account as you use for the PAD agreement, if you wish. Please contact [accounts.payable@bclldb.com](mailto:accounts.payable@bclldb.com) to sign up.

**How will the new remittance model affect the process for distilleries who directly deliver spirits to the LDB's Distribution Centres in terms of ordering, payment and remittance details?**

For distilleries who deliver spirit products to the LDB's Distribution Centres, the overall process will remain unchanged. The new remittance model only covers direct sales to customers identified in each distillery Sales Agreement, as outlined above.

**Changes to Your Sales Agreement**

**When will I receive my new Sales Agreement?**

Following the February 21, 2018 deadline, once your completed PAD agreement has been received by the LDB, you will receive Notice that will amend your Sales Agreement. You will not be required to sign a new document.

**What will be the key changes to my Sales Agreement with the LDB?**

- **Payment process** – under your current Sales Agreement, you are required to deposit, each business day, into the LDB's bank account all cash and monetary equivalent of all non-cash forms of payment you accept (e.g. credit card and debit card receipts). Under the amended Sales

Agreement, you will be required to, **at least once per week**, deposit into your PAD account the net sale proceeds due and owing to the LDB (i.e. the mark-up, container deposits, container recycling fees and GST on the mark-up and container recycling fees) in respect of **product sold during that week**. You will be required to have the funds available for withdrawal by the LDB by the second business day following the Remittance Notification emailed to you.

- **PAD requirement** – under the amended Sales Agreement, you will be required to have in place and maintain a PAD bank account, as specified in your PAD agreement.
- **Reporting requirements** – under the amended Sales Agreement, *Appendix A* will be updated to reflect the payment process changes. In addition, a small number of clean-up amendments will be made.
- **Increased transparency regarding the consequences of non-compliance** – the amendments will confirm that, in an event of default, the LDB has a flexible range of options it can use, such as:
  - give you notice of a set period of time in which to remedy non-compliance;
  - seek reimbursement for expenses (e.g. for NSF) the LDB incurs as a result of an event of default;
  - charge interest on overdue accounts, in accordance with applicable laws;
  - seek reimbursement for any expenses incurred as a result of your non-compliance;
  - report non-compliance to the Liquor Control and Licensing Branch;
  - withhold registration of any new products;
  - require a letter of credit;
  - pursue any other available remedies in law or equity;
  - suspend or terminate your Sales Agreement.
  
- **Manufacturer On-site Store** – under the amended Sales Agreement, transfers of product from the manufacturing facility to the manufacturer on-site store can be done on consignment. This means the distillery will now report sales to their on-site store once the product has been sold to the counter customer.
  
- **Reporting on tasting and providing employee products** – under the amended Sales Agreement, for greater clarity, tasting and providing employee products are to be reported as a wholesale sale to the manufacturer on-site store **regardless if you have an manufacture on-site store endorsement. Reporting on donations** – under the amended Sales Agreement, for greater clarity, **donated products are to be reported as a wholesale sale to the manufacturer on-site store only if the manufacturer has an on-site store endorsement from LCLB.**

### Changes to Direct Sales Web Reporting (DSWR)

#### **What will be changing in DSWR?**

The way you currently report your sales in the DSWR will continue without changes, however, the following are changes you will see with the current application:

- **SKU Restriction** – Your distillery will only be able to report SKUs that can be associated with your store. This means if you have multiple license types (exp., winery, distillery, brewery) you will only be able to report sales from the store type associated with the store number.



## LIQUOR DISTRIBUTION BRANCH

- **Duplicate invoices** – Your distillery must report their sales in DSWR using a unique invoice number. If there are duplicate invoices DSWR will not process these transactions.
- **NIL reporting** – If on any given week your distillery does not have any sales to report, you can now submit NIL batch using DSWR.
- **Quantity warning** – If your distillery enters in a quantity over 9999, you will receive a warning message confirming that you are not entering the SKU in the quantity field. Please make sure to review the final total 'Batch Summary Amount' before you submit your batch.

### **Background:**

#### **What is this new “cash flow” model or “new payment remittance model”?**

The new payment remittance model will change the way B.C. commercial distilleries remit mark-up on direct sales to the LDB. Instead of giving the LDB the total proceeds from their sales and waiting approximately a month to get their supplier's cost back from the LDB, the LDB will only be collecting the net mark-up amount, GST on this mark-up and applicable container recycling fees and container deposits from the distillery.

#### **Are we obligated to transition to the new model, even if we're fine with the current system?**

Yes – it is mandatory that all B.C. commercial distilleries will be transitioning to the new model. This new model addresses one of the concerns raised by commercial distilleries, which is that the LDB's current remittance model doesn't allow them to keep their hard-earned money on hand to operate and invest in their business. This new model will streamline the process both for the industry and for the LDB.

#### **Are other manufacturers eligible for this new model?**

Currently, the new model is applicable to the brewers that produce less than 350,000 hectolitres annually, as well as commercial wineries and commercial distilleries. The land-based wineries, craft distilleries and large breweries (breweries that produce over 350,000 hectolitres annually) will continue on the current model of reporting and remitting funds.

#### **Who can I contact if I have questions?**

If you have questions about the information provided so far, please email: [pd.settlement.support@bcldb.com](mailto:pd.settlement.support@bcldb.com).

### **Glossary of terms:**



<b>Terminology</b>	<b>General Description</b>
Batch Control Summary	A summary of your direct sales and returns reported in each batch provided by the DSWR application for your review prior to your submission of the batch
Commission Payment	7% commission payment (plus GST) is paid by the LDB
DSWR	Direct Sales Web Reporting, web-based application for reporting of direct sales by BC liquor manufacturers
EFT	Electronic Funds Transfer used for direct deposit of the funds due to suppliers by the LDB
LDB Cost Details for Direct Sales Report	The report you will receive with information on the supplier cost of all your sales and returns, GST on supplier cost and container deposits (if applicable). This will be produced for each batch reported in DSWR
Net funds	The final amount that is being withdrawn from the distillery's bank account is the net amount between the sales that the distillery used to deposit into the LDB bank account and the amount that the LDB used to pay back to the distillery for the supplier cost and commission
NSF	Non-sufficient funds, a \$30 charge the LDB charges on failed PAD withdrawals
PAD account	Pre-Authorized Debit agreement bank account
PAD agreement	Pre-Authorized Debit Agreement
PAD Settlement Notification	An electronic notification of the settlement amount that will be deducted from the distillery's nominated bank account per the PAD agreement
Reported batch	All transactions submitted as one batch on the Direct Sales Web Reporting
Sales Agreement	Your agreement with the LDB relating to the direct sales and delivery of British Columbia manufactured product, as may have been amended from time to time
Statement of Account	A statement of account from the LDB that will show summary of all PDR settlement transactions processed during the month
Transition	The process for closing off the old model and moving from the old payment model to the new payment model