

BC Liquor Distribution Branch

**New payment remittance model
for BC Commercial Distilleries**

Webinar 2: January 31, 2018



**LIQUOR
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Agenda

- The purpose of this briefing is to provide further information related to the new payment remittance model and the timelines for future communication and implementation.



Purpose Recap:

- The LDB is changing the remittance process for all BC commercial distilleries.
- The goal of the new model is to help improve your cash flow and streamline the processes.
- The purpose of the webinar is to equip you with the essential tools and information to ensure a smooth transition for your business.

New Process Recap

- Only the mark-up, plus GST, and container deposits, and container recycling fees (if applicable) will be withdrawn – no longer will you be remitting the gross sale amount.
- You will no longer deposit all sales proceeds in the LDB's bank account, which will be closed.
- Remittance of the amount due will be withdrawn from your bank account, under your pre-authorized debit (PAD) agreement. All sales after March 3, 2018 will be under the new model.



The Mechanics:

Current Process

Day 1

Distillery reports MOS sales through DSWR and deposits sales into LDB bank account

Day 30

30 days later LDB reimburses distillery supplier cost (duty paid cost)

Day 45+

LDB reimburses distillery 7% commission on wholesale price on MOS sales

New Process

Day 1

Distillery reports MOS sales through DSWR

Day 5

LDB withdraws mark-up and applicable taxes and fees owing from the distillery's PAD bank account.

Distillery retains supplier cost and commission.

Key benefits:

- Improve distilleries' cash-flow
- Speed up commission payment
- A more modern, stream-lined process

New Payment Remittance Model:

- Gross sales amount will no longer be deposited into LDB's bank account.
- Mark-up, container deposits, container recycling fees (if applicable) and applicable taxes will be collected from your designated bank account.
- Commission payment amounts will be applied against what is owing to the LDB.
- LDB will set up a Pre-Authorized Debit (PAD) agreement with each commercial distillery prior to transition.
- The amount due will be withdrawn from your bank account under your PAD agreement.
- You will continue reporting your sales weekly through Direct Sales Web Reporting (DSWR).

Direct Sales Web Reporting (DSWR) Changes

SKU Restriction

- Only SKU's associated with your supplier number can be reported

Quantity warning

- You will receive a warning message for quantities over 9999 to confirm 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.

Duplicate invoices

- Duplicate invoices will not be processed and will appear as DELTA errors. (Errors will need to be corrected and re-submitted)

NIL reporting

- If you have no sales in any reporting week, you may now submit a NIL batch using DSWR as per your agreement.



Manufacturer Agreement Changes

New remittance changes

- Pre-authorized debit requirement
- Payment process – net sales proceeds payable to the LDB
- Increased transparency for non-compliance

Storage of products

- You may store your packaged products off-site from your manufacturing facility at a designated storage facility

Manufacturer on-site store (MOS)

- Transfers from the manufacturing facility can now be transferred via consignment. The sale is to be reported when the final sale occurs to the counter customer

Reporting on Donations

- Donations need to be reported as a wholesale sale to the MOS if you have an MOS endorsement

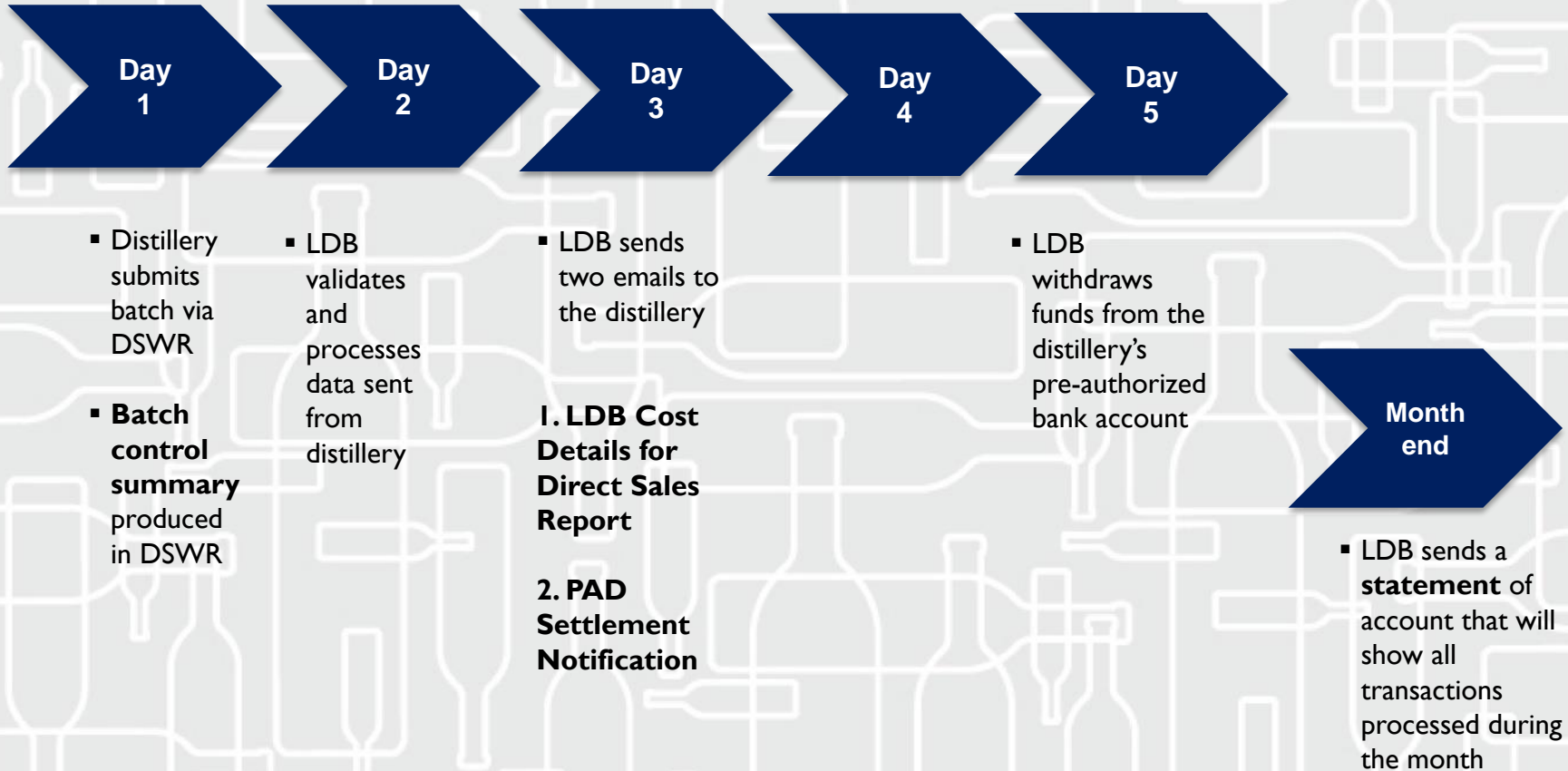
Tasting and providing employees product

- Tasting and providing employee products needs to be reported as a wholesale sale to the MOS regardless of if you have an MOS endorsement

Other minor changes to the agreement



New Process Timelines



How it Works Example:

- As today, you can produce a Batch Control Summary from DSWR
- This summarizes the sales and returns that you have reported for the batch in DSWR.



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Batch Control Summary

ABC DISTILLING
2825 RUPERT ST
VANCOUVER, V5M 3T5

BATCH DATE: 12/04/2017 BATCH NUMBER: 4654 BATCH STATUS: Submitted

Number of Documents in this Batch 1

DOCUMENT TYPE	NO. of DOCS	VALUE
Sales	1	\$ 109.74
Subtotal	1	\$ 109.74
Total	1	\$ 109.74

* If amount is negative it will be deducted from your next payment.



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How it Works Example:

From: PDAuto-Notifications@bcldb.com
Sent: Tuesday, December 05, 2017 5:55 AM
To: ABC DISTILLING
Subject: LDB Cost Details for Direct Sales report batch 1001 2017-12-04

This is an auto-generated email. Please do not reply to this email.

The attachment contains the purchase details for the sales of products reported by you in Direct Sales Web Reporting (DSWR) in the batch dated 04-DEC-17. Please use this report for reconciliation purposes.

Note: This amount will be reflected in the Cost of Sales and Returns line on your PAD Settlement Notification. If you have concerns, please contact Settlement Support as soon as possible at 604.252.3383 or at PD.Settlement.Support@bcldb.com and reference the attached file name.

DSWR batch:	04-DEC-2017
Store#:	1001
Vendor:	ABC DISTILLING
Vendor ID:	2345678
Vendor Site:	DD
File Name:	LDB_Cost_Details_for_Direct_Sales_Report_batch_1001_20171204.csv
Report Total:	\$53.60

•LDB Cost Details for Direct Sales Report (.csv)

•This details the Sales and Returns of the batch, including:

- Cost of goods
- Commission payment
- Associated GST

Vendor Name: ABC DISTILLING
 Vendor ID: 2345678
 Vendor Site: DD
 File name: LDB_Cost_Details_for_Direct_Sales_Report_batch_1001_20171204.csv

Report Date: 12/5/2017

Invoice Number	Order Type	Order Number	Store	Transaction Date	Batch Date	SKU	Product	Size	Supplier ID	Quantity	Cost	GST	Container Deposit	Customer Type	Commission Payment Eligible	Commission Payment Invoice Number	Price	Commission (%)	Commission Payment	GST on Commission Payment	Total
ERS-2180235-4806682	Direct Sales	1100	1001	4-Dec-17	4-Dec-17	123456	GOOD VODKA	0.05	34567	44	44.03	2.2	0	MOS	Y	COM-4806717	100.32	7.00	7.02	0.35	53.60



How it Works – Cont'd

From: PDAuto-Notifications@bcldb.com
Sent: Tuesday, December 05, 2017 1:12 PM
To: ABC DISTILLING
Subject: LDB Pre-Authorized Debit (PAD) Settlement Notification for: 30000 ABC DISTILLING. 1001 2017-12-04

This is an auto-generated notice to advise you of an upcoming charge to your bank account as per your PAD Agreement with the LDB.

The sales you have reported for Store 1001 have been processed. Attached is the Settlement Notification for this batch.

Batch Date: 2017-12-04
Notification No. 200000856
Settlement Amount: \$ 56.14

This amount will be withdrawn from the bank account designated in your PAD Agreement on 2017-12-07. Please ensure the funds are available.

This amount applies only to sales reported under this batch, and does not include credits or other previous charges owed. You will receive a Statement of Account listing all transactions on your account at month end.

Please do not reply to this email. If you have concerns, please contact Settlement Support as soon as possible at telephone number 604.252.3383 or PD.Settlement.Support@bcldb.com at email address and reference the subject line of this email.



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2625 Rupert Street
Vancouver, BC V5M 3T5
GST Reg No. 12454-2954-RT0001

**PRE-AUTHORIZED DEBIT (PAD)
SETTLEMENT
NOTIFICATION**

To: 30000 ABC DISTILLING
CAS#1001
2625 RUPERT ST
VANCOUVER, BC V5M 3T5 Canada

Customer Account No.: 65432

Batch Date: 2017-12-04
Notification No.: 200000856
PAD Date: 2017-12-07

RE: Settlement Notification for Store 1001, Batch date 2017-12-04

Description of Charge:

1	Sales and Returns of packaged products	109.74
2	Cost of Sales and Returns	<46.23>
3	Commission payment	<7.37>

Total due from this notification CAD \$ 56.14

Notes:

- LDB Pre-authorized Debit (PAD) Settlement Notification (.pdf file)
- Sales and returns (as shown on the DSWR Batch Control Summary;
- LESS
 - Cost of Sales and Returns (including GST); and
 - Commission payment, if applicable (including GST)

EQUALS

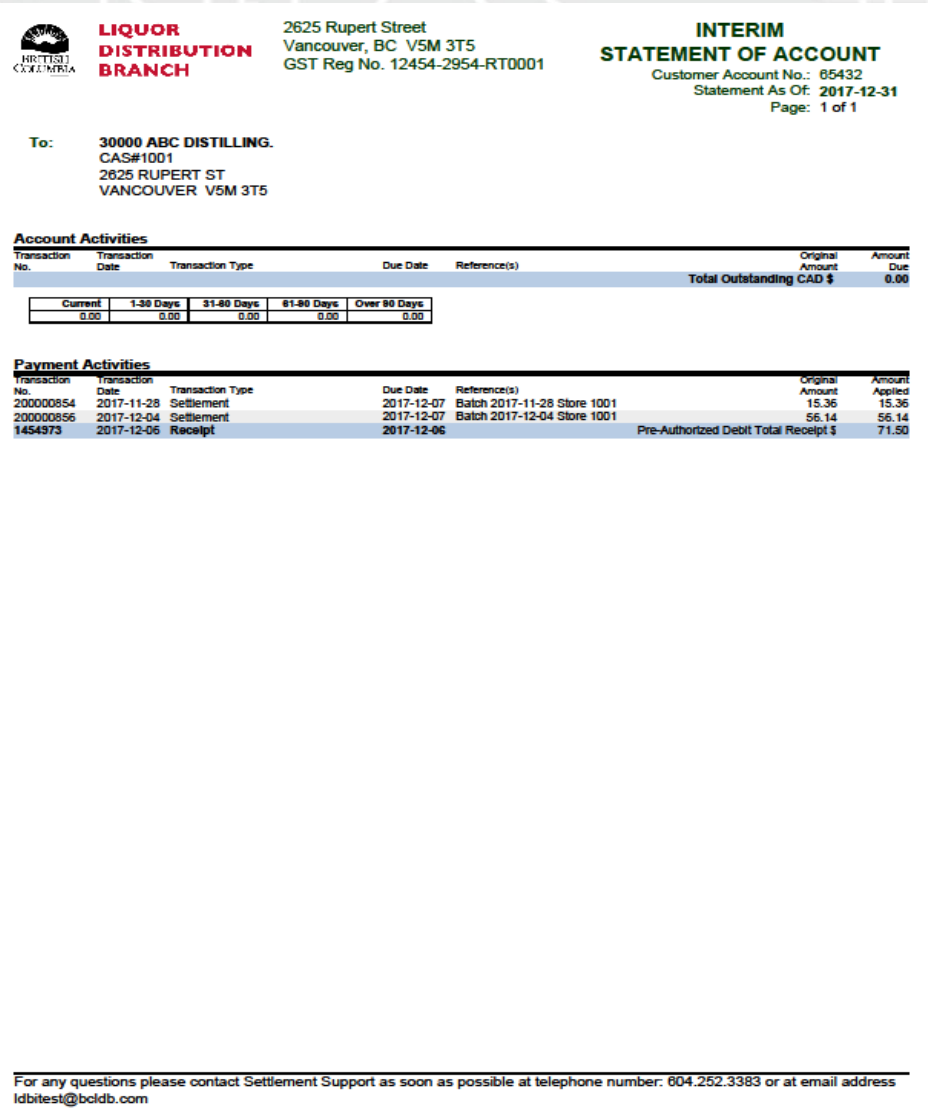
- Pre-authorized debit (PAD) Settlement amount (to be collected from your nominated bank account



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How it Works Example:

- Every month a Statement of Account will be emailed to you
- This summarizes the Account Activities that have taken place over the month, and will assist you in your reconciliation



BRITISH COLUMBIA **LIQUOR DISTRIBUTION BRANCH** 2625 Rupert Street
Vancouver, BC V5M 3T5
GST Reg No. 12454-2954-RT0001

INTERIM STATEMENT OF ACCOUNT
Customer Account No.: 85432
Statement As Of: 2017-12-31
Page: 1 of 1

To: **30000 ABC DISTILLING.**
CAS#1001
2625 RUPERT ST
VANCOUVER V5M 3T5

Account Activities

Transaction No.	Transaction Date	Transaction Type	Due Date	Reference(s)	Original Amount	Amount Due	
						Total Outstanding CAD \$	0.00
Current		1-30 Days	31-60 Days	61-90 Days	Over 90 Days		
0.00	0.00	0.00	0.00	0.00	0.00		

Payment Activities

Transaction No.	Transaction Date	Transaction Type	Due Date	Reference(s)	Original Amount	Amount Applied
200000854	2017-11-28	Settlement	2017-12-07	Batch 2017-11-28 Store 1001	15.36	15.36
200000856	2017-12-04	Settlement	2017-12-07	Batch 2017-12-04 Store 1001	56.14	56.14
1454973	2017-12-06	Receipt	2017-12-06	Pre-Authorized Debit Total Receipt \$		71.50

For any questions please contact Settlement Support as soon as possible at telephone number: 604.262.3383 or at email address ldbtest@bcldb.com



How it Works Example:

Current Process

(Commercial distilleries report and deposit all manufacturer on site store sales to LDB)

Total sales reported in Direct Sales Web Reporting (DSWR) and deposited in the LDB account(750ml bottle)

\$17.73 – Sales (Includes container recycling fees)

+\$ 0.89 – GST

+\$ 0.10 – Container deposits

=\$18.72 – Total sales deposited into the LDB bank account

LDB reimburses the distillery the supplier's cost and commission

\$7.86 – Supplier cost of the product (Duty Paid Cost)

+\$0.40 – GST

=\$8.26 – LDB pays 15-30 days after reported

\$1.24 – 7% commission payment on wholesale price

+\$0.06 – GST

=\$1.30 – Total commission payment – Paid once a month

=\$9.56 – Total payments made to Distillery

How it Works – Cont'd

New Process

(Distilleries report all manufacturer on site store sales but do not deposit)

Total sales reported in Direct Sales Web Reporting (DSWR)

\$17.73 – Sales (Includes container recycling fees)
+\$ 0.89 – GST
+\$ 0.10 – Container deposits
= **\$18.72**

→ Total the distillery reports to the LDB

Total supplier cost and commission payable by the LDB

\$7.86 – Supplier cost of the product (Duty Paid Cost)
+\$0.40 – GST
= **\$8.26**
+\$1.24 – 7% Commission payment on wholesale price
+\$0.06 – GST
= **\$9.56**

→ Portion the distillery keeps

Summary

\$18.72 – Total sales payable by distillery
-\$ 9.56 – Total supplier cost payable by the LDB
= **\$ 9.16** – Net amount to be withdrawn from distillery's own bank account via Pre-Authorized Debit (PAD)

→ Portion the LDB collects from the distillery

Key Transition Dates

Current model

		PERIOD 11							
		SUN	MON	TUE	WED	THU	FRI	SAT	
FEBRUARY		11	12	13	14	15	16	17	
		18	19	20	21	22	23	24	
		25	26	27	28				
MARCH						1	2	3	
	PERIOD 12								
		4	5	6	7	8	9	10	
		11	12	13	14	15	16	17	
		18	19	20	21	22	23	24	
		+							

Key dates: Private Distributor requirement

FROM NOW	Ensure balances owed under the old model are paid / up-to-date.
Mar-03	Last batch date for batches to be reported (and proceeds to be remitted) under current model.
Mar-05	Last submission date for batches (dated March 3).

Future model

		PERIOD 11							
		SUN	MON	TUE	WED	THU	FRI	SAT	
FEBRUARY		11	12	13	14	15	16	17	
		18	19	20	21	22	23	24	
		25	26	27	28				
MARCH						1	2	3	
	PERIOD 12								
		4	5	6	7	8	9	10	
		11	12	13	14	15	16	17	
		18	19	20	21	22	23	24	
		+							

Key dates: Private Distributor requirement

Feb-21	Return executed PAD agreement to LDB by this date.
Mar 4-6	Batches cannot be dated or submitted in the new model over these days.
Mar-07	Earliest submission date, for batches to be reported (and remitted) under the new model. Note: transactions from March 4 will be reported in this batch.

Important Timelines

- **Within the next couple of weeks**, you will receive an information package that will include a list of suggested steps to prepare for the change.
- Included in the information package will be a description of key amendments to your sales agreements.
- Also included will be your **PAD agreement**.
- Please ensure you return a completed PAD agreement as soon as possible, but no later than **February 21, 2018**.



Your Questions

Thank you for participating in today's webinar.

- We will now go through any of the questions we have received from you about this program.
- You will receive a summary of this information by email following the webinar, as well as a Q&A document next week.
- Information can be found on the LDB website under :
<http://www.bcldb.com/doing-business-ldb>
- If you have additional questions, please direct them to:
PD.Settlement.Support@bcldb.com .