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## CANADA – MEASURES GOVERNING THE SALE OF WINE

### NOTIFICATION OF A MUTUALLY AGREED SOLUTION

The following communication, dated 12 May 2021, from the delegation of Australia and the delegation of Canada to the Chairperson of the Dispute Settlement Body, is circulated pursuant to Article 3.6 of the DSU.

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In accordance with Article 3.6 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* ("DSU"), Canada and Australia wish to notify the WTO Dispute Settlement Body ("DSB") that they have reached a mutually agreed solution to the matter raised by Australia in *Canada – Measures Governing the Sale of Wine* (WT/DS537).

Pursuant to an understanding between the parties, Canada has agreed that:

- i. it will repeal the federal excise duty exemption on wine set out in subsection 135(2) of the federal *Excise Act* no later than 30 June 2022;
- ii. Nova Scotia will terminate and withdraw in a phased manner the Nova Scotia Liquor Corporation's Emerging Wine Regions Policy no later than 30 June 2024;
- iii. Québec will subject wines from Quebec small-scale producers in grocery and convenience stores to a charge equivalent to the mark-up applied to wines sold through the Société des alcools du Québec, by 1 December 2023;
- iv. Ontario will not issue any additional restricted beer and wine authorisations under Ontario Regulation 232/16;
- v. Ontario commits to phasing out the tax difference between Ontario wine and non-Ontario wine sold in off-site winery retail stores, including wine boutiques, by 20 July 2023 by introducing legislation in Ontario's Legislative Assembly to eliminate the tax difference and fully supporting its passage; and
- vi. Ontario will make the following amendments to the Ontario Regulation 232/16:
  - a. by 20 July 2021, amend the definition of "small winery" in subsection 43(2) to increase the annual worldwide sales threshold from 200,000 litres to no less than 375,000 litres;
  - b. by 20 July 2022, amend subsection (2) in section 25 to reduce the amount of dedicated shelf space from 50% to no more than 45%; and
  - c. by 20 July 2023, amend subsection (2) in section 25 to reduce the amount of dedicated shelf space to no more than 40%.

In addition, in line with Canada's commitments:

- i. British Columbia has eliminated the measures that allow only British Columbia wine to be sold on regular grocery store shelves while allowing imported wine only to be sold in grocery stores through a so-called "store within a store"; and

- ii. Ontario has converted all remaining restricted beer and wine authorisations authorised under Ontario Regulation 232/16 to unrestricted beer and wine authorisations.

In return, Australia has agreed to withdraw all legal claims set out in document WT/DS537/8, effective on the date of this notice. We would ask you to circulate this notification to the relevant Councils and Committees, as well as to the DSB.

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