

APPENDIX C.

MEMORANDUM RESPECTING THE PAYMENT OF DRAWBACK OF DUTY
ON MALT CONTAINED IN BEER EXPORTED.

1. Under Section 109 of the 31st Vic., Cap. 8, a licensed brewer who exports malt liquor of his own manufacture is entitled to receive a drawback equivalent to the duty on the malt contained in the beer so exported, and the quantity of malt contained in such beer is to be determined in such manner as may from time to time be directed by departmental regulations in that behalf.

2. Under the provisions of the law above cited considerable sums have from time to time been paid to brewers by way of drawback, and the regulations under which the amount so paid has been determined have been based upon the returns made by the brewers, under the provisions of the law, of the quantity of malt used and the beer produced therefrom.

3. There has been, however, a tendency to increase the demand for refunds in proportion to the quantity of beer exported, and this continually increasing tendency made it evident that some more stringent regulations were necessary.

4. Refunds are granted under the English Excise law, of the duty on malt contained in beer exported from the United Kingdom, but there the amount of the refund is determined by the analysis of samples of the beer upon which the refund is claimed. Heretofore I have not felt myself in a position to recommend a similar course because it requires considerable technical skill to carry out the analysis in a reliable manner and this Department has but few officers who would be capable of performing that duty.

5. Last winter, however, the claims for refund were in some cases so exorbitant in proportion to the quantity of beer exported that I deemed it absolutely necessary to take some decided action in order to avoid the payment of fraudulent claims. I devoted considerable time to the question and having, as I believe, arrived at a satisfactory solution of the difficulty, departmental Circular 103, of which a copy is annexed hereto was issued.

6. As soon as we had occasion to apply the rules laid down in this circular, we discovered that in almost every case the amount of malt determined thereby fell considerably short of the brewers' claim, and as it appeared possible that there might be a material difference between the quality of English and Canadian malt. In order to satisfy myself on this point I instituted a series of experiments of the following nature :

- a. I arranged to have special brewings made in two separate breweries, each under the immediate and rigid supervision of an officer of this Department, possessing sufficient skill to enable him to determine the quantity of Malt used, to watch the process of brewing and to determine the quantity of beer produced from the malt used. After these brewings had been completed