

Forest Revenue Audit Program Overview

Forest Act

Do you harvest Crown timber, or acquire or deal in Crown timber?

Do you report the volume and rate of Crown timber harvested?

This bulletin provides information on the audit process that the Ministry of Finance (ministry) conducts under the Forest Revenue Audit Program (FRAP).

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Overview

FRAP helps ensure the province receives the correct amount of stumpage from the harvesting of Crown timber. For billing purposes, under the current system, those authorized to harvest Crown timber, or mills or brokers, report the volumes of timber harvested to the Ministry of Forests, Lands and Natural Resource Operations. This program allows the ministry to conduct inspections and audits, and assess under-reported or unreported stumpage.

Audit Process

Audits are selected by using risk assessment criteria. The audit includes interviews and an examination of internal control procedures, business practices, processes, and books and records relating to the harvesting, selling and processing of timber.

You are informed of the audit findings. If the evidence supports an adjustment subsequent to the audit, a letter will be sent to you confirming the findings of the audit and the proposed adjustments. The total stumpage amount will be estimated for the following reasons:

- Crown timber was not scaled,
- Crown timber was not properly scaled and reported,
- inaccurate or incomplete information was provided, or
- an incorrect rate was applied.

If you harvested the Crown timber, or acquired or dealt in the Crown timber, you may be sent a *Notice of Assessment* for the amount of outstanding stumpage, less any amount of the stumpage that the province previously billed for that Crown timber.

Penalties and Interest

The *Notice of Assessment* may include interest on the stumpage amount. The interest start date is determined by the commissioner as the date that the stumpage would have been due if correctly determined, as noted above.

The *Notice of Assessment* may also include a penalty. Penalties on assessed stumpage are:

- **up to 25%** of the assessment if it is determined that the assessment is based on your contravention of the *Forest Act*, regulations or an agreement, or
- **up to 100%** of the assessment if it is determined that the assessment is based on your wilful contravention of the *Forest Act*, regulations or an agreement, or wilful provision of a false or deceptive statement.

Only one penalty will apply to the same assessment.

Voluntary Disclosure

If you harvest Crown timber, or acquire or deal in Crown timber, and make a valid voluntary disclosure of unreported stumpage, no penalty will apply. However, you must meet the following conditions to receive a waiver of the penalty.

- You must initiate the disclosure. A disclosure may not be considered valid and voluntary if it is found that you had knowledge of a scheduled audit, investigation or other enforcement action.
- You are expected to provide full and accurate information related to the unreported stumpage.
- You must include enough details for verification of the facts.
- You must, upon disclosure, make full payment of the total amount due, including interest. In some circumstances, it is possible to arrange an acceptable payment schedule with Forest Revenue Operations.

How to Make a Voluntary Disclosure

To make a voluntary disclosure contact:

Forest Revenue Audit Program
Income Taxation Branch
Ministry of Finance
PO Box 9444 Stn Prov Govt
Victoria BC V8W 9W8

Telephone (Victoria): 250 953-3082
Toll-free: 1 800 663-7867 to Service BC

You are not required to make a detailed submission at first contact; however, you must provide the required information within a mutually agreed upon timeframe. Your initial contact date is the date of your voluntary disclosure. Confidentiality is maintained.

Appeals

You have the right to appeal an assessment of stumpage, interest and penalty to the Minister of Finance. The ministry must physically **receive** your appeal **no later than 90 days** after the issue date on your *Notice of Assessment*. If you do not agree with the minister's response, you have the right to appeal to the courts **no later than 90 days** of the date of the minister's response.

Interest will continue to accrue on the assessment until the assessment is paid or overturned as the result of the appeal. Liability does not cease during the appeal process.

Need more info?

Forest Revenue Audit Program website: www.sbr.gov.bc.ca/business/Natural_Resources/ForestRevenue/frap.htm

Telephone (Victoria): 250 953-3082

Telephone (Vancouver): 604 660-2421

Toll free in Canada: 1 800 663-7867 to Service BC

E-mail: ITBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Forest Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Natural_Resources/ForestRevenue/frap_leg.htm