

Ministry of Finance

Tax Bulletin



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Logging Tax

Logging Tax Act

Do you have logging operations in British Columbia?

Do you need to know how British Columbia's logging tax applies to your logging operations?

This bulletin provides specific tax information to help individuals and businesses understand how the logging tax applies to their logging operations.

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Overview

Logging tax applies to you if you are an individual or a corporation with logging operations on private or Crown land in British Columbia.

The logging tax is usually fully deductible as a credit against your income taxes paid if you make a claim within three years of filing your federal income tax return. Please contact the Canada Revenue Agency for information on how to claim the logging tax credit.

Logging Operations

Logging operations include the following:

- the sale of logs or standing timber,
- the sale of the right to cut standing timber,
- the sale of primary and secondary forest products produced from logs, such as lumber, pulp and paper, shakes etc., and
- the export of logs.

Filing Requirements

If you engage in logging operations in British Columbia, you must file an annual logging tax return with the Income Taxation Branch of the Ministry of Finance.

The logging tax return must be filed within six months after the end of the tax year in which the logging operations occurred. Complete and file the *Logging Tax Return of Income* (**FIN 542S**) if you had income from the sale of British Columbia logs, the sale of standing timber, the sale of timber rights or the export of logs. Complete and file the *Logging Tax Return of Income for Processors* (**FIN 542P**) if you processed logs into primary or secondary forest products (lumber, shakes, shingles, poles, pulp, paper etc.). Processors must also include on this form any additional income from the sale of British Columbia logs, standing timber, timber rights or the export of logs. These forms are available on our website at www.sbr.gov.bc.ca/business/Income_Taxes/Logging_Tax/forms.htm

You must submit a copy of your federal income tax return and financial statements for the tax year with the logging tax return.

If you cease logging operations, you need to notify the Commissioner of Income Tax in writing at the address below. You will no longer need to file a logging tax return unless you resume logging operations.

Calculation of Tax

Logging income is calculated in accordance with Division B of the federal *Income Tax Act* and is generally gross revenue from logging operations less related operating expenses. If you record logging income as a capital gain, the logging tax applies to the taxable portion of the capital gain.

If you process logs into primary and secondary forest products, you may deduct a processing allowance. The processing allowance is calculated as 8% of the original

cost of assets used to produce primary and secondary forest products. The allowance may not exceed 65% nor be less than 35% of the net processing income (calculated as total income from all sources less income from the sale of logs or standing timber and non-logging income).

For each tax year, you must pay a tax equal to the lesser of:

- 10% of income from logging operations in British Columbia, or
- 150% of the federal logging tax credit that would be allowable before any deductions for federal investment tax credits or political contribution credits.

Logging Tax Remission for Canadian-Controlled Private Corporations

If you operate a Canadian-controlled private corporation that is unable to claim the full amount of the provincial logging tax credit (1/3 of the logging tax) because of the provincial small business corporation income tax rate, you may be eligible for a remission of that portion of the logging tax. You may use the *Application for Refund of Logging Tax* form (**FIN 196**) to apply for a refund. For tax years ending after December 31, 2008 and before January 1, 2010, the maximum refund is \$3,333 ($\$400,000 \times 1/3 \times 2.5\%$). For tax years ending after December 31, 2009, the maximum refund is \$4,167 ($\$500,000 \times 1/3 \times 2.5\%$).

The remission for the tax year is equal to the amount, if any, by which:

- 1/3 of the logging tax paid for the tax year exceeds
- the British Columbia income tax payable computed as if the only deduction allowed from tax payable for the year was the British Columbia foreign tax credit.

Instalment Payments

If the amount of your logging tax instalment base for the tax year is \$2,000 or more, you are required to make logging tax instalment payments. Your instalment base for the tax year is the lesser of:

- the previous year's tax, or
- the current year's estimated tax.

Logging tax instalment payments are required to be paid as follows:

- one half of the instalment base is due by the end of the tax year,
- one quarter of the instalment base is due by the end of the third month following the end of the tax year, and
- the balance (the difference between the tax payable for the year and the first two instalment payments) is due six months after the end of the tax year.

If you are not required to make instalment payments, you must pay the entire balance of tax owing on or before the logging tax return due date six months after the end of the tax year.

Penalty and Interest

The ministry will charge interest and penalties if you fail to file and pay your taxes on time. Penalties will be waived where you make a voluntary disclosure, as described in [Bulletin LTA 003](#), *Voluntary Disclosure: The Logging Tax Act*.

Interest and penalties may be waived or cancelled, in whole or in part, where they result from circumstances beyond your control. [Bulletin LTA 002](#), *Waiver or Cancellation of Interest and Penalties*, provides guidelines and examples of circumstances where cancelling or waiving interest or penalties may be warranted.

Appeals

You have the right to appeal the amount of logging tax, interest or penalties you have been assessed or reassessed. To file a formal appeal, you must serve a Notice of Appeal on the Minister of Finance within 90 days after the date on the Notice of Assessment. The notice must be in writing and sent by registered mail to the Commissioner of Income Tax.

For more information on appeals, please see [Bulletin GEN 003](#), *Appeals of Tax Assessments, Disallowed Refunds or Other Determinations*.

Federal Income Tax Assessments

For tax years ending prior to June 3, 2010, if you have filed a waiver, an objection or an appeal under the federal *Income Tax Act*, you must also file a waiver of the assessment period under the *Logging Tax Act*.

For tax years ending on or after June 3, 2010, if you are issued a Notice of Assessment, a reassessment or an additional assessment from the Canada Revenue Agency that

changes an amount relevant to the calculation of logging tax payable, you must notify the Commissioner of Income Tax within 90 days of receiving that notice by forwarding a copy to the address below.

Need more info?

Logging Tax website: www.sbr.gov.bc.ca/business/Income_Taxes/Logging_Tax/logging_tax.htm

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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Logging Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Income_Taxes/Logging_Tax/leg_bulletins.htm