



WHAT YOU NEED TO KNOW ABOUT THE BC LOGGING TAX

What is the logging tax?

The logging tax is a 10 per cent tax that applies to individuals and corporations in BC that receive income related to logging operations from private and Crown land. The logging tax is only applicable to those individuals and corporations that own, or own the rights to the logs that are being sold.

What is considered income from logging operations?

Logging operations can include any combination of:

- The sale of logs, standing timber, the right to cut standing timber, or primary and secondary forest products (e.g. lumber, shakes, shingles, poles, pulp, paper etc.).
- The delivery of logs to a sawmill, pulp or paper plant, or other place for processing or manufacturing, or a carrier for export.
- The acquisition of logs, standing timber, or the right to cut standing timber.
- The cutting of logs from standing timber.
- The import and export of logs.
- The production of primary and secondary forest products.
- The transportation of logs.

Capital gains on the sale of timber is treated as logging income for the purposes of the logging tax and as such is taxable.

There is no minimum number of trees or income for an operation to be taxable.

When do you have to pay?

The logging tax is payable to the Ministry of Finance within six months of your year end in which the logging operations occurred. If you owed more than \$2,000 in logging tax in the previous tax year, you must make instalment payments.

You must pay your instalments as follows:

- The 50 per cent instalment payment by the end of the tax year.
- The 25 per cent instalment payment by the end of the third month following the end of the tax year.

The remaining tax payable is due with the logging tax return six months after the end of the tax year.

Examples of situations where the logging tax is often missed:

Timber sale bidding on someone's behalf

The Logging tax department is currently reviewing stumpage data from BC Timber Sales (BCTS) and the Ministry of Forests, Lands, Natural Resource Operations & Rural Development to determine if the logging tax has been paid on all BCTS transactions. In many cases they

are going after the successful bidder for the logging tax or even the secondary contractor hired to harvest the timber. While all the cases are currently under review, they won't likely relent until they get someone in the supply chain to pay the tax.

Private land holder

If you are logging a piece of land you have held for a long time and claimed it as a capital gain, then you are responsible for the logging tax as well.

Sale of standing timber

When selling land with standing timber you might be responsible for the logging tax on the part of the sale price attributable to the timber value. The logging tax department has been reviewing sales transactions through the land titles office and assessing logging tax on sales of large parcels with standing timber.

Farmers

Farmers are one group of individuals who are often caught off guard by the

logging tax. When clearing land for more space, farmers are responsible for the logging tax on any trees they sell from the cleared land.

When is the return due?

You must file a logging tax return within six months of your year end in which the logging operations occurred.

Does it mean I pay more tax because I log?

No. The logging tax is a separate tax you pay to the Province for income derived from logging operations. However, the amount of logging tax you pay is nor-

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mally fully deductible as a credit against your federal income tax filing. You have up to three years to make the claim on your federal income tax return if you missed claiming it.

What do I do if I am being assessed regarding the logging tax?

If you or your corporation is being assessed regarding the logging tax, it's important to seek the advice of an accountant familiar with the provincial tax. Getting the right advice can not only minimize your headaches but can also minimize your tax exposure.▲

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