

Softwood Lumber Products Export Charge Notice

November 2006

Notice to Exporters on Transitional Rules

TRANSITIONAL RULES FOR OPTION B REGIONS FOR THE MONTHS OF OCTOBER, NOVEMBER AND DECEMBER 2006

This document includes references to potential requirements associated with the implementation of the proposed *Softwood Lumber Products Export Charge Act, 2006*, legislation that has been tabled in Parliament by the Government but not yet enacted. Nothing in this document should be taken as a representation by the Canada Revenue Agency (CRA) that the law will eventually be enacted in the manner proposed.

This notice outlines and explains the transitional provisions contained in section 104 of the proposed *Softwood Lumber Products Export Charge Act, 2006* (Act) that apply to registrants that elect to seek an export allocation under paragraph 6.3(3)(b) of the *Export and Import Permits Act*.

Overview

The regions of Saskatchewan, Manitoba, Ontario and Quebec have elected to be governed under Option B of the export measures set out in the *Softwood Lumber Agreement, 2006* (SLA). These regions have therefore opted to pay the charge at a lower rate, subject to a volume restraint. In these circumstances, the export charge would be levied under subsection 11(3) of the proposed Act.

In order to provide the Government of Canada with sufficient time to develop and implement the systems necessary to administer the volume restraints under Option B, section 104 of the proposed Act sets out proposed transitional provisions that would apply during the period from October 12 to December 31, 2006. During this transitional period, all regions will be required to calculate their export charges payable using the "Option A" export charge rates, as provided in the table below.

In certain circumstances, an exporter will be entitled to request a refund of the difference between the export charge it actually paid during the transitional period and the export charge it would have paid if Option B had been in effect during that period.

The last section of this notice includes sample calculations, under the two options, for the export charge payable and refund claims during the transitional period of October 12 to December 31, 2006.

SWLN-001



More Ways to Serve You!

Pour vous servir encore mieux !



Canada Revenue
Agency

Agence du revenu
du Canada

La version française du présent document est intitulée
Avis aux exportateurs sur les règles transitoires.

Canada

Notice to Exporters on Transitional Rules

Export charge and export charge with volume restraints

Reference Price	Option A Export charge rate	Option B Export charge rate and volume restraint
Over US\$355/mbf	No export charge	No export charge and no volume restraint
US\$ 336 – 355	5%	2.5% export charge and maximum volume shipped cannot exceed a region's share of 34% of expected U.S. consumption
US\$ 316 – 335	10%	3% export charge and maximum volume shipped cannot exceed a region's share of 32% of expected U.S. consumption
US\$ 315 or under	15%	5% export charge and maximum volume shipped cannot exceed a region's share of 30% of expected U.S. consumption

Transitional provisions

The following special transitional provisions would apply to exporters of softwood lumber products that underwent first primary processing in Option B regions:

- These exporters would be required to calculate and remit the export charge at the Option A rate during the transitional period.
- Although no individual quota allocations will be made to these exporters during this period, a Regional Quota Volume will be established by the Department of Foreign Affairs and International Trade (DFAIT).
- These exporters would be entitled to claim a refund for each month during the transitional period, provided that total exports by all exporters from their region do not exceed the region's monthly quota volume by more than 12%. The refund amount payable to individual exporters would be the difference between the amount actually remitted under Option A and the amount the exporter would have remitted for that month had Option B been operational.

For more information on the regional quota volume and the 12% limit, please refer to the DFAIT web page on the softwood lumber products export charge at www.softwoodlumber.gc.ca.

Procedure for claiming the transitional period refund

Exporters who qualify for the special transitional rules described above would apply and account for the transitional refund as follows:

- Exporters would report the export charge payable under Option A on their monthly return.
- Exporters would complete and attach to the monthly return, a request for a refund equal to the difference between Option A and Option B. Claim forms will be available on the CRA website at www.cra-arc.gc.ca/softwood/.

Please note that at the time of publishing this notice, the softwood lumber refund form was not yet available. As an alternative to the refund form simply attach to your monthly return a statement signed by an authorized company official indicating the following information:

1. that you wish to claim a transitional refund;
2. the amount of the claim;
3. the calendar month to which the refund applies;
4. your softwood lumber account number and your complete mailing address.

- Exporters would remit payment with the monthly return equal to the amount payable under Option A.

- When the proposed Act receives Royal Assent, the CRA will assess the return and the refund claim and if the claim is valid, issue a refund cheque to the exporter equal to the difference between the amount paid under Option A and the amount that would have been payable under Option B.

Note: If, in anticipation of ultimately receiving the transitional refund, exporters choose to remit only the amount that would have been payable under Option B, they should be aware of the following:

- the CRA has no legal authority to process any refunds under the proposed Act until the legislation has received Royal Assent;
- the CRA has no legal authority to raise assessments under the proposed Act until the legislation has received Royal Assent;
- exporters who claim a refund and remit payment only in the amount that would have been payable under Option B are still liable for the amount due under Option A, and accrued interest, until such time that the refund can be processed;
- if the proposed Act receives Royal Assent and provides for the availability of the transitional refund as currently proposed, the refund would be processed retroactively to the date received, thereby offsetting the applicable balance owing and accrued interest as of that date.

Sample monthly calculations for option B refund claims during the transitional period

Region of origin	Total export price (CDN \$)	Option A Charge rate	Option A Export charge payable	Option A or B Charge rate (as applicable)	Export charge payable
BC Coast	\$2,500	15%	\$375	15%	\$375
BC Interior	\$10,000	15%	\$1,500	15%	\$1,500
Alberta	\$5,000	15%	\$750	15%	\$750
Saskatchewan	\$2,500	15%	\$375	5%	* \$125
Manitoba	\$2,500	15%	\$375	15%	# * \$375
Ontario	\$7,500	15%	\$1,125	5%	* \$375
Quebec	\$10,000	15%	\$1,500	5%	* \$500
Atlantic Provinces	\$1,500		–		–
Nunavut, Yukon, NWT	\$500		–		–
			\$6,000		
Transition period refund (\$6,000 – \$4,000)				\$2,000	

* Indicates an Option B region

Indicates a region of origin that has exceeded its volume restraint during the month. Therefore the charge would apply at the Option A rate, even though this is an Option B region.