

Logging Tax Act

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The **Logging Tax Act** was enacted by Chapter 33, Statutes of 1953 (2nd Session). Effective October 1, 1953, logging tax was introduced to impose a tax on logging operations in British Columbia. The tax applies to every taxpayer who has income from logging operations in the province and is usually fully deductible as a credit against income taxes paid.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Logging Tax Act* and Regulations can be found on the web at www.gov.bc.ca/sbr

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FILING REQUIREMENTS

Each individual or corporation who engages in logging operations on private or crown land in British Columbia is responsible for filing an annual logging tax return with the Income Taxation Branch. 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;
- The export of logs.

Logging tax returns must be filed within six months after the end of the taxation year in which logging operations occurred. A copy of the taxpayer's federal income tax return and financial statements must be submitted with the logging tax return.

If logging operations cease, the taxpayer should notify the Commissioner of Income Tax in writing.

The taxpayer will no longer be required to file a logging tax return unless logging activities commence again in the future.

CALCULATION OF TAX

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

Where logs are manufactured into primary and secondary forest products, a processing allowance may be deducted. The processing allowance is calculated as eight percent of the original cost of assets used to produce primary and secondary forest products. The allowance may not exceed 65 percent nor be less than 35 percent 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 taxation year, a taxpayer must pay a tax equal to the lesser of:

- 10% of the taxpayer's income from logging operations in British Columbia or,
- 150% of the credit that would be allowable under section 127(1) of the federal Act, as if the tax referred to in paragraph (a) was paid.

On March 29, 2001, the Logging Tax Act was amended to clarify that for the purpose of the Logging Tax Act the allowable logging tax

deduction under section 127(1) of the federal Act means the logging tax deduction that would be allowable before any deduction is made for investment tax credits or political contribution credits under the federal Act. This change is applicable to taxation years beginning after March 31, 2001.

The amount of logging tax paid is usually fully deductible as a credit from income taxes if claimed within three years of filing the taxpayer's federal income tax return.

DEEMED PAYMENT IN THE FIRST TWO YEARS OF OPERATION

If a taxpayer has made a deduction for a taxation year under the Two Year Tax Holiday for New Small Businesses Program, Section 17 of the *Income Tax Act* (British Columbia), the taxpayer is deemed:

- to have paid the amount of tax that would have been deductible as a provincial logging tax credit as if no deduction was made under the Two Year Tax Holiday for New Small Businesses Program, and
- to have paid the amount of tax as of the logging tax return due date, six months after the taxation year-end.

LIABILITY FOR MAKING INSTALMENTS

A taxpayer under the Logging Tax Act is required to pay logging tax instalments based on the lesser of the previous year's tax or the current year's estimated tax. One-half of this instalment base is due by the end of the taxation year and one-quarter is due by the end of the third month following the year end. The remaining tax payable is due with the logging tax return six months after the taxation year-end.

For taxation years ending after December 31, 1999, instalment payments are no longer required for taxpayers whose instalment base is less than \$2,000. Taxpayers who are not required to make instalments must remit the entire balance of tax owing on or before the logging tax return due date, six months after the taxation year-end.

PENALTIES AND INTEREST

Taxpayers will be charged interest and penalties in accordance with the Logging Tax Act for failure to file and pay taxes in the prescribed time. Penalties will be waived where the taxpayer complies with *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 a taxpayer's 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.

REASSESSMENTS AND APPEALS

Appeals of logging tax assessments must be made within 90 days after the date on the Notice of Assessment by serving a Notice of Appeal to the minister. The notice must be in writing and sent to the Commissioner of Income Tax at the address below.

A taxpayer who is subject to logging tax and who has filed a waiver or Notice of Objection under the federal Act must also file a waiver of the assessment period under the Logging Tax Act.

If a taxpayer who is subject to logging tax is reassessed by Canada Revenue Agency (CRA) for a taxation year, they should file an amended logging tax return for the taxation year along with a copy of the CRA Notice of Reassessment

NEED MORE INFO?

This bulletin is intended to assist in the understanding of the requirements of the governing *Logging Tax Act* legislation and related regulations. It is not intended to replace the need to consult the legislation and regulations for their application in a particular situation. In the event of a conflict between the legislation and this bulletin, the legislation shall prevail.

For further information, contact:

Ministry of Small Business and Revenue
Income Taxation Branch
PO Box 9444 Stn Prov Govt
Victoria BC V8W 9W8

Telephone: 250 953-3082
Fax: 250 356-0434

Information is also on the web at www.gov.bc.ca/sbr While there, you can subscribe to our free electronic update service.