



Also Serving – Interior Logging Association (ph 250-503-2199) & North West Loggers Association (ph 250-635-6801)

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Loggers seek fair taxation

Six years after the province set up a trust fund to address the plight of contractors who lost replaceable logging volume under government tenure takebacks, our sector is still seeking fair tax treatment from Canada Revenue Agency. In 2003, the provincial government enacted *Bill 28* to take back 20% of the timber volume under licences and reallocate it for competitive bidding. It created the BC Forest Revitalization Trust Fund and committed \$125 million to mitigate the cancellation of replaceable logging contracts. About 300 logging contractors began receiving mitigation payments from the Trust. CRA later assessed the situation, and decided the Trust payments were taxable as income. “The intention of those funds was that they were to be tax-free,” says Monty Hussey, a Powell River logging contractor. “Those of us that were recipients of those mitigation funds have now been reassessed by the CRA for the funds that we signed off on, believing that they were to be tax-free.” Potentially, CRA could claw back about \$35 million, Hussey said. Although there have been expressions of support by some provincial and federal politicians, contractors need action to resolve this situation.

Forest history meet set

The Forest History Association of B.C. is holding its annual conference in Prince George Sept. 17 to 19. Mike Apsey, a former B.C. forests minister, is one of the guest speakers.

The conference will include a guided tour of the Upper Fraser valley and the Aleza Lake Research Forest east of Prince George, as well as tour of the Railway and Forestry museum and conference session at UNBC. For more information contact

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What will the HST mean to logging?

When the province announced plans to combine the provincial sales tax and the federal goods and services tax into one ‘harmonized’ value-added tax next July, our immediate concern was how it would affect the logging sector.

It took a few weeks to gather information from accountants, financial experts, Finance Minister Colin Hanson and his ministry’s website, and here’s the bottom line:

Information from all sources indicates the HST will cost you less than what you pay now in PST and GST, and should save you operating dollars as well.

An item on the Ministry of Finance website states “The proposed Harmonized Sales Tax (HST) will reduce costs for B.C.’s small and medium sized businesses by eliminating the PST on business costs, generating about \$2 billion dollars in savings.”

For loggers, truckers and others in our part of the industry, we’re told that should translate into input tax credits for such things as tires, batteries, machine parts and maintenance, office equipment and furniture, computer hardware and software – even cleaning supplies, paper towels and toilet paper.

They’ll also be exempt from the 7% provincial portion of the HST on gasoline, ethanol, diesel and biodiesel when used in motor vehicles, and fuel for boats and aircraft.

Handling the paperwork for one tax instead of two means less duplication, and lower compliance costs.

How the HST was introduced is politics; whether you work or not is business. Looking beyond how the HST will affect individual businesses, the government argues that shifting taxes from various steps in the production chain to a single value-added tax at the end of the process will make B.C. more competitive by reducing the cost of our exports. It also reduces the effective tax rate on new business investment by 40%.



The Central Interior Logging Association's Weekly Log-Harvesting Industry Update

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It says the tax shift will remove \$140 million in costs from the forest industry alone -- \$40 million of that from the supply side (us).

Based on current harvesting, that \$140 million translates into about \$2 per cubic metre, or \$6 to \$8 per thousand board feet of lumber – possibly enough to make the difference between running or closing down for some marginal sawmills.

Mackenzie pulp mill sale on again?

In an e-mail this week to stakeholders of the idled Mackenzie Pulp Mill, an agent for owner Worthington Group says the mill is being sold to United Petroleum Group of China and will be announced before the weekend.

The company reportedly plans to re-open the mill, and has agreed to maintain it until the deal is completed this December.

The United Petroleum Group describes itself on its website as one of China's biggest private oil corporations. The website states it also has a paper-making group with a production capacity of 500,000 tonnes.

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