

Annual Rent Billing Procedures

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Forest Tenures Branch
Ministry of Forests, Lands and Natural Resource Operations

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Annual Rent Billing Procedures

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1. Overview

These procedures identify the requirements and responsibilities for billing annual rent to ensure compliance with the *Forest Act* and its regulations, and to maintain consistent annual rent policy within the ministry.

For detailed billing and administrative procedures refer to the *Forest Tenure Administration* (FTA) system and the Timber Pricing Branch's *General Billing System Resources* site located at: <https://gww.nrs.gov.bc.ca/flnr/timber-pricing/general-billing-system-gbs>

2. Introduction

Annual rent for tenures and permits serves to assert the government's interest in its property and resources, and provides compensation for reserving them in favour of the tenure or permit holder. It also serves as a deterrent to the acquisition and holding of rights over land and resources in excess of the tenure or permit holder's needs.

The *Forest Act* (Sec. 111) requires the holder of a; forest licence, timber licence, tree farm licence, community forest agreement, community salvage licence, first nations woodland licence, woodlot licence, cutting permit issued under a supplemental forest licence and forestry licence to cut issued under a pulpwood agreement to pay annual rent to the government.

Holders of special use permits (SUP) issued under the Provincial Forest Use Regulation are also charged fees under the authority of Section 47 of the *Financial Administration Act*.

The annual rent rates for tenures issued under the *Forest Act* are set forth in the Annual Rent Regulation (B.C. Reg. 122/03). SUP fees are calculated in accordance with the policies and procedures of the individual organizational administrative unit and are specified within the *Provincial Guidebook for Resource Clerks*.

Annual rent is usually received with a tenure application in accordance with the Advertising, Deposit, Disposition and Extensions Regulation - the exception is a cutting permit issued under a supplemental forest licence. Annual rent is subsequently billed on an annual basis on or before the licence or permit's anniversary date.

The administrative organizational unit responsible for issuing and administering the licence or permit prepares annual rent invoices. The *Forest Tenures Administration* (FTA) system is used to prepare annual rent invoices for most issued licences and permits on their anniversary date. Annual rent for tree farm licences and all non-anniversary related adjustments to annual rent billing are processed directly through the *General Billing System* (GBS).

3. Responsibilities

The office of primary responsibility for billing annual rent is the usually the administrative organization unit issuing or managing the licence or permit. The administrative organization unit is responsible for:

1. Where required, collecting the first year's annual rent for a new licence or permit (supplemental forest licences only pay 1st years annual rent when cutting permits are issued)
2. Preparing annual rent invoices before the anniversary date of a licence or permit (except for TFLs, which are billed on calendar year) through the annual rent and fees preparation screen (found under Administration tab on main FTA screen) in FTA, or in GBS;
3. Initiating necessary adjustments or corrections to annual rent invoices through GBS; and
4. Ensuring the licence or permit data described in FTA reflects the legal documents.

Support for billing annual rent is provided by Forest Tenures Branch, Timber Pricing Branch, and Information Management Branch. General responsibilities for administrative organization units and the branches named above are listed below.

3.1. Districts

Districts are the administrative organization unit for woodlot licences, community forest agreements, cutting permits issued under a supplemental forest licence and SUPs entered into with the district manager. Districts are responsible for initiating the billing of annual rent through FTA and maintaining data associated with these licences and permits.

3.2. Regions

Regions are the administrative organization unit for forest licences, timber licences, community forest agreements, woodlot licences, first nations woodland licences, forestry licence to cuts issued under a pulpwood agreement, community salvage licences, and SUPs entered into with the regional executive director. Areas are responsible for initiating the billing of annual rent through FTA and maintaining data associated with these licences and permits.

Regions are also responsible for monitoring the integrity of FTA data and annual rent billings for licences and permits administered by districts within the Region. Regions may also carry out the responsibilities of districts if so required.

3.3. Forest Tenures Branch

Forest Tenures Branch (FTB) is the administrative organization unit for tree farm licences entered into with the minister, and is responsible for generating tree farm licence annual rent invoices through GBS.

FTB is responsible for maintaining annual rent legislation, regulation, policies and procedures, providing support and advice to other administrative organization units, and conducting any audits of annual rent billing and FTA data. FTB is also the data custodian for FTA.

3.4. Timber Pricing Branch

Timber Pricing Branch is responsible for providing financial management support to administrative organization units, and mailing annual rent invoices submitted/generated through FTA and GBS to licensees.

Timber Pricing Branch is data custodian of GBS and is also responsible for the *General Billing System Resources* site.

3.5. Information Management Branch

Information Management Branch (IMB) is the application custodian for both FTA (and its annual rent and fees preparation screen), and GBS. IMB is also responsible for any FTA related annual rent or fees User Guides.

3.6 BC Timber Sales

BCTS is responsible for a limited number of non-replaceable forest licences (NRFL) issued under the old Small Business Forest Enterprise Program that require the payment of annual rent. BCTS Timber Sales Areas are responsible for initiating the billing of annual rent through FTA and maintaining data associated with these licences and permits.

4. Billing Annual Rent

Annual rent for licences and SUPs is billed one year in advance and must be submitted upon:

1. application for or issuance of a new licence or permit (if required);
2. the first and subsequent anniversary dates of an issued licence or permit (except for TFLs); and
3. extension of a expiring licence or permit;

unless otherwise noted in Section 6 - *Calculation of Annual Rent*.

To ensure accurate billing, all licence and permit information recorded in FTA must reflect the legal documents. The licensee's name and address, and the licence's anniversary date, expiry date, allowable annual cut (AAC) and area(s) should be current and accurate in FTA. Failure to maintain correct data can result in the preparation of an incorrect annual rent invoice.

Annual rent must not be billed for licences or permits which are surrendered, cancelled or expire.

4.1. Applications for new licences or permits

Payment of the first year's rent is to be submitted in accordance with Part 2 of the Advertising, Deposits, Disposition and Extension Regulation. The administrative organization unit is responsible for receiving a new licence or permit's first years annual rent payment along with the application for the new licence or permit.

4.2. Anniversary Dates

The administrative organization unit initiates the annual rent invoices (through FTA) for all active licences and permits on their first and subsequent anniversary dates (except for TFLs). A licence or permit is considered active if its FTA file status is HA (Harvest Awarded), HI (Issued), LC (Logging Complete) or HS (Suspended).

Annual rent must not be billed if the licence or permit status is HC (Closed), HX (Cancelled), and/or if the licence has expired. If an expiring licence or permit is to be extended refer to the subsection **4.4 Extensions**.

Annual rent invoices for replaceable licences may be prepared using the annual rent and fees preparation screen in FTA, with the exception of TFLs, which are currently generated manually using GBS. Invoices should be prepared 28 days or less prior to the licence and permit anniversary date.

If an invoice is issued more than 28 days prior to a licence or permit anniversary date, and the invoice is not paid before the due date (which would also be prior to the tenure's anniversary date), interest may undeservedly accrue on the outstanding balance.

Invoices prepared in the FTA annual rent and fees preparation screen and GBS will be issued and collected in accordance with procedures found on the *General Billing System (GBS)* web site: <https://gww.nrs.gov.bc.ca/flnr/timber-pricing/general-billing-system-gbs>.

4.3. Replacements

Replaceable licences, except TFLs, are billed annual rent on the replacement date of the licence (which in most cases should also correspond with the anniversary date of the licence being replaced).

4.4. Extensions

The administrative organization unit may prepare an annual rent invoice for a non-replaceable licence or permit which has been extended. The annual rent and

fees preparation screen in FTA can be used to initiate the preparation of the invoice, unless payment is received in advance.

Payments received in advance of invoicing are processed in accordance with the procedures found on the *General Billing System Resources* site (see above for web link).

An annual rent invoice may accompany a notification of extension however an extension must not be made conditional on receipt of annual rent. Also refer to subsection **7.6 Extension**.

5. Annual Rent Rates

Section 111 of the *Forest Act* requires that holders of forest licences, timber licences, tree farm licences, community forest agreements, first nations woodland licences, community salvage licences, woodlot licences, cutting permit issued under a supplemental forest licence and forestry licence to cuts issued under a pulpwood agreement must be billed annual rent at rates prescribed in the Annual Rent Regulation. These rates are also identified in the annual rent and fees preparation screen of FTA. Special use permit holders are billed at rates determined by the applicable administrative organization unit.

Annual rent rates for community salvage licences and forestry licence to cuts issued under a pulpwood agreement are not currently specified in the Annual Rent Regulation, therefore are not subject to annual rent charges.

6. Calculation of Annual Rent

Annual rent for tenures issued under the *Forest Act* must be calculated in accordance with sections 111 and 112 of the *Forest Act*. Annual rent is calculated using the AAC or area described in the agreement and the rates prescribed in the Annual Rent Regulation. Unless otherwise noted, annual rent is calculated and billed for a period of one year

6.1. Forest Licences

Annual rent for all forest licences (FLs), except supplemental forest licences is calculated by multiplying the AAC specified in the licence (m³) by the applicable rate prescribed in the Annual Rent Regulation.

The total AAC entered into the FL's AAC Commitment (or Allowable Cut) screen of FTA should accurately reflect the AAC of the FL document to ensure annual rent is correctly calculated using the annual rent and fees preparation screen in FTA.

Annual rent may be prorated if the term of a non-replaceable FL is extended for a period less than one year in accordance with subsection **7.6 Extension**.

6.2. Supplemental Forest Licence

Harvesting rights under a supplemental forest licence are only triggered when the licence holder meets a needs test. If the licence holder can show a need for supplemental timber volume the RED will authorize an amount of supplemental volume that the licence holder can harvest. The licence holder can then apply for cutting permits up to that authorized volume.

Annual rent on a supplemental forest licence is only billed on the volumes under active cutting permits – not on the actual licence volume or the volume approved under the needs test. Annual rent is calculated by multiplying the sum of all active cutting permit volumes by the applicable rate for supplemental forest licences as specified in the Annual Rent Regulation. This is done annually for the term of all active cutting permits.

Example: A 3-year cutting permit is issued for 10,000 m³. Annual rent rate is \$0.37/m³. Annual rent is therefore \$3700 per year (starting on the Cutting Permit issuance date) for the 3 year term (paid annually on the CP anniversary date). If the cutting permit obligations are fully met and surrendered before the 3 year period is completed then prorating of annual rent can be considered.

NOTE: Annual rent for supplemental forest licences cannot be calculated using the annual rent and fees preparation screen in FTA. Using this screen would result in an annual rent bill based on the supplemental forest licences AAC which would be incorrect.

FTA has been updated to provide for the issuance of annual rent invoices on cutting permits (supplemental forest licence only). Please contact Forest Tenures Branch for further details on this specific use of FTA.

6.3. Tree Farm Licences

Annual rent payable by the holder of a tree farm licence (TFL) is calculated by multiplying the AAC (m³) for the Schedule B lands (Crown lands) portion of the TFL by the TFL annual rent rate prescribed by the Annual Rent Regulation.

Forest Tenures Branch is the administrative organizational unit responsible for determining the annual rent payable for TFLs. The annual rent is estimated on a calendar year basis and billed before April 1st of that calendar year. Should the actual AAC differ from the estimated AAC, adjustments are made at the next billing or at anytime at the request of the licence holder. In order to correct past errors, adjustments can be made on all annual rent charged for previous years.

Some TFLs have an AAC based on area rather than volume. Annual rent for area-based AAC TFLs is calculated as prescribed in the Tree Farm Licence Area-based Allowable Annual Cut Trial Program Regulation (B.C. Reg. 482/04).

Timber Pricing Branch is responsible for preparing each TFL annual rent bill for invoicing through GBS, forwarding it the client and for receiving the funds. Timber Pricing Branch is provided the annual rent estimates by Forest Tenures Branch TFL tenures staff sometime between January and mid-March of the current calendar year prior to the billings being made before April 1st.

Refer to subsection **6.4 Timber Licences** for calculating annual rent attributable to timber licences within a TFL and held by the TFL holder.

6.4. Timber Licences

Annual rent for a timber licence (TL) is calculated by multiplying the area of Crown land over which the licence applies (hectares) by the applicable rate prescribed in the *Annual Rent Regulation*.

The TL's Obligated Area (hectares) entered into the Harvesting Tenures screen of FTA should accurately reflect the total area described in the TL to ensure annual rent is correctly calculated using the annual rent and fees preparation screen in FTA.

Annual rent may be prorated if the term of a TL is extended for period less than a year in accordance with subsection **7.6 Extension**.

6.5. Woodlot Licences

Annual rent for a woodlot licence (WL) is calculated by multiplying the portion of the AAC attributable to Schedule B lands (Crown lands) by the WL annual rent rate prescribed by the Annual Rent Regulation.

The annual rent and fees preparation screen in FTA should be used to calculate annual rent for the WL Schedule B AAC.

A payment to the Woodlot Products Development Council (WPDC) payment is also collected as part of annual rent on behalf of the WPDC and as required under section 112.1 of the *Forest Act*. The WL annual rent rate found in the FTA annual rent and fees preparation screen includes the WPDC payment.

6.6. Community Forest Agreements

Annual rent for community forest agreements (CFA) is calculated by multiplying the AAC from the Crown land portion of the community forest agreement area by the CFA annual rent rate prescribed by the Annual Rent Regulation.

The annual rent and fees preparation screen in FTA should be used to calculate annual rent for the CFA Crown land AAC.

6.7. First Nations Woodland Licence

Annual rent for a First Nations woodland licence (FNWL) is calculated by multiplying the portion of the AAC attributable to Crown land portion (British Columbia Crown lands) by the FNWL annual rent rate prescribed by the Annual Rent Regulation.

The annual rent and fees preparation screen in FTA should be used to calculate annual rent for the FNWL Crown land AAC.

6.8. Special Use Permits

Areas Regions and Districts should continue to calculate annual rent for SUPs in accordance with the Regional policies and procedures that are currently referenced in the Provincial Guidebook for Resource Clerks:

http://www.for.gov.bc.ca/ftp/HTH/gov_internal!/publish/Web/Provincial_Guidebook_for_Resource_Clerks.pdf

The annual rent fee should be entered into the correct data field in the appropriate screen of FTA to ensure SUP annual rent is calculated correctly.

6.9. Community Salvage Licence

Annual rent for community salvage licences is currently under review. Once an applicable rate is finalized the Annual Rent Regulation will be amended accordingly.

6.10. Forestry Licence to Cut issued under a Pulpwood Agreement

Annual rent for a forestry licence to cut issued under a pulpwood agreement is currently under review. Once an applicable rate is finalized the Annual Rent Regulation will be amended accordingly.

7. Licence and Permit Amendments

7.1. Adjustments to AAC or Area

If the AAC or area of a licence or cutting permit volume (supplemental forest licence only) is adjusted, the administrative organization unit must update the applicable screens and/or data fields in FTA. Annual rent should subsequently be calculated using the new figures when preparing the invoice at the next anniversary date (or January for TFLs).

If the effective date of the adjustment does not correspond with the anniversary date of the licence a credit or supplementary invoice for annual rent should be prepared by the administrative organization unit. Adjustments to annual rent between anniversary dates, is determined using the following formula:

$$\text{Adjustment} = ((\text{original AAC or area for TLs or CP volume for SFLs}) \times \text{rate} \times \text{no. days from last billing date to effective date of adjustment} \div 365) + (\text{new AAC or area or CP volume}) \times \text{rate} \times \text{no. days from effective date of adjustment to next billing date} \div 365) - \text{annual rent last billed for licence (or for CP issued under a supplemental forest licence)}.$$

If the adjustment is negative, the amount is to be credited to the licensee. If the adjustment is positive, a supplementary invoice is to be prepared. Credits and supplementary invoices cannot be prepared using the annual rent and fees preparation screen in FTA and must therefore be prepared separately using GBS. For further information on preparing credits and supplementary invoices refer to the *General Billing System Resource* site.

7.2. Changes to Licence or Permit Status

If a licence's (or cutting permit for supplemental forest licence only) file status changes from HI (issued) to LC (logging complete) or HS (suspended), and the licence does not expire, annual rent is billed on the next anniversary date. If the licence's file status changes from HA (awarded), HI (issued), LC (logging complete) or HS (suspended) to HX (closed) or HC (cancelled), as a result of expiry, closure or cancellation of the agreement, annual rent must no longer be billed.

Annual rent paid up until the expiry, cancellation or closure of an agreement is not to be credited to the holder of the agreement, unless the agreement is surrendered and replaced, transferred, subdivided or consolidated.

7.3. Surrender and Replacement

If a licence is surrendered and replaced by another licence, annual rent which is paid and attributable to the unexpired portion of the surrendered licence's term is to be credited to the annual rent payable for the first year of the term of the new licence. The amount to be credited is calculated in accordance with the following formula:

$$\text{Annual rent attributable to unused portion of term} = \text{Annual rent billed last anniversary} \times \text{no. of days from effective date to next anniversary date} \div 365.$$

7.4. Transfer

If a licence is transferred, the new licence holder is billed annual rent at the next anniversary date. The new licence's data should be updated in FTA before billing procedures are initiated.

If the transfer results in a change to the AAC or area of the licence, the *new* licence holder is to be credited or invoiced for the adjustment in accordance with the procedures and formula outlined in subsection **7.1 Adjustments to AAC or Area**. The previous licence holder is not credited for annual rent paid as it is assumed the previous licence holder has been compensated by the new licence holder as part of their agreement.

7.5. Consolidation and subdivision

If licences are consolidated or subdivided, the holder of the new licences is billed annual rent at the next anniversary date based on the new licence(s) volume or area.

If the consolidation or subdivision results in a net change to the AAC or area of the licence(s), and/or occurs prior to the anniversary dates of the licences being consolidated or subdivided, the licensee is to be credited or invoiced for the net adjustment to annual rent using the applicable procedures and formulas described in subsection **7.1 Adjustments to AAC or Area** and/or subsection **7.3 Surrender and Replacement**.

7.6. Extensions

Annual rent is billed for one year upon extension of a licence (or cutting permit supplemental forest licence only – up to a maximum of 4 years). If the extension is for less than one-year, annual rent may be prorated if the licence is a major non-replaceable licence (NRFL or TL).

Note: NRFL extensions are done at the discretion of the applicable decision maker and are not guaranteed. Therefore annual rent for any NRFL extensions must be paid in full on the original AAC of the licence. Annual rent for extensions can also be prorated if the extension period is less than one year.

There should not be any adjustments made to adjust the licence AAC in order to align the AAC with the NRFL's maximum harvestable volume as defined in the licence document. This may cause problems in FTA. AAC and maximum harvestable volume are separate variables and do not need to be aligned over the life of the NRFL (including extensions).

Prorating annual rent cannot be accommodated in the FTA annual rent and fees preparation screen and must therefore be calculated and billed manually through GBS. Annual rent is prorated using the following formula:

Prorated annual rent = annual rent × no. of days licence is extended ÷ 365

8. Errors in Billing

Incorrect annual rent invoices are corrected and/or adjusted through GBS. Applicable procedures are described on the *General Billing System Resources* site located at:

<https://gwww.nrs.gov.bc.ca/flnr/timber-pricing/general-billing-system-gbs>

9. Payments

Payments for annual rent and SUP fees must be made payable to the *Ministry of Finance* and may be received at any Ministry of Forests office.

10. Contacts

Annual Rent Policies and Procedures

Michael Leeson, RPF

Timber Tenures Forester, Forest Tenures Branch

ph. (250) 387-8303

Michael.Leeson@gov.bc.ca

FTA and Annual Rent and Fees Preparation Screen

Information Management Branch

ph. (250) 387-8888

FORHISP.APPHELP@gov.bc.ca

GBS and General Billing System Resources Site

Timber Pricing Branch

Ph: 1-866-952-6801

nrsenquiries@gov.bc.ca

11. Summary Table - Annual Rent Billing Procedures

<u>Item</u>	<u>Issuance</u>	<u>Anniversary Date & Replacements</u>	<u>Extensions</u>
Invoice	Payment requested and received with tenure application	All licences and permits, except TFLs, invoiced through annual rent and fees preparation screen in FTA. TFLs invoiced through GBS on calendar year basis.	Non-replaceable licences and permits invoiced through annual rent and fees preparation screen in FTA or through GBS.
Adjustments	N/A	All licences and permits, except TFLs, on anniversary/ replacement date: processed using the annual rent and fees preparation screen in FTA if no credits or supplementary billings required TFLs, and other licences and permits between anniversary dates, processed through GBS	Major tenures may be prorated if extended for periods less than a year. Processed through GBS
Errors and corrections	Processed through GBS	Processed through GBS	Processed through GBS