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## Logging Industry

### Provincial Sales Tax Act

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Latest Revision: The revision bar ( | ) identifies changes to the previous version of this bulletin dated June 2014. For a summary of the changes, see *Latest Revision at the end of this document*.

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This bulletin provides information to help businesses in the logging industry understand how the PST applies to their businesses.

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### Overview

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In this bulletin:

- **goods** mean tangible personal property as defined in the *Provincial Sales Tax Act*. Tangible personal property is personal property that can be seen, weighed, measured, felt or touched, or that is in any other way perceptible to the senses, and includes:
  - natural or manufactured gas,
  - electricity,
  - heat,
  - affixed machinery, and
  - an improvement to real property or part of an improvement to real property that is removed from the site at which it is affixed or installed, while it is removed from that site.

- **logging** means:
  - felling or bucking trees,
  - skidding or otherwise moving trees or logs to a landing or other first point of accumulation, or
  - loading, unloading, sorting, storing or processing trees or logs at landings, log dumps, sort yards, dry land sorts, booming grounds or mill yards,
 but does not include:
  - construction or maintenance of landings, log haul roads or other roads, or
  - silviculture.
- **obtain** means:
  - purchased or leased in BC,
  - brought or sent into BC,
  - received in BC, or
  - received as a gift.
- **substantially** means more than 90%.

If you qualify for the production machinery and equipment exemption (PM&E exemption), you may obtain certain machinery and equipment (PM&E) exempt from PST.

The PM&E exemption includes replacement parts, materials and services for qualifying PM&E, and parts and materials to assemble qualifying PM&E.

The following activities also qualify for the PM&E exemption and are discussed in the referenced bulletins.

- Manufacturing, software development and local government power generation – see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*
- Mining – see [Bulletin PST 111](#), *Mining Industry*
- Exploration for, discovery of or development of, petroleum or natural gas – see [Bulletin PST 114](#), *Oil and Gas Industry – Exploration, Discovery and Development*
- Extraction or processing of petroleum or natural gas – see [Bulletin PST 113](#), *Oil and Gas Industry – Producers and Processors*

## Qualifying for the PM&E Exemption

### Qualifying Logging Activities

You may obtain PM&E exempt from PST if:

- for commercial purposes, you regularly engage in logging, and
- the PM&E is obtained:
  - for use in logging substantially for
    - felling or bucking trees,
    - removing logs from the stump and depositing the logs in a landing or other first accumulation point,

- loading, unloading, sorting, storing or processing trees or logs at landings, log dumps, sort yards, dry land sorts, booming grounds or mill yards, or
- developing skidways (note: skidways do not include roads or landings), or
- for use substantially on a vessel and substantially for
  - launching or recovering exempt felling equipment in underwater logging operations, or
  - producing, regulating, transmitting or distributing electricity to operate exempt PM&E in underwater logging operations.

**Regularly** means that you undertake the activity on a routine basis. This could be full-time, seasonally or on some other part-time basis.

How you make the measurement of substantially depends on the nature of the PM&E. You may measure it in terms of time, volume or some other measurement that is appropriate for that particular type of PM&E.

In some cases, you may use the PM&E seasonally or during specific phases in the logging process. When this happens, the time when the machinery or equipment is idle or in storage is not considered use. You calculate substantially based on the actual usage.

For example, if you operate a skidder during the winter and it is stored for the remainder of the year, the total use of that skidder will be based only on the time that it is actually being operated. During the actual period the skidder is in use, if it is used over 90% of the time for qualifying logging activities, it qualifies for the PM&E exemption.

**Note:** Transporting raw materials or finished products from, or between, eligible sites is not a qualifying logging activity.

## Examples of Qualifying PM&E

The following are examples of PM&E that qualify for this exemption if all the above conditions are met.

- Boom boats and boom gear, booming ground apparatus (e.g. anchors, chains, buoys), and equipment to construct booms and boomsticks (for information on the general PST exemption for boomsticks and used boom gear, see Boomsticks and Used Boom Gear below).
- Equipment not designed for regular use on a public highway, when used substantially for qualifying logging activities.
- Equipment used for felling or bucking trees.
- Equipment used for moving trees or logs to the first point of accumulation.
- Equipment used for tree salvage operations.
- Equipment used substantially on a vessel in underwater logging operations:
  - portable or mobile generators, alternators and transformers used to produce, regulate, transmit or distribute electricity to exempt PM&E in underwater logging operations,
  - felling equipment and controls, delimiting equipment, and
  - cranes used on barges to launch and remove felling equipment from the water.
- Scales used to weigh logs at landings, log dumps, sort yards, dry land sorts, booming grounds or mill yards.

- Vehicle-mounted machinery and equipment that would otherwise qualify for the PM&E exemption (note: the exemption is limited to the portion of the purchase price or lease price of the vehicle that can be reasonably attributed to that machinery or equipment).
- Vessels used substantially in underwater logging operations to carry exempt PM&E for one or more of the following purposes:
  - felling or bucking trees,
  - removing logs from the stump and depositing the logs in a landing or other first accumulation point,
  - launching or recovering exempt felling equipment in underwater logging operations, or
  - producing, regulating, transmitting or distributing electricity to operate exempt PM&E in underwater logging operations.

## **Hog Fuel, Saw Mills and Pulp Mills**

Log sorting often creates debris that needs to be removed from the log sort grounds. A logging company may gather the debris and grind the raw materials into a fabricated, finished product called hog fuel. Because the production of hog fuel is not a qualifying logging activity, the machinery and equipment you use to produce hog fuel does not qualify for the logging PM&E exemption, but may qualify under the manufacturing PM&E exemption.

Similarly, saw mills and pulp mills do not qualify under the logging PM&E exemption, but may qualify under the manufacturing PM&E exemption.

For more information, and to see if you qualify as a manufacturer, see [Bulletin PST 110, Production Machinery and Equipment Exemption](#).

## **Parts, Materials and Services for PM&E**

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### **Parts for PM&E**

If you are eligible for the PM&E exemption, you are exempt from PST on parts you obtain for use on exempt PM&E, or to assemble qualifying parts or qualifying PM&E.

### **Materials for PM&E**

If you are eligible for the PM&E exemption, you are exempt from PST on materials you obtain, provided they:

- are used to repair, maintain or modify exempt PM&E, or to assemble exempt parts or exempt PM&E, and
- remain part of, or attached to, the qualifying parts or qualifying PM&E.

Materials eligible for exemption include sheet metal, bulk chainsaw chain, bulk wire and bulk conveyor belting material.

### **Taxable Items**

The following are not exempt parts or materials for PM&E.

- Gases, liquids or consumable solids (e.g. sealants, lubricants such as grease)
- Parts and materials used to self-manufacture qualifying PM&E for own use

- Parts and materials obtained for use primarily for repairing, maintaining, modifying or assembling:
  - scaffolding, walkways, catwalks and similar structures, unless these items are an integral part of exempt PM&E and were obtained as part of the exempt PM&E
  - bases and foundations that are, or become a part of, real property, for exempt PM&E

## Inventory of Parts and Materials

If you use the same parts and materials for both taxable and exempt purposes, you **must not** purchase all the parts and materials exempt from PST (unless you have a tax payment agreement – see Tax Payment Agreements below).

However, you may make a reasonable estimate of the portion used on exempt PM&E and obtain that portion exempt from PST. Reconcile this estimate to your actual usage. If the reconciliation shows you used more parts or materials for taxable purposes than estimated, you must self-assess (pay directly to us) the PST owing on the portion obtained exempt but used for taxable purposes.

If you have a PST number, you must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using a *Casual Remittance Return* (**FIN 405**) on or before the last day of the month following the month in which you used the parts or materials for a taxable purpose.

If the reconciliation shows you used more parts or materials for exempt purposes than estimated, you can claim a refund from us for the PST paid on the portion used for exempt purposes. For more information, see **Bulletin PST 400**, *PST Refunds*.

## Related Services for Exempt PM&E

If you are eligible for the PM&E exemption, you are exempt from PST when you purchase related services provided to exempt PM&E. For details on how to claim the exemption, see Claiming the PM&E Exemption below.

For more information, see **Bulletin PST 301**, *Related Services*.

## Claiming the PM&E Exemption

You must, at or before the time of sale or lease, provide your supplier with a completed *Certificate of Exemption - Production Machinery and Equipment* (**FIN 492**) when claiming the following exemptions.

- Purchases or leases of exempt PM&E
- Purchases or leases of exempt parts or materials for PM&E
- Purchases of related services for exempt PM&E

This requirement applies whether or not you have a PST number (i.e. you cannot use your PST number instead of the *Certificate of Exemption - Production Machinery and Equipment* (**FIN 492**)). However, you do have the option of using an alternative certification (see below in this section).

You must complete all parts of the certificate. Where a description of the items purchased or leased is required, you list each type of machinery, equipment, parts and materials. It is

not enough to simply state “production machinery and equipment”. For example, if you are purchasing saw blades or chain for chain saws, you list each as a specific item on the form.

If you are purchasing related services for PM&E, specify what PM&E the related service will be provided to. For example, state “repair services provided to a skidder” and not just “repairs”.

When you purchase or lease a large quantity of PM&E, you may attach an itemized list or a copy of the purchase order to the completed certificate.

The purchase order must clearly describe the PM&E being purchased or leased and it must indicate which is exempt.

You are generally required to provide a completed certificate to the supplier for each purchase or lease. However, when you are making frequent purchases or leases of the same item(s) from the same supplier, you may provide one completed certificate to the supplier along with a list of item(s) you are claiming an exemption for. You can make future exempt purchases or leases of the same item(s) from that supplier based on the one certificate, provided the information on the certificate is still correct. You must complete a new exemption certificate if the information has changed.

You only use the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) for claiming an exemption under the PM&E exemption (i.e. for PM&E and related parts, materials and related services). This certificate does not replace the *Certificate of Exemption – General* ([FIN 490](#)) used to purchase goods for resale etc.

## Suppliers

If you do not obtain a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) or an alternative to the exemption certificate (see below) at or before the time of the sale or lease, you must charge and collect the PST on that sale or lease and remit it to us with your return for the reporting period. If your customer provides the required information after the sale or lease but within 180 days of the sale or lease, you may refund or credit the PST you charged. For more information on providing refunds and credits to your customers, see [Bulletin PST 400, PST Refunds](#).

**Note:** If your customer claims this exemption with an exemption certificate and it is later found they did not qualify for the exemption, your customer is liable for any tax, interest and penalties associated with the purchase or lease. However, if you had reason to believe your customer was not entitled to the exemption (e.g. the item purchased was not eligible for the PM&E exemption or your customer mentioned the equipment was actually for personal use) and you provided the exemption, you may also be subject to an assessment.

## Alternative to the Exemption Certificate

As an alternative to using the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)), you may develop your own certification, provided all the required information and the declaration statement from the exemption certificate are included.

Providing the required information and the declaration statement in an electronic format is acceptable if the format includes an electronic signature. An electronic signature may include an electronic acceptance or agreement of the declaration statement, or a statement indicating that transmitting the information and declaration electronically by the purchaser or lessee is agreement of the declaration.

## Other Exemptions

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### Goods Incorporated into Other Goods for Resale or Lease

You are exempt from PST on goods you obtain solely for processing, fabricating, manufacturing, attaching or incorporating into other goods for resale or lease.

For example, you are exempt from PST when you purchase strapping material to bundle logs or lumber for resale (note: if the logs or lumber are not for resale, or if you remove the strapping material before the logs or lumber are resold, the strapping material is taxable).

To purchase these items exempt from PST, give the supplier your PST number. If you do not have a PST number and you qualify, give the supplier a completed *Certificate of Exemption – General* ([FIN 490](#)).

For more information, see [Bulletin PST 208](#), *Goods for Resale*.

### Boomsticks and Used Boom Gear

Boomsticks qualify for a general exemption from PST.

The following used boom gear is exempt from PST if the boom gear was previously sold at a retail sale and previously used as boom gear.

- Boom chains obtained for use in tying boomsticks together to form a frame
- Bundle and continuous wires obtained for use in securing logs that are transported within a frame
- Swifter wires obtained for use in securing bundled logs to a frame

You do not need to qualify for the PM&E exemption for logging to purchase boomsticks and used boom gear exempt from PST.

### Containers and Packaging Materials

You are exempt from PST on containers (except reusable containers) and packaging materials, such as bundling wire, you obtain solely for packaging goods for sale or lease, or if you provide them to your customers with their purchases of goods. However, you must pay PST on containers and packaging materials if you use them for other purposes, such as storing, handling or shipping goods, or you use them to provide a service.

Generally, you are not required to charge PST on the containers and packaging materials you provide with goods and services, unless you separately charge your customers for them. However, in limited circumstances, you may be required to charge PST on the fair market value of the containers and packaging materials.

For more information, see [Bulletin PST 305](#), *Containers and Packaging Materials*.

### Safety Equipment and Protective Clothing

The following safety equipment and protective clothing are exempt from PST:

- work-related safety equipment and protective clothing designed to be worn by, or attached to, a worker if required under specified provincial work safety legislation and purchased or leased by an employer, self-employed person or educational institution,



- specifically listed work-related safety equipment and protective clothing designed to be worn by a worker, including safety goggles and steel-toed boots, and
- specifically listed general safety equipment and protective clothing.

For more information, see [Bulletin PST 100](#), *Safety Equipment and Protective Clothing*.

## **Refunds**

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If you are eligible for the PM&E exemption and you paid PST on exempt PM&E, or on exempt parts, materials or related services for exempt PM&E, you may be eligible for a refund.

### **Requesting a Refund from your Supplier**

If you paid PST to your supplier on exempt PM&E because you did not provide a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) at the time of sale or lease, your supplier may provide you with a refund or credit of the PST paid if you provide a completed certificate within 180 days of the date the PST was paid.

### **Requesting a Refund from Us**

To apply for a refund from us, please provide us with a completed *Application for Refund of Provincial Sales Tax (PST) Paid on Production Machinery and Equipment* ([FIN 355/PME](#)) and the required supporting documentation listed in the form instructions. Send your refund application and supporting documents to the address provided on the application form.

We must receive your refund claim within four years of the date you paid the PST. If you receive a refund from your supplier, you cannot also apply for a refund from us.

## **Taxable Goods**

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Unless an exemption applies, you must pay PST when you purchase or lease machinery, equipment or other goods in BC. You pay PST on the full purchase price at the time of purchase. If the goods are leased, you pay PST on each lease payment either when the lease payment is paid or when the lease payment becomes due under the terms of the lease agreement, whichever is earlier.

### **What is Included in the Purchase Price**

PST must be calculated on the total purchase price paid by the purchaser to receive title to goods that are subject to PST. This includes the value of services accepted by the seller on account of the purchase price and any charges for financing, interest, customs and excise, as well as any delivery or other transportation charges (including shipping and handling) incurred at or before the time that title to the goods being sold passes to the purchaser. This applies whether or not the charges are shown separately on the sales invoice.

PST does not apply to delivery or transportation charges if title to the goods passes to the purchaser at the seller's premises because the delivery charge does not form part of the purchase price of the taxable goods. If the seller charges the customer for delivery of the goods to another location, and this charge is separately stated on the sales invoice, PST applies only to the purchase price of the goods.

For more information on what is included in the purchase price, see [Bulletin PST 302](#), *Delivery Charges*.



## Change in Use

If you obtain PM&E, parts, materials or other goods exempt and later use them for a taxable purpose, PST applies as of the date you use the item for a taxable purpose.

You calculate and self-assess PST on the greater of the **depreciated value** or 50% of the original purchase price. This calculation must be done separately for each item.

You must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using a *Casual Remittance Return* (**FIN 405**) on or before the last day of the month following the month in which you used the PM&E, parts, materials or other goods for a taxable purpose.

## Calculating Depreciation

The **depreciated value** is determined on a straight-line basis as follows:

$$\text{Depreciated value} = \text{Purchase price} - [\text{purchase price} \times \text{depreciation rate}]$$

You may only calculate the depreciated value on the following types of equipment using the depreciation rates listed below. Goods not listed below **cannot** be depreciated.

Type of Equipment	Depreciation Rate
Vehicles, including all trailers and self-propelled equipment	30% per year, plus 2.5% per 30-day period for partial years
Aircraft	25% per year, plus 2.0833% per 30-day period for partial years
Vessels	15% per year, plus 1.25% per 30-day period for partial years
Railway rolling stock	10% per year, plus 0.8333% per 30-day period for partial years
Other equipment, furnishings and affixed machinery	20% per year, plus 1.667% per 30-day period for partial years

To calculate the depreciation rate, follow these steps:

1. Calculate the number of whole years between the date you acquired the goods and the date you used them for a taxable purpose.
2. After calculating #1 above, calculate the number of days remaining in the partial year (if any) between the date you acquired the goods and the date you used them for a taxable purpose. Both the first and last days should be counted.
3. Divide the number of days calculated under #2 by 30 and round to the nearest whole number (0.5 and above is rounded up to 1). This is the number of 30-day periods.
4. Calculate the depreciation rate by multiplying the applicable rates in the table above by the number of years and 30-day periods.

## Examples of Taxable Goods

The following are examples of taxable machinery, equipment or goods used by the logging industry.

- Barges and equipment used in underwater logging operations that serve as the first accumulation point for felled trees and are used to transport trees to the shore.
- Cleaning supplies, such as cleaning solution and rags.
- Fuel tanks used to store fuel at logging sites.
- Furnishings, camp equipment, machinery and equipment related to the use of a building, and machinery and equipment used in construction.
- Gases, such as oxygen and acetylene.
- Machinery and equipment obtained for use in:
  - the construction of buildings,
  - the construction or maintenance of roads, or
  - site preparation (except machinery and equipment that are exempt under the exemptions for PM&E for use in logging operations).
- Machinery and equipment used in silviculture.
- Over-width logging trucks and other vehicles used to transport logs from the cut block to landings and other accumulation points.
- Portable electric generators and alternators not used substantially to produce, regulate, transmit or distribute electricity to exempt PM&E on vessels in underwater logging operations, including their drive motors.
- Rail cars, locomotive engines and non-turbine aircraft (non-jet).
- Vehicles designed for public highway use, such as logging trucks.
- Vessels (except boom boats, and vessels used substantially in underwater logging operations to carry exempt PM&E as described above).

## Goods from Out-of-Province Suppliers

If you purchase or lease taxable goods from an out-of-province supplier, you must pay PST on the total amount you pay to bring the goods into BC, including charges for transportation, customs, excise and any other costs, except the goods and services tax (GST).

If your supplier does not charge you PST and you have a PST number, you must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using a *Casual Remittance Return (FIN 405)* on or before the last day of the month following the month you brought, sent or received goods into BC.

## Goods Brought into BC

Generally, PST applies if you bring or send goods into BC, or receive delivery of goods in BC, for use, unless a specific exemption applies.

If you own the goods and you brought or sent the goods into BC, or received delivery of the goods in BC for **temporary use** in BC, see [Bulletin PST 307](#), *Goods Brought Into BC for Temporary Use*.

If you own the goods and they are not for temporary use in BC, see [Bulletin PST 310](#), *Goods Brought Into BC*.

If you lease the goods, see [Bulletin PST 315](#), *Rentals and Leases of Goods*.

## **Tax Payment Agreements**

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Eligible businesses may apply to enter into a voluntary tax payment agreement (TPA) with us.

A TPA allows eligible businesses to defer paying PST when they purchase or lease certain items for business use, and to self-assess and pay the PST due on any items later used for a taxable purpose.

For more information, see [Bulletin PST 317](#), *Tax Payment Agreements*.



### **Need more info?**

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Toll free in Canada: 1 877 388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

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#### **Latest Revision**

August 2016

- Added information on claiming refunds if you pay PST on exempt PM&E
  - Clarified that you are exempt from PST on:
    - goods you obtain solely for processing, fabricating, manufacturing, attaching or incorporating into other goods for resale or lease
    - containers and packaging materials (except reusable containers) you obtain solely for packaging goods for sale or lease, or if you provide them to your customers with their purchases
  - Other minor revisions
- 

References: *Provincial Sales Tax Act*, sections 1 “related service”, “substantially”, 25, 28, 41, 49, 51, 80.1, 82, 82.1, 141, 145, 147, 148 and 153; *Provincial Sales Tax Exemption and Refund Regulation*, sections 1 “obtain”, 32-35, 37 and 90-120; *Provincial Sales Tax Regulation*, sections 10, 21, 48 and 49.