



Logging Industry

Provincial Sales Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated August 2013. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin provides information to help businesses in the logging industry understand how the provincial sales tax (PST) applies to their businesses.

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Overview

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, or
 - 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 – please see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*
- Mining – please see [Bulletin PST 111](#), *Mining Industry*
- Exploration for, discovery of or development of, petroleum or natural gas – please see [Bulletin PST 114](#), *Oil and Gas Industry – Exploration, Discovery and Development*
- Extraction or processing of petroleum or natural gas – please 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, then it qualifies for the PST exemption.

Please 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 qualifies for this exemption if all the above conditions are met:

- equipment not designed for regular use on a public highway, when used substantially for qualifying logging activities,
- equipment used for moving trees or logs to the first point of accumulation,
- equipment used for felling or bucking trees,
- equipment used for tree salvage operations,
- 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, please see the section below, Boomsticks and Used Boom Gear),
- 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,
- 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), and
- 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.

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, please see [Bulletin PST 110, Production Machinery and Equipment Exemption](#).

Parts, Materials and Services for PM&E

Parts for PM&E

If you are eligible for the PM&E exemption, you do not pay 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 do not pay 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 as parts or materials for PM&E:

- goods used to self-manufacture qualifying PM&E for own use,
- gases, liquids or consumable solids,

- substances used primarily to lubricate machinery or equipment (e.g. grease), or
- goods 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, and
 - 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.

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 and/or materials for taxable purposes than estimated, you self-assess 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 and/or materials for a taxable purpose.

If the reconciliation shows you used more parts and/or materials for exempt purposes than estimated, you can claim a refund from the ministry for the PST paid on the portion used for exempt purposes. For more information on refunds, please 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 the section below, *Claiming the PM&E Exemption*.

For more information on related services, please 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, or
- 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/or 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) that 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 are required to charge and collect the PST on that sale or lease and remit it to the ministry 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, please see [Bulletin PST 002](#), *Charging, Collecting and Remitting PST*.

Please note: If your customer claims this exemption with an exemption certificate, and it is later found that 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 that 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 that all the required information and the declaration statement from the exemption certificate is 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

Goods Incorporated into Other Goods for Resale

You do not pay PST when you purchase goods that will be processed, fabricated, or manufactured into, attached to, or incorporated into other goods for resale or lease.

For example, you do not pay 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](#)).

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, and
- 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, Labels and Packaging Materials

You do not pay PST on containers (other than reusable containers) and packaging materials, such as bundling wire, if you use them to package 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, please see [Bulletin PST 305](#), *Containers and Packaging Materials*.

Safety Equipment and Protective Clothing

The following safety equipment and protective clothing is 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 when 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, please see [Bulletin PST 100](#), *Safety Equipment and Protective Clothing*.

Taxable Goods

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 where 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, please see [Bulletin PST 302](#), *Delivery Charges*.

Consumables

Consumables are often called supplies. A good consumed or used up in the operation or maintenance of machinery or equipment is a consumable, even if it is necessary for that item's operation or maintenance.

The following are examples of taxable consumables:

- cleaning solutions, rags, carpenters' chalk and masking tape
- heating fuel
- oils, lubricants, grease and hydraulic fluid
- oxygen or acetylene gas

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. 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.

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. Periods of less than 30 days must be computed to the nearest 30-day period with 15 days counted as one 30-day period.

Type of Equipment	Depreciation Rate
Vehicles, including all trailers and self-propelled equipment	2.5% per month (30% per year)
Aircraft	2.0833% per month (25% per year)
Vessels	1.25% per month (15% per year)
Railway rolling stock	0.8333% per month (10% per year)
Other equipment, furniture and fixtures	1.667% per month (20% per year)

Examples of Taxable Goods

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

- vehicles designed for public highway use, such as logging trucks,
- over-width logging trucks and other vehicles used to transport logs from the cut block to landings and other accumulation points,
- machinery or equipment obtained for use in:
 - the construction of buildings,
 - the construction or maintenance of roads, or
 - site preparation (other than machinery or equipment that is exempt under the exemptions for PM&E for use in logging operations),
- furnishings, camp equipment, machinery or equipment related to the use of a building, and machinery and equipment used in construction,
- 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),

- vessels (other than boom boats, and vessels used substantially in underwater logging operations to carry exempt PM&E as described above),
- 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,
- machinery or equipment used in silviculture, and
- fuel tanks used to store fuel at logging sites.

Purchases from Out-of-Province Suppliers

If you purchase taxable goods from an out-of-province supplier, you pay PST on the total amount that 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 the 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 received the goods into BC.

Equipment Brought into BC

If you bring taxable equipment into BC for use, you pay PST on the depreciated value of each item. You calculate and self-assess PST on the greater of the depreciated value or 50% of the original purchase price. For details on how to determine depreciated value, see the section above, *Change in Use*.

Equipment for Temporary Use

If you bring taxable equipment into BC for temporary use only (6 days or more in a 12-month period) to perform a specific task related to logging, and then take the equipment back out of the province, you pay PST using the temporary use formula (except leased equipment – see the section below, *Leased Equipment*). The days the goods are in BC may be consecutive or spread over a 12-month period.

The temporary use formula allows you to pay PST on 1/3 of the value of the equipment for each 12-month period that the equipment is in BC.

Leased Equipment

Unlike purchased equipment, you pay PST on taxable leased equipment even if it is brought into the province for less than 6 days.

For more information, please see [Bulletin PST 307](#), *Goods Brought Into BC for Temporary Use*.



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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

For up to date information on the return to PST, subscribe to our What's New page at sbr.gov.bc.ca/msbr/whats_new/consumer_taxes/whatsnew.htm

Latest Revision

October 2013

- As a result of recent changes to the regulations, which are effective April 1, 2013:
 - clarifications regarding the exclusions from the PM&E exemption for machinery or equipment obtained for use in:
 - the construction of buildings
 - site preparation
 - the construction or maintenance of roads
 - Clarified that on the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)), it is only necessary to say what parts and/or materials are being purchased (it is not necessary to specify what PM&E the parts and/or materials will be attached to).
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References: *Provincial Sales Tax Act*, sections 1, 25, 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, section 10.