



Softwood Lumber Products Export Charge Notice

SWLN3

May 2009

Calculation of Export Price

Note: This notice replaces the version dated May 2007. The paragraph that was modified has been side-barred.

The purpose of this notice is to provide exporters of softwood lumber products under the *Softwood Lumber Products Export Charge Act, 2006* (the Act) with information on the calculation of the export price for products exported to the United States under the Softwood Lumber Agreement, 2006 between Canada and the United States.

The information in this notice is for reference purposes only and does not replace the Act or its regulations. Should there be any discrepancy between the information in this notice and that contained in the Act or its regulations, the legislative provisions apply. As the information in this publication may not completely address your particular situation, you may wish to refer to the Act or regulations, or call the number at the end of this document for additional information.

Export price

The *Softwood Lumber Products Export Charge Act, 2006* (the Act) imposes a charge on certain softwood lumber products exported to the United States. The amount of the charge payable is calculated by applying the monthly export charge rate to the export price of the product.

The export price of softwood lumber products is determined in accordance with the following rules:

- The export price for products that have undergone only primary processing is the FOB value at the last primary processing facility before export.
- The export price for products that were last remanufactured by an independent remanufacturer prior to export is the FOB value determined at the facility where the lumber last underwent primary processing (the first mill price).
- The export price for products that were last remanufactured prior to export by a remanufacturer that is not an independent remanufacturer is the FOB value as determined at that remanufacturing facility.

Determining FOB value

The FOB value includes all costs payable by a purchaser in determining the sale price, including costs for placement aboard the conveyance for shipment. Sale price includes costs of production, general, sales and administration expenses, and profit.

The FOB value does not include the shipping costs, the amount of the export charge, any additional export charge imposed under the surge mechanism or other charges levied pursuant to the Softwood Lumber Agreement, 2006 (including an import duty levied by the U.S.). The FOB value may be recalculated to reflect the retroactive application of an increased export charge under the surge mechanism.

Discounts and deductions

The following are deductions for sale price adjustments, shipping costs and export administration fees that are permitted in calculating the FOB value.

La version française de la présente publication est intitulée *Calcul du prix à l'exportation*.



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Permitted sale price adjustments are:

- **cash discounts** – where the vendor and purchaser have agreed, prior to export, that a discount applies if the purchaser pays cash for the goods.
- **early payment discounts** – where the vendor and purchaser have agreed, prior to export, that a discount will apply if payment is made prior to the payment date required.
- **volume discounts** – deductions from the price of the product allowed by the vendor to the purchaser according to the quantities purchased over a given period.

Permitted shipping costs are:

- freight costs
- freight insurance costs
- reload centre handling costs

Shipping costs that occur prior to and including placement on board the conveyance for export are not deductible when determining FOB value. However, freight costs and in-transit reload costs incurred as part of a continuous movement of products that have been sold and exported to the United States can be deducted

Permitted export administration fees are:

- brokerage fees
- export permit fees
- Canadian and U.S. port charges

Only discounts and deductions actually taken by the purchaser and reflected in the price of the products will qualify as deductions for determining FOB value.

Independent remanufacturers: Where a product was last remanufactured before export by an independent remanufacturer:

- only discounts provided by the primary processor are allowed as deductions in determining the FOB value. Discounts offered by the independent remanufacturer are not permitted;
- only shipping costs related to the journey from the primary processing facility to the remanufacturing facility are deductible in determining FOB value. Deductions for export related shipping costs are not permitted;
- deductions for export administration fees are not permitted in determining FOB value as these costs are not a part of the “first mill” value used in determining export price.

If the export charge or surge charge is included in the price payable by the purchaser, it should be deducted in determining FOB value. This should be done after the above deductions have been taken.

In determining FOB values, the above deductions may be applied retroactively to October 12, 2006. If claiming a deduction results in a reduction to the export charge reported on a previously filed *Softwood Lumber Products Export Charge Return*, the exporter may apply for a refund of the over-reported export charge.

Exporters are responsible for retaining all source documents necessary to support each deduction. The Canada Revenue Agency (CRA) may require the exporter to provide documentary proof to support their determination of FOB value. Failure to meet this requirement could result in deductions being denied.

Other allowable adjustments

- **Quality discounts** – reductions to the price where the product shipped was of a lesser quality than the goods invoiced.
- **Sales returns** – where a credit refund is issued for product returned to the vendor.

The CRA will allow the above adjustments to previously declared export prices, and the export charge (including any surge charge), in the month that a credit is issued. If the credit adjustment is made prior to filing the return, simply adjust the export price and retain all supporting documents.

If product is returned to Canada, Customs and other supporting documentation confirming the return of the softwood lumber product will be required.

Where an FOB value cannot be determined

Where the FOB value cannot be determined, the export price is the market price for identical products sold in Canada at approximately the same time and in one of the following arm's length transactions, listed in order of precedence:

1. a transaction at substantially the same trade level but in different quantities,
2. a transaction at a different trade level but in similar quantities, or
3. a transaction at a different trade level and in different quantities.

High value items

If the export price, as determined in accordance with the above rules, is greater than US \$500 per thousand board feet, the export price is deemed to be US \$500.

For more information on the softwood lumber products export charge, please call 1-866-330-3304.
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All technical publications on the softwood lumber products export charge are available on the CRA Web site at www.cra.gc.ca/softwood.