

Premier announces measures to support and protect logging contractors

<https://news.gov.bc.ca/03523>

Friday, January 18, 2013 12:45 PM

VICTORIA - Today Premier Christy Clark set in motion a \$5-million fund to provide financial protection for forestry contractors, as well as announcing tax relief on previous compensation payments.

"Our promise to logging contractors was to guarantee they receive payment for work performed, and to ensure fair tax treatment on earlier compensation," said Premier Clark. "Today we're honouring those commitments."

The compensation fund will strengthen payment protection for those who contract their services to forest sector companies. Logging contractors who provide services to licensees, but are not paid because of licensee insolvency, can now access this compensation fund to better protect their financial interests.

The Forestry Service Providers Compensation Fund was initially established in the spring of 2012, under the Forestry Service Providers Protection Act (FSPPA). Since the fund's inception the Province and industry have now reached an agreement around the fund's parameters, permitting logging contractors to be compensated if they incur a financial loss resulting from the insolvency of a licensee. The fund is administered arm's length from government.

"We're grateful that B.C. loggers now have some level of protection similar to contractors in the building industry," said Dwight Yochim, TLA executive director. "We look forward to working with the provincial government to finalize the financing of the fund so our members can be protected into the future."

In addition to the compensation fund, contractors will soon be eligible for further financial protection by having the ability to register liens on forest products that have been delivered to licensees. That element of the FSPPA is expected to take effect later this spring.

Premier Clark also announced tax relief for contractors who had received compensation under the Forestry Revitalization Act. Both the federal and provincial governments have agreed on a plan to relieve the contractors of their tax liabilities resulting from compensation payments received from the B.C. Forestry Revitalization Trust, established in 2003. As a result, approximately 190 contractors will benefit from tax relief payments up to \$10 million dollars in provincial contributions, and will not incur additional tax liabilities from these payments.

"This is fantastic news," said Yochim. "The TLA thanks the provincial government for facilitating the final steps necessary to implement the B.C. Forestry Revitalization Trust Fund. TLA members spent several years working on this issue and are pleased that it's successfully concluded."

A backgrounder follows.

Contacts:

Ben Chin
Office of the Premier
250 952-7251

Vivian Thomas, Communications Manager
Ministry of Forests, Lands and Natural Resource Operations
250 356-2475

BACKGROUND

Tax relief from Forestry Revitalization Trust payments granted

History

The B.C. Forestry Revitalization Trust (the Trust) was established in 2003 to provide mitigation to contractors negatively affected by the take back of tenure from major licensees pursuant to the B.C. Forestry Revitalization Act.

The Trust paid \$71 million to about 300 logging contractors under its original mandate and currently has about \$7.5 million remaining. Many of the beneficiaries of the Trust believe that the payments should not be taxable.

In response to the request from the Province, the federal minister of finance has agreed to provide tax relief according to a plan developed by federal and provincial finance officials.

Tax Relief Plan

The payments to contractors will remain taxable as originally determined by the Canada Revenue Agency (CRA). The trustee will seek an agreement with each contractor for their participation in the plan. This agreement will include the following commitments, and possibly others, from each contractor:

- They will allow the trustee access through the CRA to their income tax information for all years in which they received payments from the Trust.
- If requested, they will provide authority to the trustee to make payments on their behalf directly to the CRA.
- The trustee will make payments in relation to each contractor that has agreed to the plan.
- These payments will include an amount representing both federal and provincial income taxes.
- If the contractor has already paid their income tax liability, the trustee will pay the contractor directly.
- If the contractor has income tax liabilities outstanding related to the BCFRT payments, the trustee will pay the amount to the CRA to offset their tax liabilities.
- In order to ensure the trust has sufficient funds to make all the tax relief payments, the government has agreed to provide additional funds to the Trust if required.

The tax relief payments by the trust deal solely with the federal and provincial tax liabilities on the mitigation payments made by the Trust. The payments do not address interest and penalties that may have applied.

Any interest and penalties charged and any additional tax liabilities due to the tax relief payments are addressed by way of federal and provincial remission orders.

Compensation fund made operational

The Forestry Service Providers Protection Act was passed in the spring 2010 to protect the financial interests of timber harvesting contractors who have provided logging and related services to licensees. It includes two components: a lien and a compensation fund.

The compensation fund was established in the summer of 2012, with the provincial government contributing \$5 million and appointing a fund manager. The lien is expected to be in place this spring.

Learn More:

B.C. Jobs Plan and Skills Training Plan: <http://www.bcjobsplan.ca/skills-and-training-plan/>

Contacts:

Ben Chin
Office of the Premier
250 952-7251

Vivian Thomas, Communications Manager
Ministry of Forests, Lands and Natural Resource Operations
250 356-2475