

Softwood Lumber Products Export Charge Notice

January 2007

Notice to Recipients of Duty Deposit Refunds

CHARGE ON REFUNDS OF DUTY DEPOSITS PAID TO UNITED STATES CUSTOMS

This notice explains the imposition of the charge on refunds of duty deposits held under the United States duty orders. The charge is imposed pursuant to section 18 of the *Softwood Lumber Products Export Charge Act, 2006* (the Act).

Overview

As part of the *Softwood Lumber Agreement 2006* (the Agreement) between Canada and the United States, approximately \$4.5 billion of the \$5.5 billion in duty deposits paid by Canadian companies is being refunded. Subsection 18(3) of the Act imposes a charge of 18.06% on all duty deposit refunds.

Companies may receive their duty deposit refunds from Export Development Canada (EDC), or directly from the U.S. government. Payments of the duties and interest received through the EDC mechanism will not include an amount equal to 18.06% of the total refund.

The charge is payable by all persons who receive a duty deposit refund, either directly from the U.S. government or through the EDC mechanism. All refund recipients must file a *Charge on Refunds of Duty Deposits Return* (form B277) for each month during which they receive duty deposit refunds.

To ensure that all persons who benefit from the Agreement are treated equitably, the Government of Canada is seeking a remission order to relieve the 18.06% charge payable by persons participating in the EDC refund mechanism.

The government is also seeking a remission order to relieve the charge payable by non-EDC participants on interest that accrued on the duty deposit refunds after October 11, 2006.

Returns and Payment Due Dates (ss 18(3), (5))¹

For each month that they receive duty deposit refunds from U.S. authorities, recipients must complete and file a *Charge on Refunds of Duty Deposits Return*. The return must be completed and filed on or before the last day of the month following the month in which the **duty deposit refunds are issued**. Payment of the charge is also due at this time.

¹ References in brackets are to provisions of the *Softwood Lumber Products Export Charge Act, 2006*.

SWLN-002



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La version française du présent document est intitulée
*Avis aux bénéficiaires de remboursements de dépôts
douaniers.*

Canada

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Participants in the EDC refund mechanism must also complete and file a return on or before the last day of the month following the month of the purchase date by the EDC. The purchase date is noted on the EDC Purchase Notice. In the case of EDC refunds, report the total amount of the refund on the return, including the 18.06% withheld by the EDC, and calculate the charge payable on this total amount.

Since the Act received Royal Assent on December 14, 2006, recipients of refunds in October, November, and/or December of 2006, must file a return for December 2006 reporting all duty refunds received during these months. This return and payment of the 18.06% charge must be received by the CRA on or before January 31, 2007. Since the first return will cover all three months, it is not necessary to file a separate return for each of these months. However, for January 2007 and subsequent months, a separate return must be filed for each month that duty deposit refunds are issued.

A copy of the return will be mailed to all persons known to be eligible for refunds of a duty deposit. The return is also available on the CRA Web site at http://www.cra-arc.gc.ca/menu/AFAF_B-e.html.

Large payments (s 27)

If the remittance amount is \$50,000 or more, payment must be made at a Canadian financial institution.

Small amounts (s 28)

If an amount of \$2 or less is due or payable, the amount is deemed to be nil.

Conversion from U.S. dollars to Canadian dollars (ss 18(5))

In the case of refunds provided directly by U.S. authorities, the conversion date is the date the refund cheque was issued.

In the case of EDC refunds, the conversion date is the purchase date as noted on the Purchase Notice issued by EDC.

Remission order for persons participating in the EDC refund process

As noted above, the government is seeking a remission order for persons participating in the EDC refund process. In anticipation of this action, the CRA is preparing to process a credit to the accounts of participants in the EDC refund mechanism equal to the amounts reported as payable on their monthly returns.

Remission order for charge payable on interest accruing after October 11, 2006

As noted above, the government is seeking a remission order for the charge payable on the interest on the duty deposit refunds accrued after October 11, 2006. In anticipation of this action, the CRA is preparing to determine that part of the interest included in the duty refund that accrued after October 11, 2006 for non-EDC participants. A credit of 18.06% of this amount will then be applied to these persons' softwood lumber accounts.

Note: In anticipation of ultimately receiving the benefits of either of the proposed remission orders described above, persons may choose to remit only the net amount of the charge which would be payable after the orders had been applied. However, if they choose to account for the charge in this manner, they should be aware of the following:

- While the government has announced its intention to make the remission orders, the authority for making such orders is that of the Governor in Council. Therefore, the CRA cannot process remissions until the proposed remission orders have been approved by the Governor in Council.

Notice to Recipients of Duty Deposit Refunds

- Until such time as the remission orders can be processed, persons are legally liable for the full amount due, including accrued interest.
- If the remission orders are approved as currently proposed, remissions will be processed retroactively, thereby offsetting the applicable balance owing and any accrued interest.

For more information about the softwood lumber products export charge, please call 1-866-330-3304.