



Softwood Lumber Products Export Charge Notice

SWLN27

August 2010

Additional 10% Export Charge for Option B Regions

The purpose of this notice is to provide exporters of softwood lumber products under the *Softwood Lumber Products Export Charge Act, 2006* with information on an additional 10% export charge applying to exports of softwood lumber products having a region of origin of Quebec, Ontario, Manitoba or Saskatchewan. The additional 10% export charge is the result of the September 28, 2009, decision by an arbitration tribunal of the London Court of International Arbitration on the application of the adjustment factor under the *Softwood Lumber Agreement, 2006*.

Disclaimer: 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 one of the numbers at the end of this document for additional information.

Background

On August 13, 2007, the United States (U.S.) submitted a request for arbitration to the London Court of International Arbitration (LCIA), asking that Canada's interpretation and application of the adjustment factor under the *Softwood Lumber Agreement, 2006* (the Agreement) be reviewed. The adjustment factor is a technical provision under the Agreement used in the calculation of determining export quotas for those regions that have opted to operate under quota restrictions, referred as Option B regions (Quebec, Ontario, Manitoba and Saskatchewan).

An arbitration tribunal under the LCIA ruled that the adjustment factor applies to Option B regions only (Quebec, Ontario, Manitoba and Saskatchewan), as Canada contended, but that Canada should have applied the adjustment factor as of January 1, 2007, instead of July 1, 2007. On September 28, 2009, the arbitration tribunal issued a final ruling setting out the remedy that Canada must apply in order to cure its breach of the Agreement. The remedy awarded required Canada to collect an additional 10% ad valorem export charge (additional charge) on softwood lumber shipments to the U.S. from Option B regions until a total remedy amount of \$68.26 million (CDN) has been collected.

Implementation of the additional export charge

On July 12, 2010, the Government of Canada amended the *Softwood Lumber Products Export Charge Act, 2006* (the Act) to implement the additional charge. The date of the entry into force of the additional charge is September 1, 2010, established under Order in Council P.C. 2010-975 of August 4, 2010.

The amended legislation requires all exporters to the U.S., of softwood lumber products having a region of origin of Québec, Ontario, Manitoba or Saskatchewan to pay an additional 10% export charge effective September 1, 2010.

Currently, softwood lumber exports from Option B regions are subject to a 10% duty imposed by the United States. This duty requirement will cease on August 31, 2010, one day prior to the CRA's implementation of the additional export charge.

La version française de la présente publication est intitulée *Un droit d'exportation additionnel de 10 % est appliqué aux régions régies en vertu de l'option B*.



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Calculating and reporting the additional export charge

Pursuant to section 12 of the Act, when softwood lumber products are exported from a region in a particular month, the amount of the export charge on these products is the amount calculated by applying the export charge rate in effect for that month to the export price of the product. The amendments to the Act require that, where the region of origin of the exported softwood lumber product is Quebec, Ontario, Manitoba or Saskatchewan, the export charge rate applicable effective September 1, 2010 would be equal to the rate ordinarily applicable for that month, plus 10%.

For example, where the export charge rate applicable for a month is 5%, the additional export charge would increase that charge rate by 10%, resulting in a total rate of 15% (5% + 10%) for that month.

For more information on calculating the export price, refer to Softwood Lumber Products Export Charge Notice SWLN3, *Calculation of Export Price*.

Remitting the additional export charge

Pursuant to Section 26 of the Act, exporters are required to calculate the total amount of export charges payable each month and pay this amount at the end of the following month.

More information on the Adjustment Factor Arbitration may be found on the Web site of Foreign Affairs and International Trade Canada at www.softwoodlumber.gc.ca.

Enquiries

For questions about filing an export charge return or making a payment, please call 1-800-935-0313.

For technical enquiries about the *Softwood Lumber Products Export Charge Act, 2006*, please call 1-866-330-3304.

All technical publications on the softwood lumber products export charge are available on the CRA Web site at www.cra.gc.ca/softwood.