



Softwood Lumber Products Export Charge Notice

SWLN-006

April 2008

Calculating and Reporting the Surge Charge

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 how to calculate and report a surge charge imposed by section 14 of the Act.

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.

Overview

Section 14 of the Act imposes a surge charge and describes the conditions under which it becomes payable. A surge occurs in a month when the volume of softwood lumber products exported to the United States, from a region of origin that has elected to calculate and remit the export charge at the Option A rate, exceeds the region's trigger volume by more than 1%. The surge charge is an increase in the export charge that is equal to 50% of the applicable rate of the charge, as determined under section 12 of the Act, for the month in which a surge has occurred. This charge applies retroactively to all exports of softwood lumber products to the United States from the region of origin during the month in which the surge was declared and is payable by all persons who exported these products.

Meaning of significant terms used in this notice

The term "region of origin" means the location of the facility where the softwood lumber product underwent primary processing with the following exceptions:

- the region of origin of softwood lumber products having undergone primary processing in the Atlantic provinces from logs harvested in a non-Atlantic province would be the region where the log was harvested;
- the region of origin of softwood lumber products having undergone primary processing in the Yukon, the Northwest Territories or Nunavut (the territories) from logs harvested outside the territories would be the region where the log was harvested.

The term "primary processing" means the production of softwood lumber products from softwood sawlogs.

A region's trigger volume for a particular month is determined by multiplying the total monthly expected US consumption by that region's US market share and then multiplying this total amount by 1.1. The trigger volume for the BC coast also takes into account a region-specific seasonal adjustment factor (see Annex 8 of the Softwood Lumber Agreement).

Calculating the surge charge

Pursuant to section 12 of the Act, when softwood lumber products are exported from a region of origin in a particular month, the amount of the export charge on these products is the amount calculated by applying the rate in effect for that month to the export price of the product.

Under section 13 of the Act, the term "export price" means the free on board (FOB) value consisting of all costs payable by a purchaser, including those incurred in the placement aboard a conveyance for shipment, but not including the actual shipping costs and the amount of a charge payable under section 10 of the Act. For more

La version française de la présente publication est intitulée *Calcul et déclaration des droits sur dépassement*.



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information on calculating the export price, refer to Notice SWLN3, *Notice to Exporters – Calculation of Export Price*.

Where a surge is declared for a particular region of origin and month, the export charge that applies to all exports of softwood lumber products from that region of origin will increase by 50% for that particular month. For example, where the applicable monthly rate is 15% and a surge is declared, the rate of the monthly export charge increases by 50% to 22.5%.

The export and surge charges are calculated by:

- determining the export price;
- determining the applicable charge rate;
- calculating the export charge by applying the applicable rate to the export price; and
- where a surge is declared, calculating the surge charge by applying the surge charge rate to the export price.

Where the export charge is included in the sale contract

The following table¹ illustrates how to calculate the surge charge where the export charge was included in the sale contract. The example below assumes that a sale of \$1,150 (export charge included) has been made and that a 15% export charge and a 7.5% surge charge apply. The total charge on the \$1,150 sales amount is \$211 (or 22.5%).

	No surge	Surge
Sales amount (charge included)	\$1,150	\$1,150
Export price ($\$1,150 \times 100/115$)	\$1,000	
Export charge ($\$1,000 \times 15/100$)	\$150	
Export price ($\$1,150 \times 100/122.5$)		\$939
Export charge ($\$1,150 \times 15/122.5$)		\$141
Surge charge ($\$1,150 \times 7.5/122.5$)		\$70

Where the export charge is based on domestic purchase

The following table illustrates how to calculate the surge charge on certified independent remanufacturers' products or wholesale products. The export charge is calculated on either the price paid for the lumber used to make the exported independent remanufacturer's product or the purchase price of the wholesale product. As a result, the export price is determined by using the value of a transaction that does not include an export charge, and therefore the surge charge is simply 50% of the original reported export charge. The example below assumes that either an independent remanufacturer paid \$800 for the lumber used to make the exported softwood lumber product or a wholesaler purchased the softwood lumber product for \$800. It also assumes that a 15% export charge and a 7.5% surge charge apply.

	No surge	Surge
Export price	\$800	
Export charge ($\$800 \times 15/100$)	\$120	
Export price		\$800
Export charge ($\$800 \times 15/100$)		\$120
Surge charge ($\$800 \times 7.5/100$)		\$60

¹ In the example in the table all figures are rounded up to the nearest dollar and all references to dollar values are in Canadian currency.

Reporting the surge charge

Paragraph 26(a) of the Act requires every person who is, at any time during a particular month, registered under section 23 or required to be registered under section 22 to file with the Minister form B275, *Softwood Lumber Products Export Charge Return*, on or before the last day of the month following the particular month.

Paragraphs 26(b) and (c) of the Act require that exporters calculate the total amount of the charges payable for that month on their return and pay this amount, if any, to the Receiver General. Exporters are responsible for determining the amount of the export charge and the surge charge payable for a particular month and must file a return for that month and make payment on or before the last day of the following month.

When to report

Where a surge is declared during a particular month, the surge charge will be due on or before the last day of the month following that month. For example, if during the month of June, a surge is declared on softwood lumber products exported during the month of April, the export charge for June and surge charge for April must be reported and remitted on or before the last day of the month following the month of June (i.e., July 31).

When a surge is declared, exporters can find information on the surge and the due date on the CRA's Web site at www.cra.gc.ca/softwood.

Note: Arrears interest on any unpaid surge charge will begin to accrue on the day after the day on which the surge charge is due.

How to report

When a surge is declared during a particular month, exporters who have shipped products from a region of origin in surge will be required to complete and file form B279, *Softwood Lumber Products Surge Charge Return*.

Note: Exporters should not complete section 6 ("Surge charge") on their current form B275 to report a prior or current month's surge charge.

For more information on the surge charge under the *Softwood Lumber Products Export Charge Act, 2006*, please call 1-800-935-0313.

For other 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.