


ST 2177 - SALES TAX : TIMBER FELLING CONTRACTORS

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TAXATION RULING NO. ST 2177

SALES TAX : TIMBER FELLING CONTRACTORS

F.O.I. EMBARGO: May be released

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CONTRACT MANUFACTURERS
TIMBER FELLING
CONTRACTORS

SALES TAX ASSESSMENT
ACT (NO. 1); SECTION
3: DEFINITION OF
"MANUFACTURER"
SALES TAX (EXEMPTIONS
AND CLASSIFICATIONS)
ACT; ITEM 113A

OTHER RULINGS ON TOPIC

ST 2113

FACTS

A company, registered for sales tax purposes as a manufacturer of newsprint, engages contractors to fell, lop and trim trees on a forest leasehold property held by the company. The company uses its own equipment to load the trimmed logs at stumpsite or roadside landings onto log trucks for transport to the company's paper mills. The question has arisen whether the company is a manufacturer of log timber and may purchase the log loading equipment used in these circumstances free of tax as aids to manufacture.

RULING

2. The felling, lopping and trimming of trees involves manufacture for sales tax purposes. Leasehold properties upon which timber is felled, lopped and trimmed are "premises" for the purposes of the definition of "aids to manufacture". Machinery, implements and apparatus for use in transporting the felled etc. timber within the manufacturing premises qualify as "aids to manufacture".

3. If the company used its own employees to fell, lop and trim the trees there would be no question about the company's status as a manufacturer for sales tax purposes. The fact that the company engages sub-contractors rather than use its own employees does not make any difference to the company's status in this regard. It is the company who owns the rights to the timber and on whose behalf the work is being carried out. The company is carrying out its manufacturing operations by engaging sub-contractors to fell etc. the trees.

4. It follows that log loading equipment used by the company to transport log timber within the confines of the timber lease may be purchased free of tax as aids to manufacture.

5. The acceptance of the company as a manufacturer of log timber does not affect the position of the contractors. Their activities may be viewed separately. They are also engaged in

the manufacture of log timber and are entitled to purchase chain
saws and other equipment used by them in felling, lopping and
trimming the logs free of tax as aids to manufacture.

COMMISSIONER OF TAXATION
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