



## **BUDGET FALLS SHORT ON NEEDED INDUSTRY TAX REFORM**

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**VICTORIA, BC** – The BC coastal forest industry is disappointed that the provincial government missed an opportunity in the budget to implement tax changes that would improve productivity and promote investment in the coastal forest sector.

“The province said in its throne speech that it is committed to not increasing taxes on productivity and investment, and to consider a tax shifting review,” says R.M. (Rick) Jeffery, President & CEO of Coast Forest Products Association. “This budget does not address needed tax reform. We hope to be able to work with government soon to review important policy changes in these areas.”

Coast Forest is urging the province to continue to examine the taxation system to find ways to support competitiveness and encourage investment. One of those ways would be to review the PST as it relates to capital investment and business expenditures.

The budget also ignores a critical Competition Council recommendation to reduce the tax burden on heavy industry. For example, in BC the forest industry has one of the highest marginal effective tax rates in the country and the Competition Council strongly urged the Province to reduce the property tax burden on major industries, particularly where the ratio of industry versus residential rates is high.

“Lowering the cap on municipal taxes would level the taxation playing field for heavy industry and help promote much needed investment in the coastal forest industry,” says Jeffery.

Non-resident property taxes in the budget are forecast to rise to more than a billion dollars by 2010 which will discourage investment and place an added burden on industry.

“Communities cannot continue to depend on the flagging coastal forest industry for their revenue needs,” says Jeffery, who added that the tax shifting review we are calling for should help these communities find other funding sources.

For the province to realize the budgeted revenue increases from the forest industry over the next three years Jeffery says it needs to help industry lower the delivered cost of logs in an increasingly competitive world market. According to a recently released PriceWaterhouseCoopers study, delivered log costs on the coast are US\$75 per cubic metre, which is among the highest in the world.

Paying for the provincial budget’s housing initiative anticipates continued strength in the BC economy, and the forest sector is an important part of that. “The finance minister has called the budget an aggressive housing initiative,” says Jeffery. “We need to ensure that Budget 2007 builds a housing legacy out of BC wood.”

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