



Canadian Mineral Policy Approach

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**Minerals and Metals Sector
Natural Resources Canada**

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Basic Approach

- **Private Sector Determines the Pace of Mineral Development**
- **Government Provides a Competitive Regulatory Environment but Plays a Complementary Role in Mineral Development**
- **Rules and Regulations should be Known in Advance**
- **Range of Stakeholders should be Consulted on Proposed Modifications**





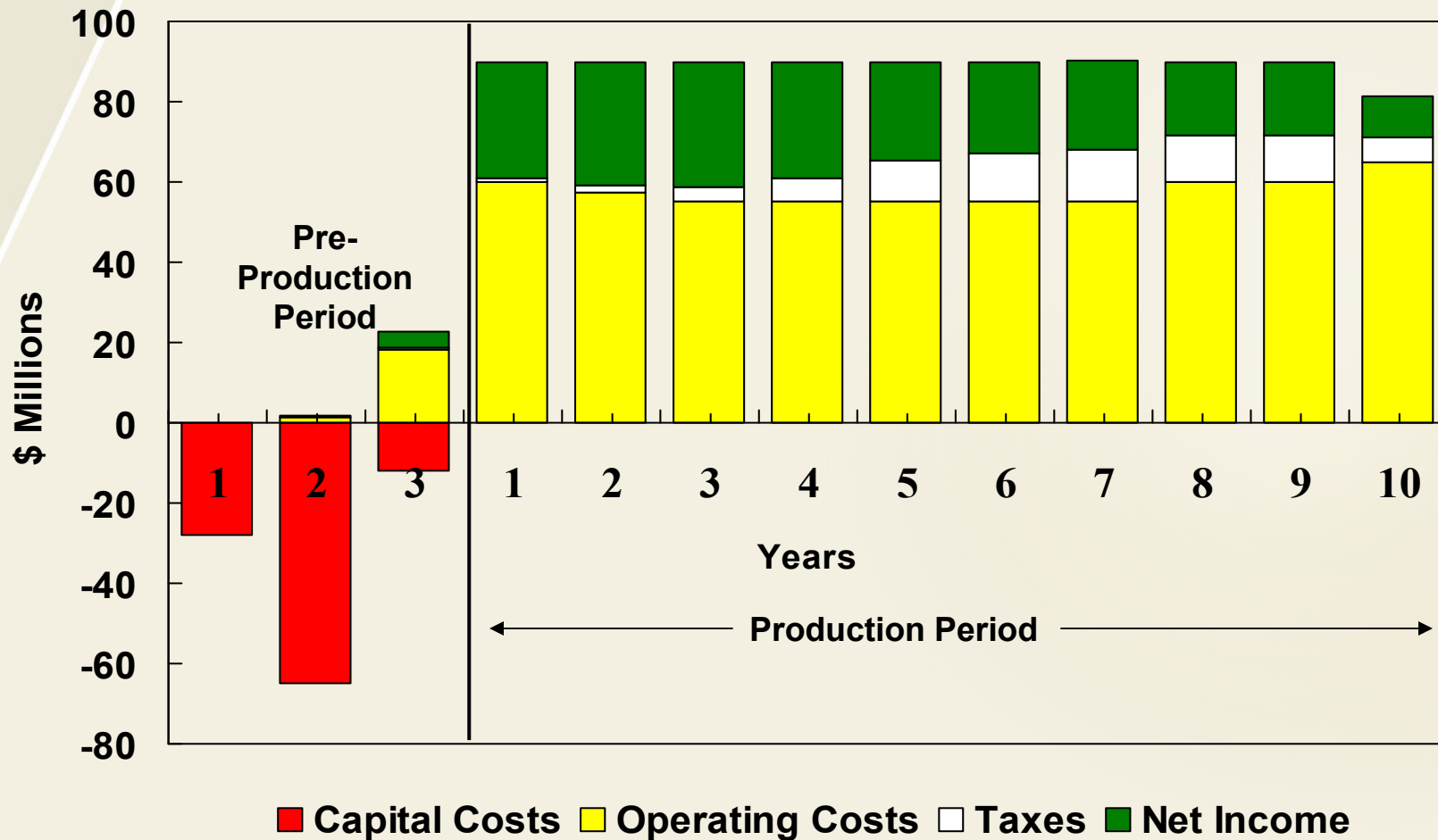
Key Government Policy Roles in Mineral Development

- **Regulatory Role in Mineral Development**
- **Taxation Role in Mineral Development**
- **Federal-Provincial/Territorial Cooperation**
- **International Policy**
- **Investment Policy**





Needs of Private Sector Investors





Analyzing Tax Choices

Combinations of Taxes: 5 Cases

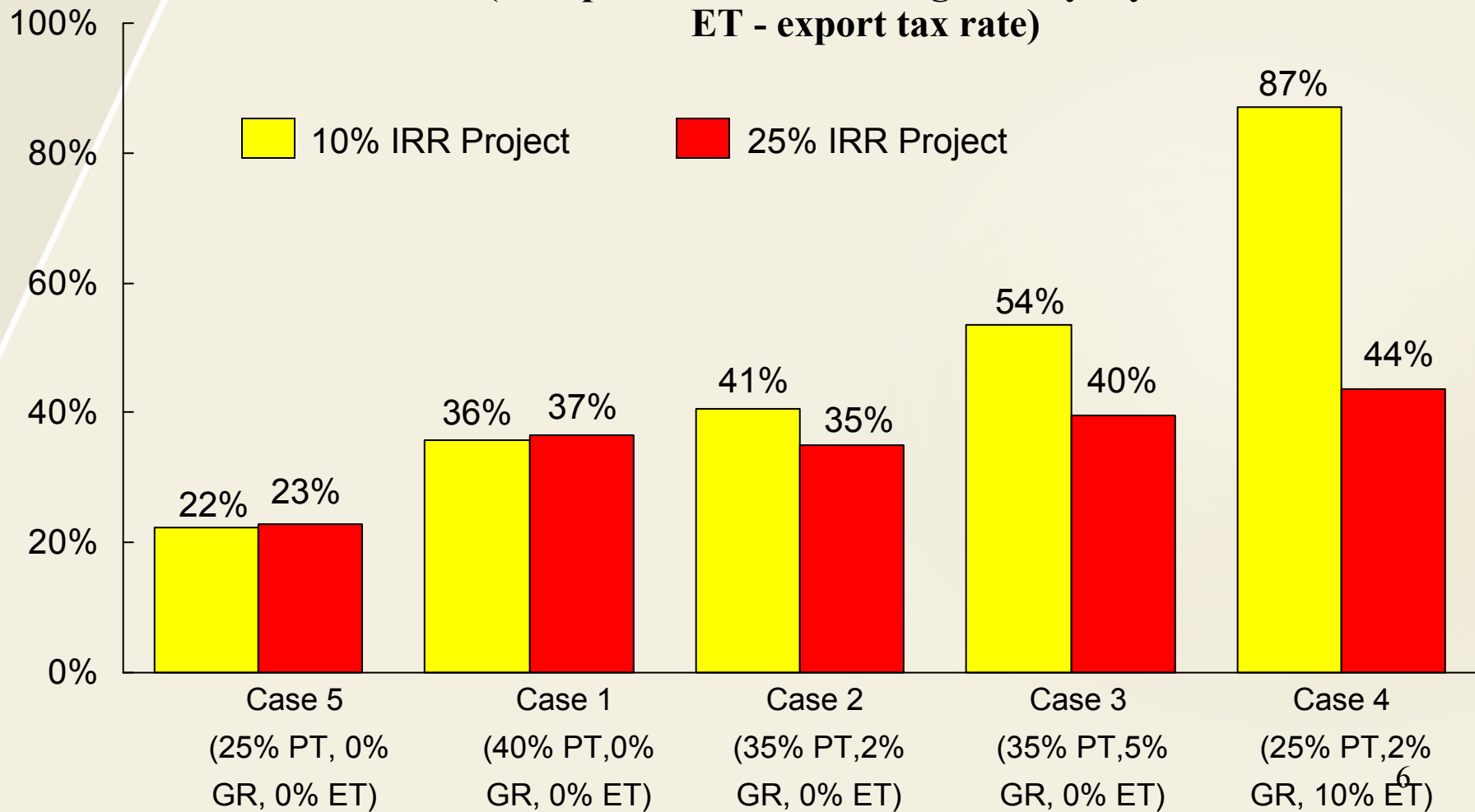
Model	Profit Tax	Gross Mining Royalty	Export Tax
Case 1	40%	0%	0%
Case 2	35%	2%	0%
Case 3	35%	5%	0%
Case 4	25%	2%	10%
Case 5	25%	0%	0%





Calculation of Average Tax Rates for The Five Cases

(PT - profit tax rate, GR - gross royalty rate, ET - export tax rate)



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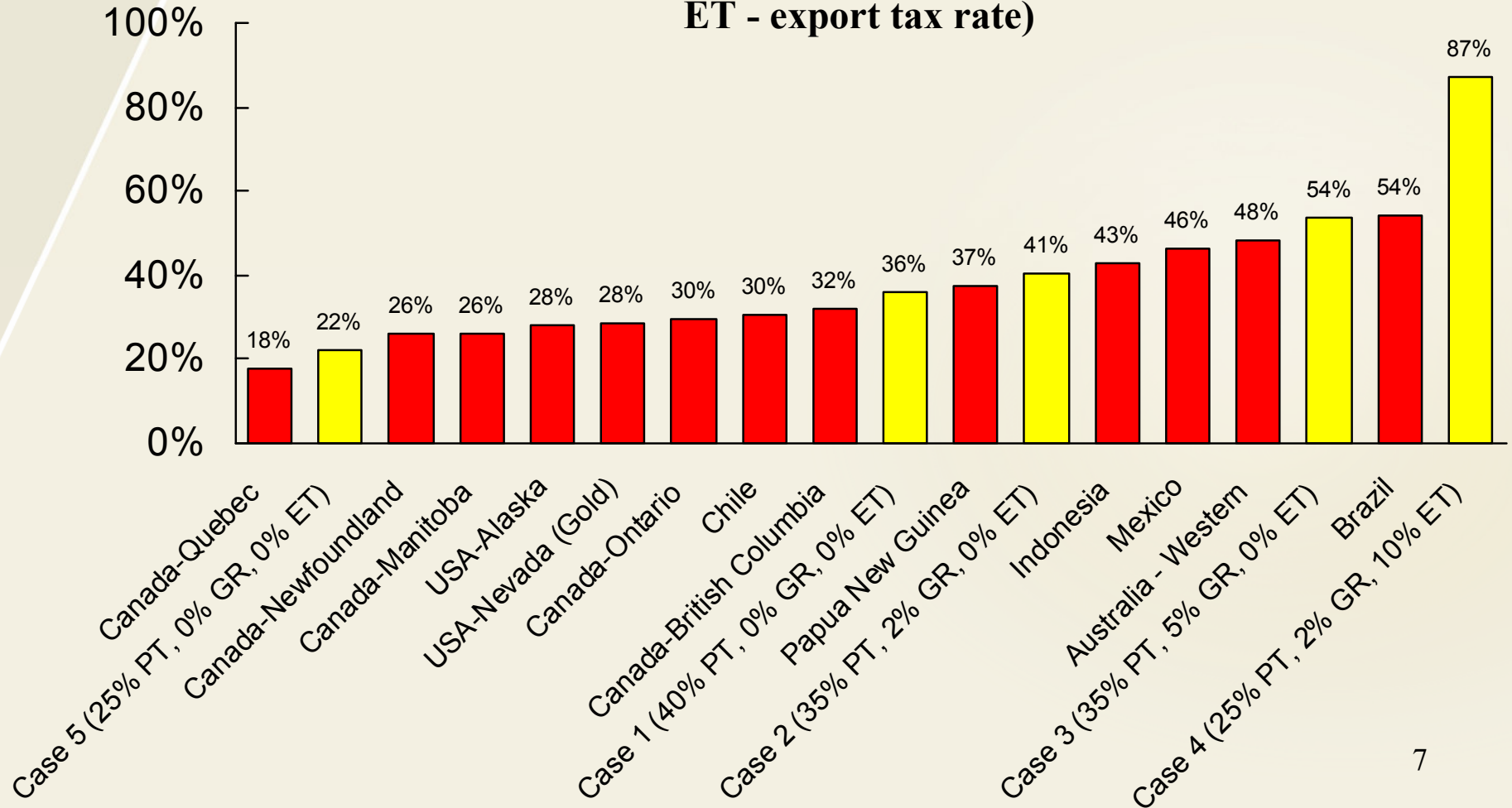
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1993 Average Effective Tax Rates for Project with 10% IRR

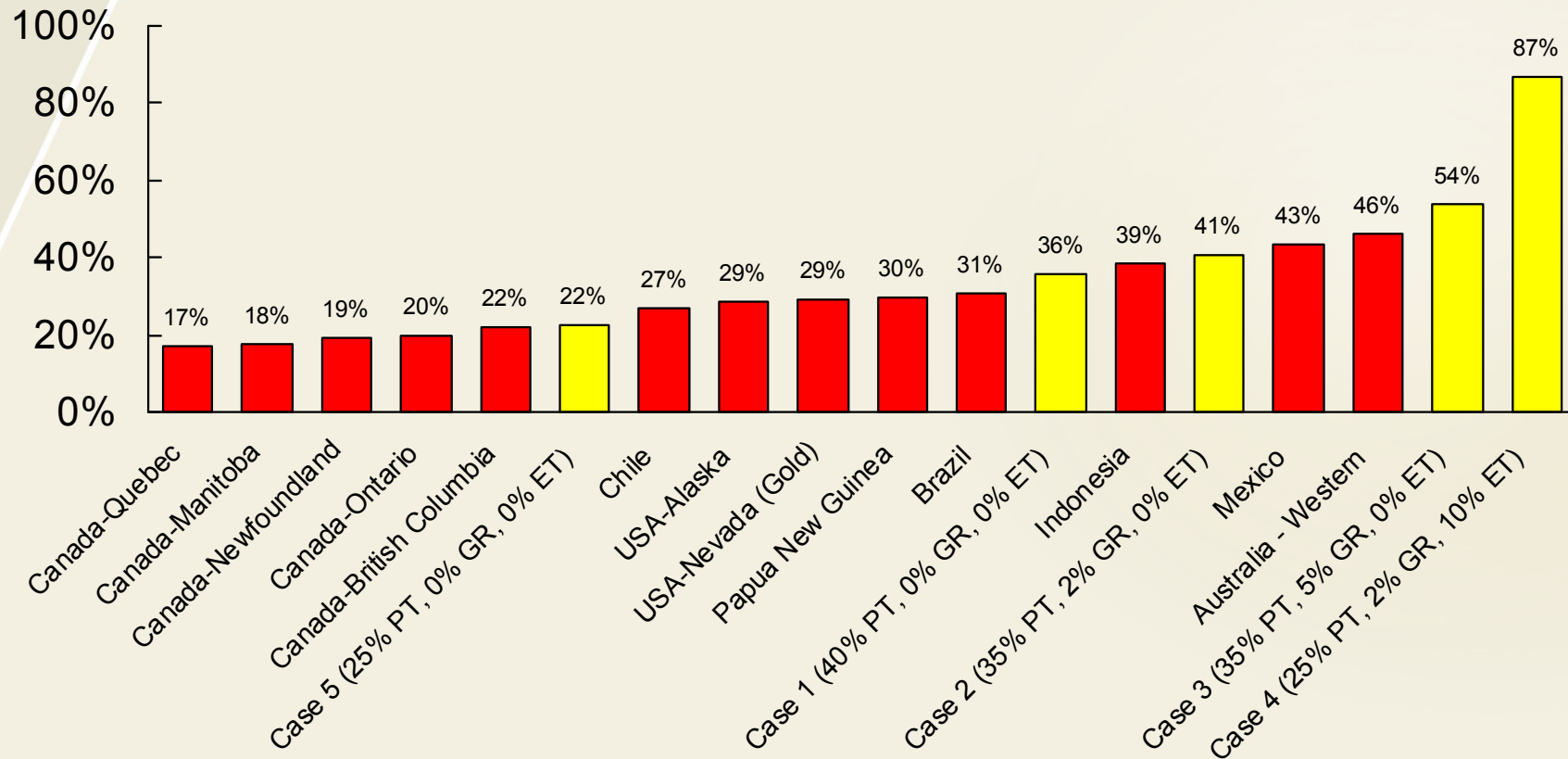
(PT - profit tax rate, GR - gross royalty rate,
ET - export tax rate)





2003 Average Effective Tax Rates for Project with 10% IRR

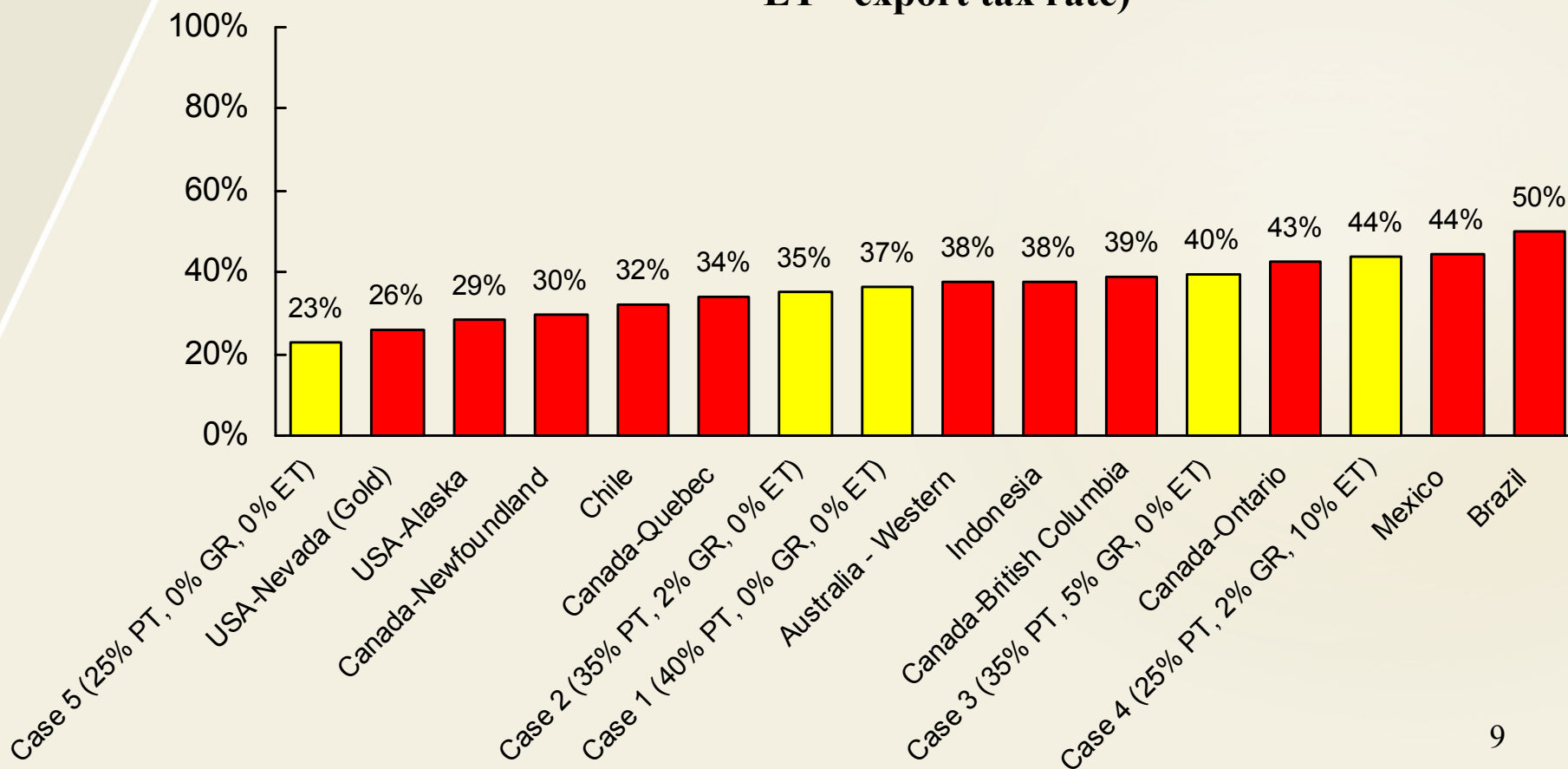
(PT - profit tax rate, GR - gross royalty rate,
ET - export tax rate)





1993 Average Effective Tax Rates for Project with 25% IRR

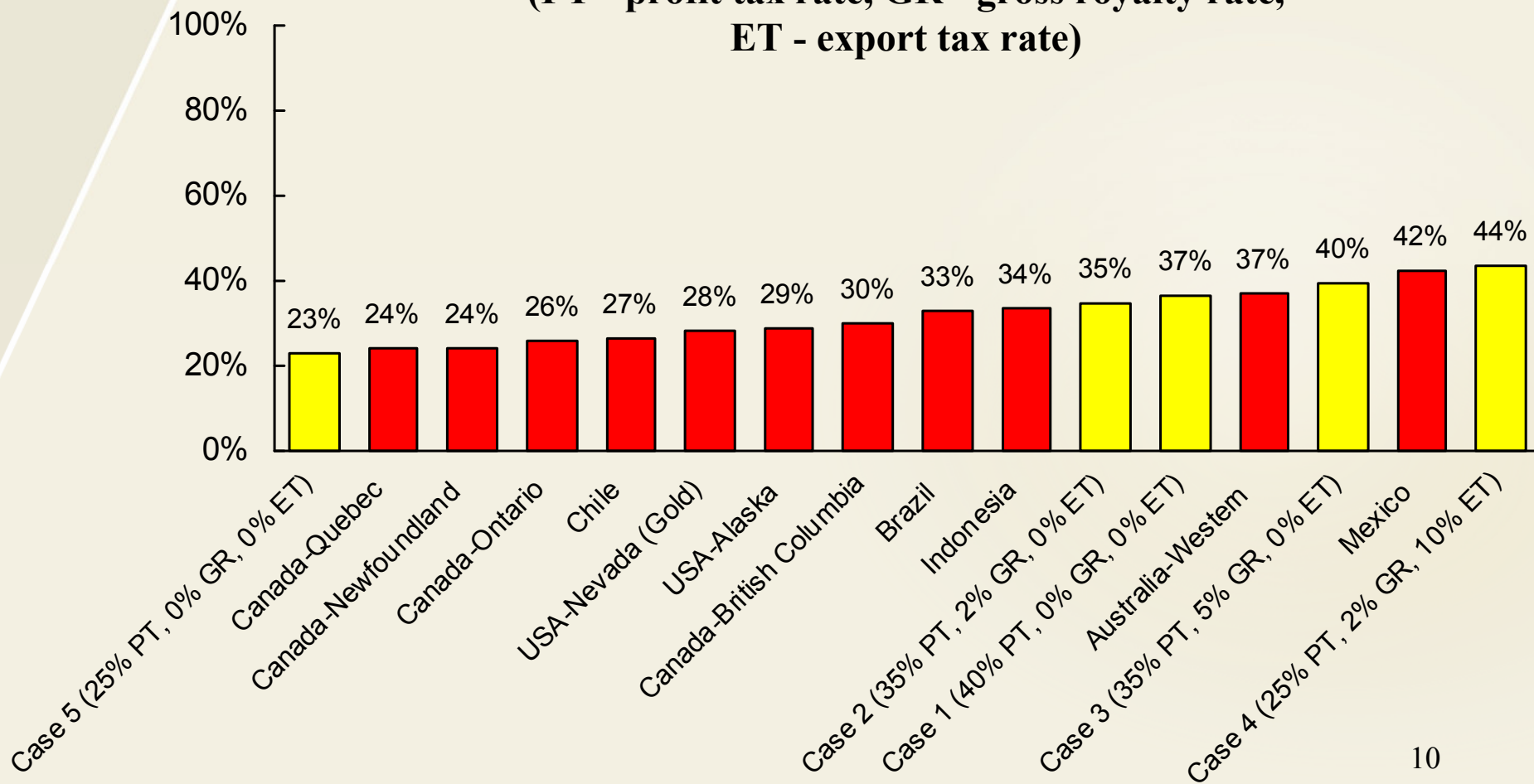
(PT - profit tax rate, GR - gross royalty rate,
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2003 Average Effective Tax Rates for Project with 25% IRR

(PT - profit tax rate, GR - gross royalty rate,
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Tax Reductions - Canada

- **Federal government**
 - **Reducing corporate tax rate: 28% to 19% by 2010.**
 - **Eliminating capital tax.**

- **Provincial governments**
 - **British Columbia, Alberta, Manitoba, Ontario, Quebec, New Brunswick, Nunavut and the Northwest Territories are lowering corporate tax rates.**
 - **Reducing or eliminating capital taxes.**

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Tax Reductions – Other Countries

- **Elimination of Export Taxes – Mongolia and Russia.**
- **Lowering of Corporate Income Tax – Papua New Guinea, Brazil, Australia, South Africa.**
- **General trend towards an effective corporate income tax rate in the range of 30 to 35 percent; 30 percent for Indonesia, Tanzania, Republic of South Africa, Mexico, and Mongolia.**
- **Rising royalties or new mineral royalties on sales.**

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Canada's Policy Environment

– Multi-Stakeholders

**Aboriginal
Groups**

**Provincial and
Territorial
Governments**

**International
Policy Issues,
Programs and
Events**

**Industry and
Industry
Associations**

Federal Government

**Regional
Development
(Rural and Remote
Communities)**

Labour Groups

**Educational
Institutions**

**Non-Governmental
Organizations**

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Major Areas of Federal / Provincial / Territorial Cooperation

- **Science and Technology**
 - e.g., Geological Surveys
- **Economic development**
 - e.g., National and regional
- **Environment**
 - e.g., harmonized assessments
- **Aboriginal people**
 - e.g., land claims, Impact and Benefit Agreements
- **Taxation**

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International Policy

- **Objective**
 - International cooperation
 - International investment and trade
 - International competitiveness

- **Challenges**
 - market access and development
 - European Metal Risk Assessments
 - Product bans (asbestos, lead, cadmium)
 - European REACH legislation
 - Heavy Metals Protocol
 - Transboundary shipment of hazardous material

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Investment Policy

- **A stable and competitive mining investment climate**
- **Minimum investment restrictions**
- **Clear federal and provincial/territorial responsibilities**
- **Well-defined environmental process and standards**
- **Transparent, clear and consistent project approval process and procedure**
- **Land access and security of tenure**
- **Mining rights**
- **Free access to capital market**
- **No import or export restrictions**
- **Good governance and best practices**

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Investment Policy – cont'd

- **No barriers to foreign investment in Canada's minerals and metals industry**
- **Equal treatment to domestic and foreign investors**
- **Full availability and access to information and statistics on minerals and metals**
- **Investment Canada Act**

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Investment Policy – Uranium

- **Canada allows 100% foreign ownership of a mining company or mineral property, with the exception of uranium**
- **Uranium ownership requires 51% controlling interest by a Canadian company**
- **All transactions involving the acquisition of control of a Canadian business involved in the production of uranium with assets of more than \$5 million will trigger an Investment Canada review.**

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Conclusion

- **Canada's mineral policy:**
 - provides a comprehensive framework for sustainable development and resource management
 - provides a fair, open, relatively unrestrictive and competitive environment for foreign investment

- **Foreign investors treated as equal members of business community**

- **Canada welcomes foreign investment**

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An Interpretation of Current Trends in Global Mineral Taxation

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