

Mineral Exploration Tax Credit

(The Budget Plan 2003, Annex 9, pp. 337-338)

In October 2000, the Government introduced a tax credit for mineral exploration as a temporary measure to moderate the impact of the global downturn in exploration activity on mining communities across Canada. This credit applies at the rate of 15 per cent of specified surface “grass roots” mineral exploration expenses incurred in Canada by a corporation before 2004 and renounced to an individual pursuant to a flow-through share agreement.

A number of key mineral-producing provinces have also introduced similar tax credits for mineral exploration. The operation of both the federal and provincial mineral exploration tax credits has been reviewed by an inter-governmental working group on the mineral industry, which recommended that the credit be extended by at least one year and that the credit apply to eligible expenses which are deemed to have been incurred in the final year of the credit program under the existing “look-back” rule. The look-back rule allows a corporation which incurs expenses in a given calendar year to renounce those expenses to a flow-through share investor effective as of the last day of the preceding year.

The budget proposes to extend the scheduled expiry date for the mineral exploration tax credit from December 31, 2003 to December 31, 2004, and that the credit apply to eligible expenses incurred by a corporation in 2005 that are deemed to have been incurred by a flow-through share investor on December 31, 2004, under the “look-back” rule.