

1996 TAXATION CHANGES - MINING INDUSTRY

This bulletin outlines taxation changes announced in the 1996 Manitoba Budget on April 2, 1996, that apply specifically to the Mining Industry.

Geophysical Survey And Exploration Equipment

Geophysical survey and exploration equipment (excluding drill rigs) designed and used solely for prospecting or exploration for metallic minerals will be exempt from Retail Sales Tax (RST). The tax exemption commences on March 31, 1996, for geophysical survey aircraft, and on July 1, 1996, for all other qualifying geophysical survey and exploration equipment. Legislation amendments are being prepared which will specify the survey and exploration equipment available for the exemption.

Prototype Equipment For Mining

Commencing on April 2, 1996, Retail Sales Tax exemption will be allowed for prototype equipment used to research and develop new mining technologies.

Procedures

To qualify for the tax exemption on prototype equipment used to research and develop new mining technologies, mining companies are required to obtain prior written approval from the Director of Taxation for each acquisition.

Mining companies may quote their RST number to the seller to obtain the tax exemption on qualifying equipment.

Tax exemption does not apply to parts and services for equipment.

Deduction Of Exploration And Development Expenses

For Corporation Capital Tax purposes all mining companies will be allowed to deduct their net accumulated exploration and development expenses that are eligible under Income Tax but have not been claimed. Previously, Corporation Capital Tax deduction for these expenses applied only to companies that owned 50% or less of an operating mine in Manitoba. This change is effective for taxation years ending after December 31, 1995.

Diesel Fuel For Mineral Exploration

Diesel fuel purchased after April 2, 1996, for equipment used exclusively off-road for metallic mineral exploration is exempt from the Motive Fuel Tax. Mining companies must purchase tax-exempt coloured diesel for this purpose. Documentation standards for the fuel supplier require the fuel usage to be indicated on the invoice.

NOTE: For the specific wording of the tax law, reference should be made to the applicable Act and Regulations. Further information may be obtained from:

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101 - 401 York Avenue
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Fax (204) 948-2087
E-mail: MBTax@gov.mb.ca
Web Site: www.gov.mb.ca/finance/taxation

Westman Regional Office

Manitoba Finance
Taxation Division
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