



# FUEL TAX REBATE BACKGROUNDER



GOVERNMENT OF NUNAVUT  
DEPARTMENT OF FINANCE

FISCAL 2006-2007

## **Nunavut Fuel Tax to be Rebated for Mining Exploration and Development**

(Iqaluit, Nunavut) Effective April 1, 2006, the Nunavut fuel tax will be rebated for key sectors including mining, fishing, hunting and trapping, and tourism. In the case of mining, the rebate is particularly important to improve Nunavut's competitive position and encourage economic growth and jobs for Nunavummiut. This fuel tax will be rebated only for commercial off road activity.

"The rebate of the fuel tax will improve investor confidence and provide a clear message that our government is willing to work with industry as an open and responsive partner," said Finance Minister David Simailak.

The mining sector argues that the GN's fuel tax places an unfair burden on the industry. Funds raised through the fuel tax are used to fund the construction and maintenance of roads and other infrastructure used by fuel-consuming vehicles. But mine-site infrastructure is built and maintained by the mining company not by the Government of Nunavut. So in their view, the tax is unfair and should not be applied to mine site operations.

The fuel tax rebate for mining comes at a time when there is a tremendous opportunity for Nunavut to attract new investment in the mining sector – investment that will result in jobs for Nunavummiut and economic growth in the territory. The Fraser Institute annual survey of mining companies has consistently singled out Nunavut as having the least attractive taxation regime in all of Canada. While this has not necessarily had a negative impact on exploration activity, the fuel tax and our lack of infrastructure have been identified as significant competitive deterrents for further development of the mining sector.

"Nunavut has to be able to compete with other jurisdictions, otherwise there's a real risk that mining companies will take their investments elsewhere. That would be a tremendous loss not only to our territory but to hundreds of Nunavummiut who see the opportunity for jobs in the mining industry, said Simailak.

The fuel tax rebate is consistent with our Pinasuaqtavut objective of developing and diversifying Nunavut's economy. A competitive tax regime will allow those involved in Nunavut's mining sector to raise money and develop profitable mining operations. This rebate will support the forthcoming Government of Nunavut Mining Strategy. The structure for industry to access the rebate will be contained in a Government of Nunavut policy on Development Partnership Agreements. These agreements will allow the Government of Nunavut to work with industry to coordinate infrastructure development and training initiatives and to monitor and mitigate socio-economic impacts. The goal is to improve coordination, profitability, and long term benefits for Nunavummiut.

In addition, the rebate will help offset higher energy costs that have been making it increasingly difficult for businesses to operate in Nunavut, which is already a relatively high cost frontier region at a disadvantage in the global market.

The fuel tax rebate will put Nunavut on a more level playing field with other jurisdictions including the Yukon, Alberta, New Brunswick, Manitoba and Newfoundland and Labrador who have introduced similar measures in the past.

Approximately 65 exploration projects are expected in Nunavut in 2006. Three advanced exploration projects could become operating mines in Nunavut over the next three to five years, and six other projects have prospects of becoming mines over the next 10 years. The now closed Lupin, Nanisivik and Polaris mines are in the process of being reclaimed over the next few years.

**Table 1- Potential Mining Sites**

<b>Project</b>	<b>Operations Stage</b>	<b>Production Duration</b>
Jericho diamond	Mine construction	2006 – 2014
Hope Bay (Doris N) gold	Deposit appraisal; EIS	2007 – 2009+
Meadowbank gold	Deposit appraisal; EIS	2007 – 2015+
High Lake base metals/ Ulu gold	Deposit appraisal; Feasibility (pre-EIS)	2008 – 2023

The introduction of the fuel tax rebate will result in approximately \$1 million annually in fuel tax rebates to the mining sector. However, the GN expects to get back approximately \$4 million dollars in various forms of taxes including corporate, property, personal, and payroll taxes. “This is a smart investment decision. In effect, we are investing one dollar to get back a net benefit of three dollars,” said Simailak.

The mining sector will be a major driver behind job creation in Nunavut. The number of employees will vary from 150 to 400 at each projected mine site, where workers will fly to the site from their home communities on a rotating shift basis. This translates into over 1,500 projected, mine-related jobs over the next 10 years, and would represent 12% of the territory’s workforce.

**Table 2- Application of Fuel Tax for Nunavut**

<b>Nunavut</b>	<b>Per Litre Rate of Tax</b>
<b>Zone B Gasoline</b>	<b>6.4¢</b>
<b>Diesel Motive</b>	<b>9.1¢</b>
<b>Diesel Non-Motive</b>	<b>3.1¢</b>
<b>Aviation Fuel</b>	<b>1.0¢</b>
<b>Other Fuel</b>	<b>3.1¢</b>