



MINISTRY OF EMPLOYMENT AND INVESTMENT

# INFORMATION LETTER

MTA5

RESOURCE REVENUE BRANCH  
MINERAL TAXATION SECTION

**SUBJECT: 1995 AMENDMENTS TO THE MINERAL TAX ACT AND  
MINERAL TAX REGULATIONS**

**MINERAL TAX ACT**

On June 8, 1995 the *Miscellaneous Statutes Amendment Act, 1995*, containing certain amendments to the *Mineral Tax Act* (the "Act"), received royal assent. The following is a summary of the Mineral Tax amendments enacted:

1. Section 1 was amended by adding subsections (4), (5) and (6). These subsections require the fiscal year end of a mine to occur when an operator of the mine becomes bankrupt or when an interest in the mine is acquired or disposed of.
2. Section 9 was amended to reword subsection (1)(d) and subsection (2), and to add new subsections (3) and (4). These changes adjust the calculation of the investment allowance when an interest in a mine is acquired or disposed of. Before the amendments, the investment allowance earned by operators who purchased or sold an interest in a mine often did not fairly reflect the length of time they owned their interest in the mine during the year. With the revised calculations, operators receive investment allowance from the date they acquire their interest in the mine until the day before the date they dispose of it.
3. Section 45 was added allowing the Minister to approve the form of, and the information to be contained in Mineral Tax returns. Before the amendment, only the Lieutenant Governor in Council was able to make these approvals.

For ease of reference the section numbers cited above refer to the *Mineral Tax Act* as renumbered on April 21, 1997. For the original numbering, please refer to RSBC 1989, Chapter 55.

## **MINERAL TAX REGULATIONS**

On August 17, 1995, orders-in-council were approved by the Lieutenant Governor in Council containing amendments to three regulations to the *Act*. The following is a summary of these amendments:

### **Disposition of a Mine Regulation**

1. Section 1 was amended to add two new definitions:

“**deemed fiscal year end**” refers to the fiscal year end of the mine deemed to occur under section 1(5) of the *Act* when an interest in a mine is acquired or sold. The definition was added to simplify the wording of repeated references to this deemed fiscal year end throughout the regulation.

“**finished mineral product inventory**” explains that the term used in the amended regulation refers to completed mineral product that the vendor intends to sell.

2. The phrase “fiscal year” was replaced by “fiscal year of the mine” following 1994 amendments to the *Act* which replaced the definition of “fiscal year” with two concepts, “fiscal year of the mine” and “fiscal year of the operator”.
3. Section 2(c) was reworded to revise the calculation of the deemed proceeds from a sale of an interest in a mine to allow for the deduction of the cost of finished mineral product inventory that the vendor does not sell in the transaction.
4. Section 2(e) was reworded so that previous references to calculations to be made as if a fiscal year end had occurred is replaced by a reference to calculations to be made at the fiscal year end of the mine.

Also, paragraph (i) of section 2(e) was amended to delete the reference to section 5 of the *Act*, which was repealed in 1994.

5. Section 2(f) was added to explain that the purchaser must adjust the opening balance of the cumulative tax credit account by the amount transferred in the joint election. This allows the purchaser to earn imputed interest on the balance transferred, and to use the transferred amount to offset net revenue tax in the year of the purchase.
6. Section 2(g) explains that the purchaser must adjust the opening balance of the earned depletion base account by the amount transferred in the joint election. This allows the purchaser to claim related earned depletion tax credits in the year of the purchase.
7. Section 3(2) was added to allow the Commissioner of Mineral Tax to accept late, amended, or revoked elections at the Commissioner’s discretion.

8. Section 4 was added to ensure that the vendor's accounts for the mine are reduced by any amount added to the purchaser's accounts as a result of a joint election.

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**Reclamation Regulation**

1. The phrase “fiscal year” was replaced by “fiscal year of the mine” following 1994 amendments to the *Act* which replaced the definition of “fiscal year” with two concepts, “fiscal year of the mine” and “fiscal year of the operator”.
2. Section 4(3) was added to allow the Commissioner of Mineral Tax to accept late, amended, or revoked elections at the Commissioner’s discretion.
3. The schedule for the Election to Transfer Reclamation Costs was amended to account for contributions to a mine reclamation fund. The election form was also amended to allow for the transfer of current reclamation costs incurred in the fiscal year of a mine to be transferred directly to the Cumulative Expenditure Account.

**Transitional Regulation**

The phrase “fiscal year” was replaced by “fiscal year of the mine” following 1994 amendments to the *Act* which replaced the definition of “fiscal year” with two concepts, “fiscal year of the mine” and “fiscal year of the operator”.

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