



MINISTRY OF EMPLOYMENT AND INVESTMENT

INFORMATION LETTER

MTA13

RESOURCE REVENUE BRANCH
MINERAL TAXATION SECTION

SUBJECT: 1998 AMENDMENTS - RECLAMATION COSTS

On January 8, 1998 *Mineral Tax Reclamation Regulation 402/89* was repealed and replaced. On the same date, the *Mineral Tax Costs and Expenditures Regulation 405/89* was amended to repeal section 2(1)(w), and to add new section 2(1.1). The purpose of these changes is to simplify the mechanics of deducting reclamation costs. The amendments have not changed the types of costs eligible to be treated as reclamation costs or the ability to claim reclamation tax credits.

Under the old rules, reclamation costs incurred in the fiscal year were added to the Reclamation Cost Account ("RCA") and operators could not deduct them as current operating costs or add them to the Cumulative Expenditure Account ("CEA") without filing an election. As it is usually advantageous to claim reclamation costs in the year incurred, many operators were required to file elections every year.

The new rules eliminate the need for most operators to file a reclamation election each year. Reclamation costs will now be treated in the same manner as other allowable costs, either current or capital as appropriate, without an election. Instead of having to elect to transfer costs out of the RCA, an election will now be required only if an operator wishes to put the costs into the RCA in order to claim a reclamation tax credit.

New Reclamation Cost Election

Beginning January 8, 1998, if an operator wishes to add reclamation costs to the RCA an election under new section 5(1) of the *Mineral Tax Reclamation Regulation* will be available. This election should be made on the new Reclamation Cost Election form and filed within six months of the fiscal year end of the mine. Once costs have been elected into the RCA, they may not be transferred back to current operating costs or to the CEA.

Transitional rules

To ensure that operators who have accumulated balances in the RCA under the old rules are not adversely affected, there are special provisions to address existing RCA balances. Under section 4(1) of the *Mineral Tax Reclamation Regulation* any amounts that have been added to the RCA before the end of the 1998 fiscal year of a mine can still be transferred to the CEA in the old manner.

Amended Regulations

Attached are unofficial consolidations of the *Mineral Tax Costs and Expenditures Regulation* and the *Mineral Tax Reclamation Regulation* incorporating the January 8, 1998 amendments. These working copies have been prepared in our office for the convenience of mine operators and other users of the *Mineral Tax Act* until such time as the official consolidation is issued by the Queen's Printer for British Columbia. Where any conflict exists between these working copies and the legal wording of the regulation, the latter shall prevail.

Also attached is a revised schedule to the *Mineral Tax Reclamation Regulation* incorporating the new Reclamation Cost Election. The top section of the schedule, entitled Reclamation Cost Transfer Schedule, is the old election form which may still be used to transfer costs out of the RCA under the transitional rules in section 4(1). The bottom section of the schedule is the new Reclamation Cost Election form to be used to transfer costs into the RCA under new section 5(1).

Revised tax return forms

The *Mineral Tax Return* form and the *Mineral Tax Handbook* are currently under revision to incorporate the new reclamation provisions. These will be distributed to mine operators and other interested parties as soon as they are complete.

For changes to the mailing list or additional copies, please contact:

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Preceded by: MTA12

attachment

