Royalty Information Briefing #4
- Freehold Mineral Tax -

What is the Freehold Mineral Tax?
The Freehold Mineral Tax (FMT) is a tax levied by the Government of Alberta on the value of oil and natural gas production from non-Crown lands.[1, 2]

Background:
The Alberta Crown owns 81% of the mineral rights in Alberta. The federal government owns 10.6% under National Parks and held in trust in Indian Reserves. The remaining 8.4% are privately owned by corporations and individuals. The private ownership of mineral rights is registered on a Certificate of Title at Land Titles. All freehold mineral rights in Alberta are private property.

Approximately 93% of the annual FMT is assessed on mineral rights owned by corporations (EnCana, Imperial Oil, etc.). The remaining 7% is assessed on all other titles including municipalities, religious organizations, individuals, private family trusts, universities, and charities.

The FMT provides for freehold rights owners to contribute to the cost of infrastructure and regulatory services that benefit all mineral rights owners and producers. The tax also contributes to equitable fiscal treatment between Crown and freehold rights.

The FMT legislation has been in effect since 1983 and is a production type levy that includes a $1,600 exemption[3] for each title owner for both oil and gas production.

There are approximately 35,000 producing freehold mineral titles in Alberta. After the $1,600 exemption, only approximately 15,000 titles have any tax payable.

FMT Rates:
The tax rate on natural gas is 6.9%, before reductions for wells with an average production of under 16.9 thousand cubic meters (16.9 10^3m^3) per day. The minimum tax rate is 1%. The current effective tax rate on gas is 4%. The tax rate on oil is 0% to 4% for wells producing less than 2,288.4 m^3 per year and up to 6.75% on wells with production greater than that. The current effective tax rate on oil is 3%.

[1] The FMT can be compared to the Severance Tax in the United States. U.S. states levy a Severance Tax on the revenue balance after royalty is deducted. The rational for this tax is based in the notion of compensation to the State for “severing” its original ownership to the individual and in the benefits received by the individual as a result of costs incurred and services provided by the state; e.g., geological information, land title management, and environmental protection.
[2] A detailed description of these systems can be found in *Oil and Gas Fiscal Regimes for the Western Canadian Provinces and Territories*, Alberta Department of Energy, February, 2007 - http://www.energy.gov.ab.ca/docs/tenure/pdfs/FISREG.pdf.
[3] The exemption was included to accommodate very small producers; in particular, individual private land owners.