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## Favourable Tax Measures Announced for Mining Investors

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On March 1, 2015, the federal government announced two new tax measures favourable to investors in junior mining exploration companies in Canada in an effort to stabilize and strengthen the Canadian mining industry.

First, the government has extended the 15% Mineral Exploration Tax Credit for investors in flow-through shares for an additional year, until March 31, 2016. Flow-through shares are an instrument to encourage investment in Canadian mining, because they permit resource companies to renounce or “flow through” unused tax expenses associated with their Canadian exploration activities to investors who can deduct the expenses in calculating their own taxable income. The Mineral Exploration Tax Credit provides an additional benefit to individual investors in mining flow-through shares, equal to 15% of the specified mineral exploration expenses incurred in Canada that were renounced by the resource companies in favour of their flow-through share investors. With this announced extension, specified expenses will be eligible for the 15% Mineral Exploration Tax Credit in respect of flow-through share agreements entered into on or before March 31, 2016.

Second, the government affirmed that costs associated with undertaking environmental studies and community consultations that are required in order to obtain an exploration permit are eligible for treatment as Canadian Exploration Expenses (CEE). Under CEE treatment, costs can be fully deductible for tax purposes by resource companies in the year incurred, or can be renounced by the resource companies in favour of their flow-through share investors. In the case of eligible projects, these expenses could also qualify for the 15% Mineral Exploration Tax Credit described above. This measure provides further incentive to investors in the sector by increasing the pool of deductible CEE, which already includes expenses incurred for the purposes of determining the existence, location, extent or quality of a mineral resource or an accumulation of petroleum or natural gas in Canada.

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