

The Mining Tax Act

This guide is provided for convenience only and additional instructions are included within the Ontario Mining Tax Return (Return). For legislative accuracy refer to the *Mining Tax Act* (MTA) and Regulation 769 (Reg).

Any section or Regulation references are to the MTA or the Reg and are noted in this manner e.g., MTA S. 3, or Reg. Sec. 8.

Filing the Return

ONT-TAXS online is the Ministry of Revenue's (Ministry) secure, convenient and free online tax service for businesses and their representatives. It saves time, reduces paper and is available 24 hours a day, seven days a week. Getting started is fast and easy! Visit ontario.ca/revenue or call us at 1 866 ONT-TAXS (1 866 668 8297). When prompted, please refer to Mining Tax.

You can update your account information and change of address in ONT-TAXS online. You can also file your return and make tax payments using ONT-TAXS online.

Every Operator of a mine in Ontario must file a Return. Each individual taxpayer must be clearly identified by the Operator's name and Identification Number.

Operators of either non-remote or remote mines need to complete the taxable profit calculation and schedules 1 to 7 of the Return.

A Return must be filed on or before the last day of the month that ends six months following the end of the taxation year.

Where the Operator has more than one remote mine, separate schedules are required for each. Consolidate the totals for all remote mines on the "Taxable Profit Calculation" form.

Operators who fail to file a Return or who fail to include information or documents required to be delivered as part of the Return, will be subject to a penalty of 5 per cent of the tax owing as of the day the Return was required to be filed.

Operators who file a Return containing a false statement are liable for a penalty of 25 per cent on any resulting additional tax.

The MTA requires that all accounts be kept current. Operators who fail to file Returns or have unpaid assessments will be referred to the Ministry's Collections Branch.

If you choose to file a paper return the Ministry will mail you a personalized return.

The completed paper Return should be submitted to the following address:

Ministry of Revenue
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Instalments

Instalments are due on the 25th day of each month.

If a taxation year does not start on the first day of a month, the instalment is not due until the 25th day of the following month.

An Operator is not required to pay instalments for its first taxation year.

The instalments payable are determined by the number of complete months commencing in the current or first prior taxation year.

When calculating instalments, if the previous taxation year is less than 365 days the tax payable for the year must be grossed up by the number of complete months.

Interest at the rate prescribed by the Reg shall be calculated and charged daily on any deficiency in the instalment account.

Balance of Tax

The balance of tax due must be paid within two months after the end of the taxation year.

Interest at the rate prescribed by the Reg shall be calculated and charged daily on any deficiency in the tax account.

Every Operator that fails to deliver a Return as and when required by the MTA or the Reg is guilty of an offence and, in addition to any penalty otherwise provided, on conviction is liable to a fine of not less than \$200 for each day of default.

Mining Tax Exemption

A Mining Tax Exemption (MTE) on up to \$10 million of profit during an exempt period is available for each new mine. The exempt period for a non-remote mine is three years, and the exempt period for a remote mine is ten years. The MTE is also available for a major expansion of an existing non-remote mine.

If you are claiming the MTE, please complete the following forms, as required for each mine, and submit a paper copy to the address above or an electronic PDF copy using ONT-TAXS online:

- Declaration & Allocation for the MTE for Non-Remote Mines
- Calculation of Profit Eligible for the MTE for New Non-Remote Mine or Major Expansion of Existing Non-Remote Mine
- Declaration & Allocation for the MTE for Remote Mines
- Calculation of Profit Eligible for the MTE for New Remote Mine

If the subject mine has commenced active operation or if the mine has reopened after being closed, the Operator is required to give written notice to the Ministry that the mine is in active operation. If the mine is subject to closure, inactivity or close out of mining operations, the Operator must give written notice to the Ministry that the mine has discontinued operations.

Remote Mines

Remote Mines are mines opened after May 7, 1996 that are certified by the Ministry of Northern Development Mines and Forestry as remote mines.

Mining profits from remote mines are taxed at a lower preferential tax rate than non-remote mines. Due to the different tax rates applicable to each category of mines, unless an election is made under MTA S. 4(4.1) not to be taxed as a remote mine, Operators with a remote mine must provide a separate taxable profit calculation for each remote mine.

These forms may be downloaded from the Ministry website at [ontario.ca/revenue](https://www.ontario.ca/revenue)

An election may be made if the mine was not treated as a remote mine in a prior taxation year, and the election is made in the year the mine is certified as a remote mine.

It may be more advantageous for an Operator with a remote mine to be taxed as a non-remote mine (e.g., during its start-up years when it has losses).

For further information on certification requirements for a remote mine visit the Ministry of Northern Development Mines and Forestry's website at [mndmf.gov.on.ca](https://www.mndmf.gov.on.ca)

Completing the Return

The check boxes on the front of the Return apply to the following situations:

- Any Operator due credit for the current taxation year may apply the credit to a future reporting period.

- Please indicate if the corporation has ceased business activity in Ontario and this is the corporation's final Return.
- Please indicate if the corporation is subject of an amalgamation, wind up or transfer of assets.

The next seven pages of the Return comprise Schedules 1 - 7 and the following information will assist in the completion of the respective schedules.

Schedule 1 – Determination of Proceeds

Enter the breakdown of proceeds by quantity, commodity description etc. from all non-remote mines on this schedule and similarly provide additional separate schedules for each remote mine as required by checking the applicable box. **Include only the proceeds in respect of each category of mine for the taxation year.**

Schedule 2 – Allowance for Depreciation of Mining Assets

Enter the deduction for *non-remote mines* and *remote mines* by checking the applicable box. Include only the cost of depreciable assets reasonably related to each category of mines during the taxation year [S. 3(12.1)].

1. Assets used for a new mine or a major expansion of an existing mine acquired at arm's length after March 7, 1978 and before the project is completed [(S. 3(12) (c)].
 - claim an allowance as calculated under S.3(12)(b), or
 - up to 100% of the Undepreciated Capital Cost (UCC) of the assets provided that it does not exceed the profit for the taxation year from the new mine or major expansion (attach calculation).
2. Other Mining Assets [S. 3(12) (b)]. For mining assets acquired in each taxation year after April 9, 1974, in the year or a prior year, claim up to the lesser of:
 - a. 30% of the original capital cost for mining assets not previously used in mining operations (15% for other mining assets), and
 - b. UCC subject to Allowance.

Allowance Claimed must:

- be prorated for short taxation years [S. 3(12)(d)];
- be the maximum allowed at basic rates and prorated for the exempt period for assets applicable to an eligible mine, if claiming the MTE [S. 3.1(3) and (5)] (attach a separate calculation); and be the maximum allowed for remote mines computed without reference to depreciation for new mines and major expansions [S.3 (8)2 and 4].

Original Capital Cost:

- refers to the cost of acquisition net of original cost of asset disposed of and reductions of capital cost for ITCs and government assistance under S. 3(14).

Cost of Additions:

- refers to cost of acquisitions net of reductions for ITCs and government assistance [S. 3(14)].

Schedule 3 – Allowance for Depreciation of Processing and Transportation Assets

Enter the deduction for *non-remote mines* and *remote mines* by checking the applicable box. Include only the cost of depreciable assets reasonably related to each category of mines during the taxation year [S. 3(12.1)].

Applies to assets used for processing and transporting processed mineral substances to market from the point at which processing is completed. For assets acquired in each taxation year after April 10, 1974 claim an allowance for depreciation consisting of the lesser of:

- 15% of the original capital cost of the processing and transportation assets; and the UCC subject to Allowance.

The Allowance claimed must:

- not exceed the apportioned amount calculated under S. 3(12)(e)(i) and (ii) for assets situated or used outside Canada (attach calculation);
- not exceed the apportioned amount calculated under S. 3(21)(a) and (b) for processed mineral substance mined, or processing assets located, in Canada outside Ontario (attach calculation);
- be prorated for a short taxation year [S. 3(12)(d)]; and be the maximum allowed at basic rates for remote mines and eligible mines and, if claiming the MTE, prorated for the exempt period for assets applicable to an eligible mine [S. 3.1(3) and (5) and 3(8)4] (attach separate calculation).

Original Capital Cost:

- refers to the cost of acquisition net of original cost of asset disposed of and reductions of capital cost for ITCs and government assistance under S. 3(14).

Cost of Additions:

- refers to cost of acquisitions net of reductions for ITCs and government assistance [S. 3(14)].

Schedule 4 – Exploration and Development (E & D) Expenditures Incurred in Ontario

Enter the deduction for *non-remote mines* and *remote mines* by checking the applicable box. Include only E & D expenditures incurred in respect of each category of mines during the taxation year. For remote mines, include only E & D expenditures that were incurred for the purpose of bringing an Ontario mine into production or in developing a mine after the mine comes into production, including sinking or constructing a mine shaft, mine haulage way or similar underground work designed for continuing use, and any extension thereof [S. 3(8) 1)].

Claim up to 100 per cent of E & D incurred in Ontario not previously deducted. These expenditures must be reduced by the following:

- eligible exploration expenses under the *Ontario Mineral Exploration Program Act* [S. 3(13)(d)];
- any assistance or benefit from a government, municipality, or other public authority, including a grant, subsidy, forgivable loan, etc. [S. 3(13) (e)]; and renounced expenditures in favour of another person [S.3 (13) (f)].

Schedule 5 – Determination of Processing Allowances

Enter the deduction for *non-remote mines* and *remote mines* by checking the applicable box. Include only the cost of processing assets used for each category of mines.

The processing allowance applies to processing assets as constructed only to the extent that they remain in use after construction. The processing allowance is suspended on processing assets that are not fully completed within eight years after the date of commencement of construction. The processing allowance claimed on assets as constructed, but not in use must be supported by a progress report showing work done and monies expended on the assets during the taxation year [S. 9(3) and (4) of Reg. 769].

Where an Operator's mining operations includes a remote mine, the cost of processing assets must be classified as either remote or non-remote based on their use. The processing allowance for the year in respect of a remote mine is to be computed separately based on processing assets used for the remote mine (including those reclassified from non-remote mines) as if the Operator had no interest in any mine other than the remote mine during the taxation year [S. 3(8)].

Schedule 6 – \$ 500,000 Annual Exempt Profit Deduction

Each associated group of Operators is eligible for an annual exempt profit deduction of \$500,000. The exempt profit deduction is prorated for short taxation years and may be reduced further where an Operator has a partial interest in a mine or where the Operator ceases production in the taxation year for a period exceeding 60 days.

If your mining operations include a remote mine(s), calculate separately your profits from remote and non-remote mines on page 2 and prorate the annual exempt profit deduction between the two categories of mines using the formulae in E and F.

Schedule 7 – Name(s) and Location(s) of Mines

Please enter the name and location of each of the mines (non-remote and remote) in active operation within the reporting period of the Return.

Attachments Required with Return

Please complete the following attachments as required and submit to the Ministry, clearly identifying the Operator's name and Identification Number. You can submit a paper copy of your attachments by mail or an electronic copy using ONT-TAXS online in the following formats: doc, xls, ppt, txt, PDF

- a copy of the unconsolidated and consolidated financial statements and auditor's report for the taxation year
- reconciliation schedule between the unconsolidated and consolidated financial statements
- mine operating statement(s) for each mine with allocations between joint venture partners if applicable
- reconciliation of net earnings per financial statement with the profit subject to mining tax
- reconciliation of fixed assets per financial statements with assets for mining tax purposes (i.e., mining assets, processing and transportation assets)
- completed exempt profit calculation(s) (refer to page 2) for new or major expansion of non-remote mine(s) and for new remote mine(s) as required
- schedule of processing assets showing details of:
 - the assets under construction,
 - the assets used where a portion of the output is shipped to third parties for further processing to the next stage,
 - total cost of assets at each stage of processing (e.g., concentrating, smelting & refining), and
 - the assets attributable to part interest operations.
- separate schedules showing details for regular, new and expanded and remote mines of:
 - mining expenses
 - processing expenses
 - operating or maintenance expenses re social assets in Ontario
 - administrative and overhead expenses
 - scientific/product use development research in Canada
 - charitable, educational or benevolent donations
 - transportation expenses and outlays re delivery of output to purchasers
 - reserves and deductions as prescribed by Reg 769
 - recaptured depreciation

- management fees, service charges and similar payments
- interest expense capitalized to mining assets and processing and transportation assets.

Identification Number

The Identification Number is a unique number assigned by the Ministry to your account and noted on your Return.

		Ministry of Revenue 33 King St W PO Box 620 Oshawa ON L1H 8E9		Mining Tax Return Pursuant to the <i>Mining Tax Act</i>	
Identification No.	Reporting Period	Due Date	Reference No.		
1234567	01-Jan-2011 to 31-Dec-2011	30-Jun-2012	L0217282176		

Reference Number

This is a unique number assigned by the Ministry to each tax return and accompanying schedule(s) issued to a taxpayer. When communicating with the Ministry, you must provide this unique Reference Number to identify a particular return/schedule(s), in addition to quoting your Identification Number.

Change of Information

Please notify the Ministry of any change in your name and address. Contact information is included at the end of this guide. When contacting the Ministry, be sure to use your Identification Number.

Records Retention

All records, documents and receipts pertaining to the tax return must be kept for seven years. For further information regarding records retention, please refer to the Tax Information Bulletin entitled Retention/Destruction of Books and Records. Copies are available at ontario.ca/revenue or by calling the Ministry at 1 866 ONT-TAXS (1 866 668-8297).

Certification

If a paper tax return is filed, it must be signed and dated by an authorized signing officer. The information contained in the tax return must be true, correct and complete.

The name, title and telephone number of the person signing the tax return must also be printed in the space provided.

In order to discuss this tax return with a third party (such as your accountant or solicitor) the Ministry requires proper authorization. An Authorizing or Cancelling a Representative form must be completed and returned to the Ministry. This form is available on the Ministry's website at ontario.ca/revenue (enter webpage number 113 into the "Find Page" field at the bottom of the website).

An Operator shall reimburse the Ministry for all costs incurred by the Ministry to examine books of account at the place where they are kept outside Canada and the Ministry may forthwith take all remedies available under this Act or at law to recover such costs.

Collection of debt under *Financial Administration Act*

A debt due to the Crown by an Operator under section 8.1 of the *Financial Administration Act* in respect of a payment under this Act may be collected and enforced under the provisions of this Act as if it were tax payable by the Operator for the taxation year to which the payment relates, once written notice of the debt has been sent by mail to the Operator.

Voluntary Disclosure

The Ministry encourages voluntary compliance with the statutes it administers.

For more information, please obtain a copy of the Ministry's Voluntary Disclosure Bulletin by contacting the Ministry at 1 866 ONT-TAXS (1 866 668 8297) or by downloading a copy from our website at: ontario.ca/revenue

Freedom of Information

Questions regarding the collection of the information contained in the Return should be directed to:

Senior Manager, Account Management
 Client Services Branch
 Ministry of Revenue
 33 King Street West, PO Box 627
 Oshawa ON L1H 8H5
 1 866 ONT- TAXS (1 866 668-8297)

General Enquiries

Address

Ministry of Revenue
 33 King Street West
 PO Box 627
 Oshawa ON L1H 8H5

Website

ontario.ca/revenue

Toll free

1 866 ONT-TAXS (1 866 668-8297)

Hours of Service

Monday to Friday
 8:30 am to 5:00 pm

Teletypewriter (TTY)

1-800 263-7776

Fax

1 866 888-3850

Please retain this guide for future reference. If you require additional copies, refer to our website ontario.ca/revenue or contact us at 1 866 ONT-TAXS (1 866 668-8297).

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