

Major Companies
(At Profit – Near and Far North)

Junior Companies
(Near and Far North)

	At December 31 2018
Exploration expenses ⁽¹⁾	1 000
Credit and deductions in Québec	
Under the Taxation Act :	
Refundable tax credit for resources (18,75 % X \$1000)	188
Tax deduction (11,60 % X \$1000)	116
Decrease of tax deduction (for mining taxes) (11,60 % X \$130)	(15)
Tax on the tax credit for resources ⁽³⁾ (11,60 % X \$188)	(22)
Under the Mining Tax Act :	
Mining tax savings (16 % X (\$1000 - \$188)) ⁽⁵⁾	130
Company's Québec tax savings	397
Federal deductions	
Tax deduction (15 % X \$1000)	150
Decrease of tax deduction (for mining taxes) (15 % X \$130)	(20)
Tax on the tax credit for resources ⁽³⁾ (15 % X \$188)	(28)
Company's federal tax savings	102
Amount assumed by the governments	499
Net cost for the company (\$)	501

	At December 31 2018
Exploration expenses ⁽²⁾	1 000
Credits and deductions in Québec	
Under the Taxation Act :	
Refundable tax credit for resources (38,75 % X \$1000)	388
Tax deduction (11,60 % X \$1000)	116
Decrease of tax deduction (no mining tax payable by these companies)	0
Tax on the tax credit for resources ⁽³⁾ (11,60 % X \$388)	(45)
Under the Mining Tax Act :	
Credit on duties refundable for loss (16% X 50 % X (\$1000 - \$400 - (\$388 - \$155 ⁽⁴⁾)))	29
Company's Québec tax savings	488
Federal deductions	
Tax deduction ⁽²⁾ (15 % X \$600)	90
Decrease of tax deduction (no mining tax payable by these companies)	0
Tax on the tax credit for resources ⁽³⁾ (15 % X \$388)	(58)
Company's federal tax savings	32
Amount assumed by the governments	520
Net cost for the company (\$)	480

- (1) In the example for the **major companies**, the exploration costs were not renounced by the mining company under the Taxation Act (Québec) and under the Income Tax Act (Federal).
- (2) In the example for the **junior companies**, the exploration costs were not renounced by the mining company under the Taxation Act (Québec). As a result, eligible exploration expenses for the purposes of the *Refundable tax credit for resources* (RTCR) are \$ 1 000.
Only **\$ 400** of all exploration costs were renounced by the mining company under the Income Tax Act (Federal). Therefore, the eligible expenses for the Federal are \$ 600 (\$ 1 000 - \$ 400).
For the purposes of the Mining Tax Act **\$ 600** are eligible (\$ 1 000 - \$ 400). See *Credit on duties refundable for loss*.
- (3) The RTCR reduces the amount of eligible exploration expenses.
- (4) According to our interpretation of the legislation, the portion of the RTCR that is not taxable under the Mining Tax Act represents the proportion that is \$ 400 out of \$ 1 000 because of the renunciation, for federal purposes, of \$ 400 of exploration expenses and the fact that the calculation of the provincial RTCR is based on 100% of the exploration costs (\$1 000). Four-tenths of the RTCR corresponds to the unclaimed costs for the purposes of the Mining Tax Act, so this proportion of the RTCR should not be taken into account.
Hence, the portion of the RTCR that is not taxable is: $\$ 388 \times \$ 400 / \$ 1\,000 = \$ 155$
- (5) The exploration allowance is limited to 10% of the annual profit.