BRITISH COLUMBIA

MINISTRY OF SMALL BUSINESS AND REVENUE

MINERAL TAX HANDBOOK

April 2006

1.0 INTRODUCTION

This handbook has been prepared to help mine operators in British Columbia who must comply with the provisions of the *Mineral Tax Act*, which came into force on January 1, 1990.

This handbook explains:

- the main features of the legislation,
- who must file a Return,
- when and how to submit a Return,
- how to calculate the tax payable, and
- administrative points you need to know.

The information in this handbook is based on the *Mineral Tax Act* and Regulations. The most recent consolidations are available on our website at http://www.sbr.gov.bc.ca/mog/mineral_tax/legislation.htm. The Act and Regulations prevail over statements made in this handbook. They should be consulted if you are in any doubt when completing a Return.

1.1 Contact

Difficulties may arise in preparing a Return that are not covered in this handbook or cannot be readily resolved through reference to the Act and Regulations. If this occurs, do not hesitate to contact the following office:

Mailing address:
Mineral, Oil & Gas Revenue Branch
Revenue Programs Division
Ministry of Small Business and Revenue
PO Box 9328 Stn Prov. Gov't
Victoria, B.C.
V8W 9N3

Courier address:
Mineral, Oil & Gas Revenue Branch
Revenue Programs Division
Ministry of Small Business and Revenue
3rd Floor 1802 Douglas Street
Victoria, B.C.
V8T 4K6

Telephone: 250 952-0192 or 1-800-667-1182
Facsimile: 250 952-0191

Website: http://www.sbr.gov.bc.ca/mog/mineral_tax/mineral_tax_index.htm

The Branch maintains a mailing list for information letters, updates to this handbook, bulletins, or other notices that may be published by the Branch. Please call the Branch to have your name put on the mailing list.

2.0 MINERAL TAX OVERVIEW

2.1 The Mineral Tax Act

BACKGROUND

In the spring of 1988, the British Columbia government launched a review of taxes and royalties paid by the mining industry in the province. The review identified the need for a mineral tax system that would reduce administration and compliance problems and improve the climate for mining investment in the province.

At the time, four provincial tax regimes had been in place since 1976. Coal mines on Crown land paid a royalty under the *Coal Act's Royalty Regulation* of 3.5% of the net minehead value of coal sold. Coal mines on freehold land paid a tax under the *Mineral Land Tax Act* of about 2.7% of the net minehead value of coal sold. In addition, all coal mines paid a profit-based tax under the *Mining Tax Act*. Metallic mineral mines paid a profit-based tax only under the *Mineral Resource Tax Act*.

The result of the review was development, in consultation with industry, of the *Mineral Tax Act*. The Act was passed on July 14, 1989 and became effective on January 1, 1990.

The Act consolidates the previous legislation, and is now the major piece of provincial legislation for the assessment and payment of coal and mineral taxes in British Columbia. The *Mineral Resource Tax Act* has been repealed, as have sections in the *Coal Act* relating to the coal royalty. The *Mining Tax Act* still applies to some minerals for years prior to 2001.

Effective January 1, 1999 amendments have been made to the *Mineral Tax Act* to simplify filing procedures for placer gold mine operators. A placer gold mine is defined as a placer mine from which gold accounts for the majority of the placer minerals produced.

Effective January 1, 2001 amendments have been made to the *Mineral Tax Act* to simplify filing procedures for quarry operators. A quarry is defined as a mine from which substantially all of the minerals removed are quarry materials. See Section 6.0 for the definition of quarry materials.

PLACER GOLD MINES

As of January 1, 1999 each placer gold mine operator pays a mineral tax of one-half of one percent (0.5%) of their proportionate share of mineral product sold in each calendar year. Refer to Section 5.0 for instructions for the Placer Gold Mine Mineral Tax Return. For years prior to 1999 placer gold mine operators pay the two part tax as described in the section below.

QUARRIES

Commencing with the 2001 calendar year, each quarry operator will pay a mineral tax equal to $0.15 per metric tonne of quarry materials removed in the calendar year. Refer to Section 6.0 for instructions for the Quarry Mineral Tax Return.

TWO PART TAX FOR MINES OTHER THAN PLACER GOLD MINES AND QUARRIES

The Act provides for the Crown's financial share of mineral production in two ways. The primary way is to receive 13% of a producer's profit that is in excess of a normal return on investment over the life of a mine. This is referred to as Net Revenue Tax. To minimize any disincentive to investment, the province does not receive this share until the producer's investment and a reasonable return on it have been recovered.

The second way is to receive 2% of operating cash flow from production in each year. This is referred to as Net Current Proceeds Tax. It is intended to provide compensation for depletion of the resource when production yields less than a reasonable profit for the producer. So that only one or the other share is paid, Net Current Proceeds Tax can be deducted from Net Revenue Tax.

NET CURRENT PROCEEDS

Net Current Proceeds ("NCP") tax provides for a "minimum" tax in the sense that any mine that is more than covering its current operating costs will pay some tax at the low rate. However, if a mine is not recovering its operating costs, NCP is zero and no tax is payable.

NCP is calculated for each fiscal period of a mine. Operating costs for each period are deducted from revenue from the sale of mineral products in the period and any recoveries of operating costs. NCP tax is payable for the period if revenues and recoveries exceed costs.

Operating costs include all costs that are allowable in calculating Net Revenue except for those that are on account of capital. The Mineral Tax Costs and Expenditures Regulation specifies what costs are on account of capital. These include exploration costs, research costs, discovery and development costs incurred before commercial operation begins, costs of purchasing, leasing or renting assets, and the cost of inventories.

NCP is calculated in two ways. The primary way is to separately determine Gross Revenue and allowable operating costs, and deduct the costs from the revenue. This is done on the top part of page 3 of the Mineral Tax Return and is explained in more detail in Section 3.4 of this handbook.

The other way is to adjust the net earnings shown on the operator's income statement by:

- adding non-allowable expenses that were deducted on the financial statement,
- deducting revenue included on the financial statements that is exempt from Mineral Tax,
- deducting allowable expenditures that were not deducted as expenses on the financial statement, and
- adding taxable revenue that was not included as revenue on the financial statement.

The bottom part of page 3 of the return, in the section titled "Reconciliation with Net Earnings", identifies a number of amounts that may need to be added or deducted. These amounts are explained in more detail in Section 3.4 of this handbook. The reconciliation with net earnings is used as a check on the accuracy of the primary NCP calculation.

NCP tax is deductible in full from Net Revenue tax. This means in effect that only one part of the Mineral Tax or the other will be payable. In fiscal years when there is no Net Revenue, NCP tax that is paid is added to the Cumulative Tax Credit Account (or "CTCA") and carried forward to subsequent fiscal years with an allowance for interest. The full amount of the CTCA may be deducted from Net Revenue tax in any subsequent fiscal year.

The CTCA is calculated on page 2 of the return and is explained in greater detail in Section 3.3 of this handbook.

NET REVENUE AND CUMULATIVE EXPENDITURE ACCOUNT

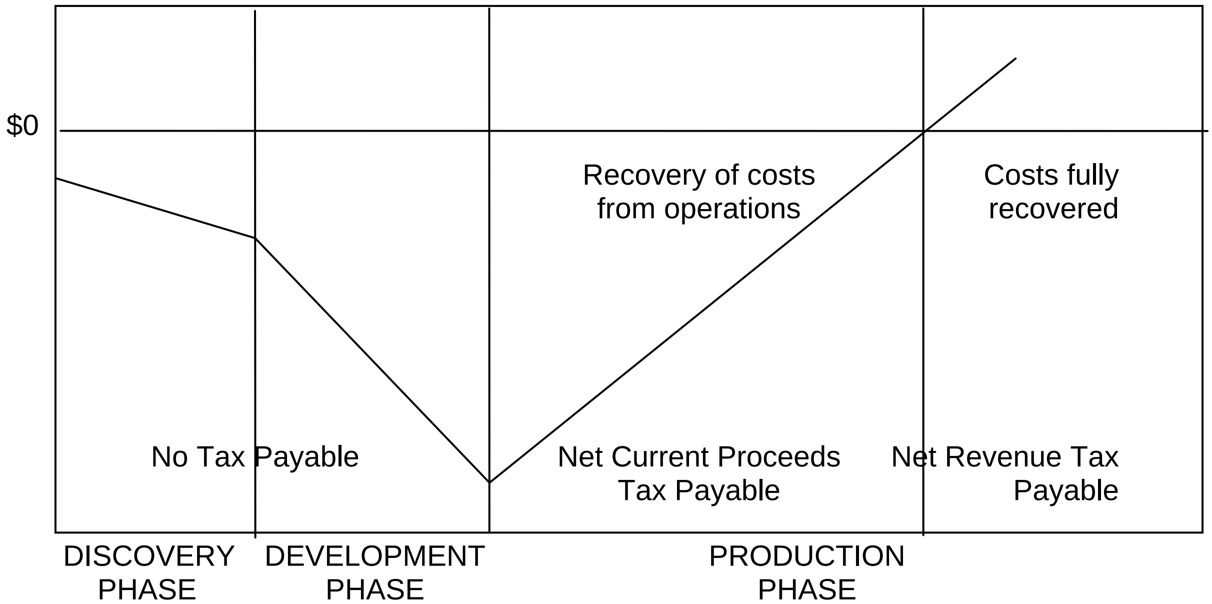
Net Revenue is a cumulative amount that reflects all revenues and expenditures, including capital costs, from the commencement of a mine. To understand how Net Revenue is calculated, think of revenue as positive numbers and expenditures as negative numbers that are all added to or deducted from a single cumulative amount. If the resulting amount is positive, it is called Net Revenue.

If the resulting amount is negative, it is carried forward, with an allowance for a return on investment, to the next year in the Cumulative Expenditure Account (or "CEA"). Figure 1 illustrates graphically the relationship between the CEA and Net Revenue.

FIGURE 1

CUMULATIVE EXPENDITURE ACCOUNT (CEA)

NET REVENUE



This figure demonstrates how the CEA accumulates, then decreases from the discovery of a mine until costs are fully recovered and Net Revenue is realized.

There are three general criteria for deciding what expenditures may be deducted from the Net Revenue of a particular mine:

(1) they must be incurred by an operator of that mine,

(2) they must be incurred for the purpose of earning revenue from the operation of that mine, and

(3) they must be reasonable in amount.

Apart from these criteria, the following expenditures are specifically <u>not</u> allowed:

- royalties and costs of purchasing mineral title,
- consideration for services rendered or goods delivered after the end of the fiscal period of the mine,
- interest, dividends and costs of financing or arranging financing,
- costs and losses on hedging transactions,
- for corporations, compensation in excess of $75,000 paid to individuals who own 10% or more of the corporation or an affiliated corporation,
- any amount that is a reserve, contingency, allowance or bad debt expense.

The calculation of Net Revenue ignores the accounting and income tax principle of matching expenditures against revenue earned as a result of those expenditures. All current and capital costs are fully deductible in the year in which they are incurred or any subsequent year. The amount that is paid for a capital asset is the amount that may be deducted in any year, rather than a prorated amount based on its useful life.

Calculations of Net Revenue and the CEA are on page 4 of the Mineral Tax Return, and are explained in greater detail in Section 3.5 of this handbook.

INVESTMENT ALLOWANCE

Although the Act does not allow actual interest expense, it provides for an allowance for a return on capital invested in a mine, called an Investment Allowance. The balance in the CEA at any given time represents the allowable expenditures that have not been recovered, which is the same as invested capital. The Investment Allowance is a prescribed percentage of the average CEA balance for the year.

The Investment Allowance is designed to approximate the cost of capital to the industry, regardless of the manner in which costs are funded. Equity capital is treated the same as borrowed capital. The Net Revenue tax is designed not to discourage investment in marginal operations. Further discussion on the calculation of the investment allowance is located in Section 3.2 and 3.5 of this handbook.

NEW MINE ALLOWANCE

To encourage new mine development in the province, the new mine allowance provides for an allowance of one-third of the capital costs of new mines and expansions of existing mines that begin production in reasonable commercial quantities after December 31, 1994 and before January 1, 2010. This means that 133.3% of qualifying capital expenditures can be added to the CEA of the mine. Details of the calculation of the new mine allowance are located in Section 3.5 of this handbook.

RECLAMATION COSTS

Should reclamation costs be incurred after a mine has closed, the operator is eligible for a refund of Net Revenue taxes previously paid in recognition of mine reclamation as a cost of mineral production.

Details on reclamation costs and tax credits can be found in the guideline items to Page 5 of the Mineral Tax Return (refer to Section 3.6 of this handbook).

EXPLORATION EXPENDITURES

Expenditures incurred by a mine operator that are for the purpose of determining the existence, location, extent or quality of a mineral deposit in British Columbia can be deducted from Net Revenue. Exploration costs must be incurred after commencement of commercial production from one or more mines by the operator.

If an operator has more than one mine, exploration costs can be allocated to whatever mine the operator chooses. Allocation to a mine means electing to add it to the CEA of the mine. Before March 23, 1994, this allocation had to be done in the year in which the expenditures were incurred. After March 22, 1994, this allocation can be done in any year the operator chooses. This means exploration expenditures do not have to be allocated to a specific mine until it is certain that there will be some tax benefit.

For exploration expenditures incurred after March 22, 1994, mine operators are required to file an Exploration Account Return. The main reason for this return is that Investment Allowance is earned on exploration expenditures before they are allocated to a mine, just as it would be after they have been so allocated. The Investment Allowance on unallocated exploration expenditures will be calculated on this return.

To allocate amounts from the operator's Exploration Account to a particular mine, an Election to Allocate Exploration Expenses schedule must be completed and filed within six months of the end of the fiscal year of the mine for which you wish the amount to be included in the calculation of the mine's CEA.

The Exploration Account Return is explained in greater detail in Section 4.0 of this handbook.

SELF ASSESSMENT

A critical feature of the *Mineral Tax Act* and Regulations is the emphasis placed on self assessment by mine operators. Since the mining industry can be very complex, the concept of reasonableness by industry and government is important in administering mineral taxation in British Columbia.

Since self assessment is a crucial factor in the tax system, penalties for abuse can be severe. Details of the calculation of penalties for late filing are located in Section 2.3 of this handbook.

2.2 Minerals that are Taxable and Not Taxable

For the purposes of the *Mineral Tax Act*, a mineral means coal, placer mineral, and mineral as defined in the *Mineral Tenure Act*, with certain exceptions (see below).

TAXABLE

A list of all minerals occurring in British Columbia which are taxable under the *Mineral Tax Act* would be too long to be presented here. The list that follows includes those that are most likely to be mined. If in doubt, phone the Branch.

Base Metals

Antimony	Copper	Magnesium	Nickel
Arsenic	Cobalt	Manganese	Tin
Bismuth	Iron	Mercury	Tungsten
Chromite	Lead	Molybdenum	Zinc

Gemstones

Diamonds	Garnet	Jade	Opals
Rhodonite			

Industrial Minerals

Arsenious oxide	Dolomite	Marble	Salt
Asbestos	Fluorite	Magnetite	Shale
Barite	Graphite	Ochre	Silica
Celestite	Gypsum	Perlite	Sulphur
Clay	Limestone	Phosphate	Talc
Diatomite	Mica	Pumice	Volcanic Ash
Diatomaceous Earth	Magnesite	Quartzite	

Precious Metals

Gold	Palladium	Platinum	Silver

Rare Elements

Cadmium	Niobium	Rhenium	Thorium
Cesium	Radium	Selenium	Uranium
Indium			

Dimension Stones

Andesite	Flagstone	Granite	Sandstone

NOT TAXABLE

The following materials are excluded from the *Mineral Tenure Act,* and are not taxable under the *Mineral Tax Act:*

Earth	Gravel	Marl	Peat	Sand	Soil

Rock, riprap and stone products are not taxable if they are used in the building or maintenance of a road or structure not located on land within the mineral title or group of titles from which the rock, riprap or stone product is mined.

Petroleum, natural gas, and any other product produced under the *Petroleum and Natural Gas Act* are not taxable under the *Mineral Tax Act*.

2.3 Returns, Payment, Assessments

RETURNS

There are four types of returns to be filed under the *Mineral Tax Act*. The Mineral Tax Return, the Quarry Mineral Tax Return and the Placer Gold Mine Mineral Tax Return reports on the results of mine operations and consequent tax liabilities. The Exploration Account Return, which does not apply to placer gold mines or quarries, reports exploration expenditures incurred by mine operators and any amounts allocated to mines. These returns are available from our website. An Excel spreadsheet or an electronic version of the Mineral Tax Return is available to be downloaded from our website.

WHO MUST FILE A MINERAL TAX RETURN

Each operator of a mine must file a separate Mineral Tax Return for each mine for each fiscal year of the mine. Placer gold mine operators must file Placer Gold Mine Mineral Tax Returns for each mine for each calendar year after 1998. For fiscal years before January 1, 1999, placer gold mine operators must file Mineral Tax Returns for each mine for each fiscal year of the mine. Quarry operators must file one Quarry Mineral Tax Return for all quarries operated for each calendar year after 2000.

An operator of a mine is an individual or corporation who has the right to extract minerals from the mine. The operator is liable for mineral taxes payable.

If a mine is operated by individuals or corporations as a partnership, the partners have a choice in filing Mineral Tax Returns. They may file separate returns for their respective interest in the mine or an election may be made to file a single return for all of their interests. To elect to file a single return, an Election to File a Single Return schedule must be completed and filed with the return.

Unless the Commissioner issues a demand for one, a Mineral Tax Return for a mine other than a placer gold mine or quarry does not have to be filed if:

(1) the operator is an individual (i.e. not a corporation or a partnership) and expenditures, including both capital and operating, related to the operation of the mine did not exceed $50,000 during the fiscal year of the mine, or

(2) the mine was not in commercial operation, and

(a) the operator was not engaged in any reclamation activities, and
(b) all of the inventories and all of the assets used in the operation of the mine have been sold or otherwise disposed of.

Unless the commissioner issues a demand for a return for a calendar year, a quarry operator is not required to file a return if the total number of tonnes of quarry materials removed from all quarries operated by the quarry operator in the calendar year is less than 25,000 tonnes.

Unless the commissioner issues a demand for one, a Placer Gold Mine Mineral Tax Return does not have to be filed if the operator is an individual, the fair market value of the placer minerals produced in the calendar year from the mine is less than $50,000, **and** the total sales of placer minerals in the calendar year from the mine is less than $50,000.

Note that our reference to "mine" in the above means all of the mine, not just the operator's proportionate share.

If a mine closed part way through the fiscal year of the mine, the requirements to file a Mineral Tax Return are the same as if the mine were open for the whole year. Mineral Tax Returns must continue to be filed until all of the mineral product inventory, supplies inventories and fixed assets have been sold or otherwise disposed of.

A claim for a refund for reclamation costs incurred after a mine is closed can only be made by filing a Mineral Tax Return.

A person who has a right to receive only cash royalties from a mine is not an operator and does not have to file a Mineral Tax Return.

WHO MUST FILE AN EXPLORATION ACCOUNT RETURN

Each operator of a mine must file an Exploration Account Return for each fiscal year of the operator if:

- the operator has one or more mines in British Columbia,
- the exploration costs were incurred in a fiscal year of one of those mines during which that mine was in commercial production, and
- the exploration costs were incurred in British Columbia.

The Exploration Account Return applies to placer gold mine operators for fiscal periods ending on or before December 31, 1998. For 1999 and future years placer gold mine operators are not required to file an Exploration Account Return. Quarry operators are not required to file an Exploration Account Return.

WHEN TO SUBMIT A RETURN

Mines other than placer gold mines and quarries

An operator must file a separate Mineral Tax Return for each mine operated for each fiscal year of the mine. Each Mineral Tax Return must be submitted no later than the last day of the sixth month following the end of the mine's fiscal year. Thus, if a mine's fiscal year ends on December 31, a Mineral Tax Return must be filed no later than June 30 of the following year. Penalties are imposed for late filing.

Generally, the fiscal year of a mine is the period for which the accounts of the mine have been or are ordinarily made up. If an operator has not chosen a period, the fiscal year of the mine will be the calendar year. The fiscal year of a mine may not be longer than 12 months. If an operator sells an interest in a mine, the fiscal year of the mine for that operator ends on the day before the date of the sale. The Mineral Tax return would then be due no later than the last day of the sixth month following the day before the sale.

An Exploration Account Return must be submitted for each fiscal year of the operator no later than the last day of the sixth month following the end of the operator's fiscal year.

Placer gold mines

The above section applies to placer gold mines for fiscal periods before January 1, 1999. Effective January 1, 1999 all placer gold mine operators must file Placer Gold Mine Mineral Tax Returns for each placer gold mine operated for each calendar year after 1998. Each Return must be submitted no later than three months after the calendar year end (by March 31st).

Any placer gold mine that before January 1, 1999 did not have a calendar year as the fiscal year of the mine was required to file a Mineral Tax Return for the shortened period ending December 31, 1998. This Return, utilizing the pre-1999 rules specified in the *Mineral Tax Act* and its regulations, was due by December 31, 1999. Penalties are imposed for late filing.

Quarries

Effective January 1, 2001 all quarry operators must file a Quarry Mineral Tax Return for each calendar year after 2000. Each return must be submitted no later than three months after the calendar year end (by March 31st).

TAXES PAID IN MONTHLY INSTALMENTS

Mines other than placer gold mines and quarries

The *Mineral Tax Act* requires taxes to be paid in monthly instalments. The instalment for a particular month should be equal to the annual tax payable for the fiscal year multiplied by the number of days in that month divided by the number of days in the fiscal year.

Each instalment must be paid not more than 90 days after the end of the month for which tax is due. For example, the instalment for January must be received no later than May 1.

The total amount of monthly payments made during a fiscal year is entered on the Mineral Tax Return submitted for that year. If this amount is less than the total tax payable, the unpaid balance, with interest, must be sent with the Return. The interest calculation is explained in Section 3.3 of this handbook under Calculation of Amount Payable.

If the total amount payable in monthly instalments exceeds the amount of tax payable as calculated in a return, the overpayment may be refunded or may be applied to a future liability.

Monthly instalments should be remitted to:

The Commissioner
Mineral Tax Act
Ministry of Small Business and Revenue
PO Box 9328 Stn Prov. Gov't
Victoria, B.C. V8W 9N3

Placer gold mines
The above section applies to placer gold mine operators for fiscal periods before January 1, 1999. As of January 1, 1999 placer gold mine operators are no longer required to make instalment payments during the year.

Quarries
Quarry operators are not required to make instalment payments during the year.

DATA IS CONFIDENTIAL

Information obtained under the *Mineral Tax Act* is treated as confidential, and may only be used by Ministry staff for purposes of administration of the Act.

The Minister, however, may make information-sharing agreements with other government jurisdictions. Under these agreements, information may be released to officials in these jurisdictions to assist with the administration of mineral taxation. Notice of these agreements, when made, will be published in the Gazette.

NOTICE OF ASSESSMENT

After examining a Mineral Tax Return, the Commissioner will assess the tax, interest, and any penalties payable. In the event that a Mineral Tax Return is not filed as required under section 12 of the *Mineral Tax Act*, the Commissioner of Mineral Tax can assess tax, interest and penalties based on an estimate. A notice of assessment will be sent to the operator. This will include the following information concerning the fiscal year to which the Return pertains:

- amount of taxes payable including any instalment interest and penalties payable,
- amount of installments and taxes paid, including any interest and penalties,
- amount of reclamation tax credit, and
- any outstanding balance to be paid by, or refunded to, the operator.

If a refund is due, but the operator is liable or about to become liable to make a payment under the Act, the Commissioner may apply the refund to that other liability. The operator will be notified accordingly.

APPEALS

Effective April 10, 2003, the appeals process was changed. Appeals are no longer heard by the Mineral Tax Review Board.

If you object to a tax assessment, you or your agent may appeal the assessment to the Minister of Small Business and Revenue. A notice of appeal must be sent within 90 days of the date of the notice of assessment to the Minister of Provincial Revenue. Address the notice to:

The Minister of Small Business and Revenue
PO Box 9328 Stn Prov Gov't
Victoria, BC
V8W 9N3

The decision of the Minister may be appealed to the Supreme Court of British Columbia within 90 days after the date on the Minister's notification of decision.

PENALTIES FOR LATE FILING

The operator of a mine who fails to file a Mineral Tax Return in the prescribed form within the required time is liable to a penalty of $25 a day for each day of default, up to a maximum of $2,500. In addition, the operator is liable to a penalty of 5% on any unpaid tax.

ADDITIONAL INFORMATION

The Commissioner can ask an operator for additional information, or a supplemental return, or any document. Failure to provide this within the stipulated time renders the operator liable to a penalty of $25 a day for each day of default, to a maximum of $2,500.

KEEPING RECORDS

The operator of a mine is required to keep books and records relating to tax liability for seven years after the end of a fiscal period for which a Mineral Tax Return has been filed. These books and records may be kept at the operator's place of business in British Columbia or at another office approved by the Commissioner.

For the purposes of the *Mineral Tax Act*, if an operator

- has records and books that are considered inadequate,
- fails to produce records for examination, or
- alleges that the records have been destroyed,

the Commissioner may estimate the amount of tax payable by an operator.

CHANGES OF ADDRESS, MINE OR OPERATOR

An operator must notify the Commissioner of changes in:

- permanent address,
- name of a mine, or
- operator(s) of a mine.

AMENDMENTS

A Mineral Tax Return can be amended for up to five years after the end of the fiscal year to which it relates. Procedure is straightforward: file a new Return for the fiscal year in which the amendment is being sought. Note that the new Return must be completed in full and must include the new data or information.

Write “Amendment” clearly on the amended Return, as well as the date it is filed.

ELECTRONIC FUND TRANSFER

To provide a mine operator with a convenient method of remitting monthly instalment payments and total taxes payable for a fiscal year, the Province of British Columbia can establish a transfer mechanism at a local financial institution. Requests for each Accelerated Fund Transfer (AFT) account should be sent to:

Mineral, Oil & Gas Revenue Branch
Ministry of Small Business and Revenue
PO Box 9328 Stn Prov Gov’t
Victoria, B.C. V8T 4K6

The request should specify:

- name of the company applying for an AFT account,
- name of the individual in the company who will be responsible for the account,
- corporate name of the financial institution that will handle the operator’s AFT account, and
- name and address of the branch of the financial institution at which remittance deposits will be made.

3.0 MINERAL TAX RETURN COMPLETION GUIDELINES

3.1 How to Complete a Mineral Tax Return

POINTS TO NOTE

File no. This number will be allocated by the Ministry when the operator's first Mineral Tax Return is filed.

An excel spreadsheet version of the Mineral Tax Return (MinTax XL) is available on the internet at http://www.sbr.gov.bc.ca/mog/mineral_tax/forms.htm. However, even if you use MinTax XL to prepare your return, a signed, printed copy of the return must be submitted. Please provide a download of the Mineral Tax Return on diskette.

All figures must be in Canadian dollars, and rounded to the nearest dollar.

SUPPLEMENTARY INFORMATION

Be sure to submit the supplementary information requested on page 1 with your Mineral Tax Return. This includes financial statements of the operator and an earnings statement for the mine. Corporations are also required to submit a copy of their federal income tax return.

3.2 Guidelines for Page 1

BRITISH COLUMBIA

Ministry of Small Business and Revenue

MINERAL TAX ACT
MINERAL TAX RETURN

Freedom of Information and Protection of Privacy Act - The personal information requested on this form is collected under the authority of, and will be used for purposes of administering the *Mineral Tax Act* RSBC1996 c. 291. If you have any questions about the collection and use of this information, please contact the Mineral, Oil and Gas Revenue Branch at P.O. Box 9328 Stn. Prov. Gov't, Victoria, B.C. V8W 9N3 250 952-0192.

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FISCAL YEAR OF MINE	FROM	D	M	Y	TO	D	M	Y	FILE NO.
NAME OF MINE									
NAME OF OPERATOR									
ADDRESS OF OPERATOR									

Proportionate Share of the Mine Reported on this Return	%	1

Remittance with this Return

Cheques in payment of any balance due must be made payable to the Minister of Finance and delivered with this return. Payment may also, by prior arrangement, be deposited at the Victoria branch of the principal banker of the Government of British Columbia.

CERTIFICATION

I, ____ , certify that this return, including accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief reflects the results from the operation of the mine and is in conformity with the provisions of the *Mineral Tax Act*.

(Date) (Signature) (Title)

SUPPLEMENTARY INFORMATION REQUIRED WITH THIS RETURN

(1) Financial statements of the operator and net earnings statement for the mine.
(2) If the operator is a corporation, a copy of the federal T2 Corporation Income Tax Return, with copies of supporting schedules.

PERSON TO WHOM INQUIRIES REGARDING THIS RETURN SHOULD BE DIRECTED

Name ______________________ Telephone Number ______________
Address ______________________ Fax Number ______________

DELIVERY

This completed return and cheque for any balance payable must be delivered by the last day of the sixth month following the end of the fiscal year of the mine to:

Commissioner, Mineral Tax Act
PO Box 9328 Stn Prov Gov't
Victoria, B.C.
V8W 9N3

Facsimile 250 952-0191 Telephone 250 952-0192 or 1 800 667-1182

MPR 001-1 REV02/03

MINERAL TAX RETURN

Fiscal Year of Mine A fiscal year is the period, not exceeding 12 months, for which the accounts of a mine have been or are ordinarily made up. Note that the fiscal year of the mine may be different from the fiscal year of an operator of the mine. If the accounts of a mine are kept on a fiscal period that differs from the accounts of one or more operators, each operator should ensure that their return is completed for the fiscal year of the **mine**. A fiscal year may be less than 12 months. If an operator sells an interest in a mine, the fiscal year of the mine for that operator ends on the day before the date of the sale.

File no. This number will be allocated by the Ministry when an operator's first Mineral Tax Return is filed for a particular mine. It will be shown on the notice of assessment and should be used subsequently by the operator for that mine.

Name of mine The name by which the mine is generally known.

Name of operator The operator's legal name as the operator of the mine.

Address of operator Address to which the operator wants correspondence sent.

1 **Proportionate Share of the Mine Reported on this Return** - This is the share of revenue to which a mine operator is entitled and the costs the operator is obliged to pay under the terms of an agreement with other operators of the mine.

Remittance with this Return - Enter the payment sent with this Return. This should be the Total Payable shown on line 11 plus any interest that may be due. Refer to Section 3.3 of this handbook for an explanation of interest charges under the *Mineral Tax Act*. Remittance must be rounded to the nearest dollar and may be made by cheque payable to the Minister of Finance or electronic fund transfer as outlined in Section 2.3 of this handbook. We do not charge or refund an amount of less than $5.

CERTIFICATION

This should be completed by the individual operator or, if the operator is a corporation, by an authorized signing officer of the corporation.

SUPPLEMENTARY INFORMATION REQUIRED WITH THIS RETURN

Be sure to send the documents listed here with your Mineral Tax Return. Failure to enclose these documents will cause delays in processing of the return.

PERSON TO WHOM INQUIRIES REGARDING THIS RETURN SHOULD BE DIRECTED

This must be the person to whom the Ministry can direct inquiries and need not be the person who completed or certified the Mineral Tax Return.

DELIVERY

This section states where and when a Mineral Tax Return and any payments should be sent.

3.3 Guidelines for Page 2

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CALCULATION OF AMOUNT PAYABLE

Total Taxes Payable *[line 24]*		3
Deduct: Reclamation Tax Credit *[page 5, line 42]*	( )	4
Monthly instalments paid for the fiscal year	( )	5
Other credits (specify) ____	( )	6
Balance of Taxes Payable/(Overpaid) **Subtotal** *[sum of lines 3 to 6]*		7
Add late filing penalty		8
Total Overpaid ____ **Total Payable**		11

Do you want overpayment ☐ refunded ☐ credited to another year

NET CURRENT PROCEEDS TAX CALCULATION

Net Current Proceeds *[page 3, line 43]*		12
Net Current Proceeds Tax rate	× 2 %	13
Net Current Proceeds Tax Payable *[line 12 × line 13; to line 20 and 27]*		14

NET REVENUE TAX CALCULATION

Net Revenue *[page 4, line 113]*		15
Net Revenue Tax rate	× 13 %	16
Net Revenue Tax *[line 15 × line 16]*		17
Deduct the lesser of Subtotal B in the Cumulative Tax Credit Account *[line 28]* and Net Revenue Tax *[line 17]*	( )	18
Net Revenue Tax Payable *[to line 21 and page 5, line 36]*		19

TOTAL TAXES PAYABLE CALCULATION

Net Current Proceeds Tax Payable *[line 14]*		20
Net Revenue Tax Payable *[line 19]*		21
Subtotal A *[line 20 plus line 21]*		22
Deduct Earned Depletion Tax Credit - deduct the lesser of: (a) 25% of Subtotal A *[line 22]* ____ (b) Balance of Earned Depletion Base Account at the end of the preceding fiscal year *[line 31]* ____	( )	23
Total Taxes Payable *[to line 3]*		24

CUMULATIVE TAX CREDIT ACCOUNT

Balance at the end of the preceding fiscal year		25
Imputed Interest Calculation: Balance at the end of the preceding fiscal year *[line 25]* × Investment Allowance rate		26
Net Current Proceeds Tax Paid *[line 14]*		27
Subtotal B *[sum of lines 25 to 27]*		28
Deduct the lesser of Net Revenue Tax *[line 17]* and Subtotal B *[line 28]*	( )	29
Ending Balance		30

EARNED DEPLETION BASE ACCOUNT

Balance at the end of the preceding fiscal year		31
Deduct amount claimed as a tax credit in the current fiscal year *[line 23]*	( )	32
Ending Balance		33

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Page 2 of the Mineral Tax Return is a tax summary. Several key amounts are entered from other pages in the Return, and the calculations lead to the amount on line 24, Total Taxes Payable. This amount is then entered at the top of the page to begin the Calculation of Amount Payable.

In brief, in the second section calculate Net Current Proceeds Tax Payable and in the third section, Net Revenue Tax Payable. The sum of the two is Subtotal A on line 22. Deduct the Earned Depletion Tax Credit from Subtotal A to arrive at the amount to be carried forward to line 3. Then calculate the total amount payable at the top of the page - Calculation of Amount Payable.

CALCULATION OF AMOUNT PAYABLE

3 **Total Taxes Payable** - Enter the amount from line 24.

4 **Deduct: Reclamation Tax Credit** - Enter the amount from page 5, line 42.

5 **Deduct: Monthly instalments paid for the fiscal year** - Enter the total amount of instalment payments made for the fiscal year. Do not include balances transferred from previous years.

6 **Deduct: Other credits (specify)** - These may be such items as overpayments from a previous fiscal year, or royalties assessed and paid for 1976 under the *Mineral Royalties Act* as provided in the *Mineral Tax Act*, Section 2(3).

7 **Balance of Taxes Payable/(Overpaid)** - This is line 3 less lines 4, 5 and 6.

8 **Add late filing penalty** - If you fail to file a Mineral Tax Return within the required time, you are liable for the following penalties:

- $25 for each day of default, up to a maximum of $2,500, plus
- 5% of any unpaid taxes.

11 **Total Overpaid/Total Payable** - This is line 7 plus line 8. Note however, that two kinds of interest may be applicable. Refer to the following sections on Instalment Interest and Interest on Unpaid Taxes and Instalment Interest for further information on interest charges.

Any overpayment may be credited to another year's tax payable or it may be refunded. Indicate how you wish an overpayment to be handled by checking the appropriate box below line 11.

Interest charges/(credits) on instalment payments

- If a monthly instalment payment is less than the full amount required, interest is charged on the deficiency from the instalment due date until the date the Return is due.
- If a monthly instalment is paid after its due date, interest is charged on the amount of the instalment due from the due date to the payment date.
- If a monthly instalment payment is more than the amount required, interest is credited to the operator from the date paid to the due date of the Return.

Interest on unpaid taxes and instalment interest
If, on the day a Mineral Tax Return is due, an amount payable is reflected and/or instalment interest is due, interest is charged on the aggregate of these amounts. Interest is calculated from the date the Return is due until the day on which all amounts due are paid.

Interest rates will be those established quarterly under the *Financial Administration Act*. These interest rates are available on the internet at http://www.sbr.gov.bc.ca/mog/mineral_tax/investment_allowance_rates.htm.

NET CURRENT PROCEEDS TAX CALCULATION

12 **Net Current Proceeds** - Enter the amount from page 3, line 43.

13 **Net Current Proceeds Tax rate** - This is 2%.

14 **Net Current Proceeds Tax Payable** - This is 2% of line 12. Enter the amount calculated here on lines 20 and 27.

NET REVENUE TAX CALCULATION

15 **Net Revenue** - Enter the amount from page 4, line 113.

16 **Net Revenue Tax rate** - This is 13%.

17 **Net Revenue Tax** - This is 13% of line 15.

18 **Deduct the lesser of Subtotal B in the Cumulative Tax Credit Account or Net Revenue Tax** - This is the lesser of lines 28 (Subtotal B) and 17. This is Net Current Proceeds Tax paid, plus interest, that is credited against Net Revenue Tax.

19 **Net Revenue Tax Payable** - This is line 17 less line 18. Enter the amount calculated here on line 21 and on page 5, line 36.

TOTAL TAXES PAYABLE CALCULATION

20 **Net Current Proceeds Tax Payable** - Enter the amount from line 14.

21 **Net Revenue Tax Payable** - Enter the amount from line 19.

22 **Subtotal A** - This is Total Taxes Payable before deducting the Earned Depletion Tax Credit. Enter the total amount of line 20 plus line 21.

23 **Deduct Earned Depletion Tax Credit** - This is a credit based on the ending balance of Earned Depletion under the *Mineral Resource Tax Act*. This credit is the lesser of 25% of Subtotal A on line 22 or the balance in the Earned Depletion Base Account at the end of the preceding year from line 31.

24 **Total Taxes Payable** - This is line 22 less line 23 (if applicable). Enter the amount on page 1, line 3.

CUMULATIVE TAX CREDIT ACCOUNT

25 **Balance at the end of the preceding fiscal year** - When a Mineral Tax Return is being filed for the first time for a particular mine, the amount shown here will be NIL. Thereafter, the amount will be the figure on line 30 of the Return filed for the preceding fiscal year.

If your interest in the mine was purchased from another operator and a Joint Election of Disposition Proceeds was filed, a balance may have been transferred from the previous operator. Please refer to Information Letters MTA3 and MTA5 for more information.

26 **Imputed Interest** - This is an addition to the credit available to be used against Net Revenue Tax for Net Current Proceeds Tax paid. It is a provision for a return on this unused amount at the Investment Allowance Rate. It is equal to the balance in the account at the end of the preceding year times the Investment Allowance Rate.

27 **Net Current Proceeds Tax Paid** - Enter the amount from line 14, provided the amount from line 14 has been paid.

28 **Subtotal B** - This is the sum of lines 25, 26 and 27.

29 **Deduct the lesser of Net Revenue Tax and Subtotal B** - This is the lesser of lines 17 and 28.

30 **Ending Balance** - This is line 28 less line 29. This amount will be carried forward to line 25 on the Mineral Tax Return for the next fiscal year of the mine.

EARNED DEPLETION BASE ACCOUNT

31 **Balance at the end of the preceding fiscal year** - When a Mineral Tax Return is filed for the first time for a particular mine, any Earned Depletion Base remaining under the *Mineral Resource Tax Act* may be carried forward as the basis for a tax credit under the *Mineral Tax Act*. The amount to be carried forward is 1/3 of the ending Earned Depletion Base under the *Mineral Resource Tax Act* at December 31, 1989 multiplied by 13%.

After the filing of the first return, the amount to be entered on line 31 is the amount from line 33 on the Mineral Tax Return from the previous fiscal year of the mine.

If your interest in the mine was purchased from another operator and a Joint Election of Disposition Proceeds was filed, an Earned Depletion Base balance may have been transferred from the previous operator. Please refer to Information Letters MTA3 and MTA5 for more information.

32 **Deduct amount claimed as a tax credit in the current fiscal year** - Enter the amount from line 23.

33 **Ending Balance** - This is line 31 less line 32.

3.4 Guidelines for Page 3

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NET CURRENT PROCEEDS CALCULATION

Net Current Proceeds = the amount by which Gross Revenue [line 52] exceeds Total Current Operating Costs [line 64]. This amount must not be less than zero.

Net Current Proceeds *[to page 2, line 12]*		43

GROSS REVENUE CALCULATION

Value of mineral product sold		44
Other current operating cost recoveries		48
Reclamation recovery *[page 5, line 149]*		49
Other ______________		49a
Exemption for individuals *[page 1, line 1 × $50,000]*	(	51
Gross Revenue *[to page 4, line 105]*		52

CURRENT OPERATING COSTS CALCULATION

Refining and treatment		53
Marketing and distribution		54
Postproduction development costs		55
Mining		56
Milling		57
General site services		58
Non-capital reclamation cost transfer		59
Minesite general and administrative		60
Change in cost of mineral product inventory:		
Opening Inventory		
Less ending Inventory ( )		62
Head office administrative costs		63
Other (*attach schedule for detail)*		63a
Total Current Operating Costs *[to page 4, line 118]*		64

RECONCILIATION WITH NET EARNINGS

Net earnings / (loss) per financial statements			65
Additions:	Income tax expense		66
	Lease/rental expense		67
	Reclamation expense added to the Reclamation Cost Account		68
	Royalties		69
	Business interruption insurance premiums		70
	Expense provisions credited to reserves		71
	Net realizable value of opening inventory less cost		72
	Unrelated overhead		73
	Cost of purchased product sold		75
	Unrelated cost of sales		76
	Costs of financing and arranging financing		77
	Interest expense		78
	Provisions for depreciation or depletion		79
	Exploration expense		80
	Costs of incorporation, organization or reorganization		81
	Writedown of asset values		82
	Other ______________ *(attach schedule for detail)*		84
	Subtotal *[sum of lines 65 to 84]*		88
Deductions:	Non-capital reclamation cost transfer *[page 5, line 144]*		89
	Costs charged to reserves on financial statements		90
	Net realizable value of closing inventory less cost		91
	Mine revenue from the sale of purchased product		92
	Net gains/(losses) on disposal of assets		93
	Hedging gains/(losses)		94
	Unrelated sales revenue		95
	Interest income		96
	Dividend income		97
	Other ______________ *(attach schedule for detail)*		100
Net Mineral Tax earnings/(loss) *[line 88, minus lines 89 to 100] [should equal line 52 minus line 64]*			104

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The purpose of Page 3 is to calculate Net Current Proceeds, Gross Revenue and Total Current Operating Costs, and to relate these to the financial statements of the operator. The recommended way to complete this page is to begin with the section "Reconciliation with Net Earnings" which is explained later in this section.

NET CURRENT PROCEEDS CALCULATION

43 **Net Current Proceeds** - This is the amount by which Gross Revenue on line 52 exceeds Total Current Operating Costs on line 64. If Total Current Operating Costs exceed Gross Revenue, this line will be zero. Enter this amount on page 2, line 12.

GROSS REVENUE CALCULATION

44 **Value of mineral product sold** - This is determined by the price received by the operator, unless:

- that price is subject to some other consideration having an undetermined value, or
- the buyer and seller are related and the price is lower than it would have been if they were not related.

In both cases, the value of mineral product sold should be the price at which similar mineral products would have been bought and sold between parties who were dealing at arm's length.

However, if the operator sells a mineral product to a related person operating the same mine so the related person may fulfill a pre-existing contract with a third party, the value of the mineral product sold is determined by the price received by the related person unless the exceptions set out above apply, then the value of the mineral product sold should be the price at which similar mineral products would have been bought and sold if the related person and the third party were dealing at arm's length.

The Commissioner may designate a point of disposition of a mineral product prior to its actual disposition by the operator. Then the value of the mineral product is its fair market value at the designated point. If this cannot be determined, the value shall be a deduced value.

The deduced value is the actual sales value of the mineral product sold less:

- the direct non-capital operating costs incurred by the operator beyond the designated point of disposition, and
- an allowance for costs of, and a return on, capital assets used in processing and distributing the mineral product beyond the designated point.

48 **Other current operating cost recoveries** - Included here might be such items as training subsidies or scrap sales.

49 **Reclamation recovery** - Enter the amount from page 5, line 149.

49a **Other** - include any other revenues or cost recoveries resulting from the operation of the mine.

51 **Exemption for individuals** - Your share of the mine × $50,000.

52 **Gross Revenue** - This is the sume of lines 44 to 49a less line 51. This will be used in calculating NCP on page 3, and in calculating Net Revenue on page 4 of the Return. For the latter purpose, the amount on line 52 should also be entered on line 105 on page 4.

CURRENT OPERATING COSTS CALCULATION

In this section, guideline items are given only when information is specific to cost classifications. Where no guideline instructions are given, operators may use their own classifications of costs.

55 **Postproduction development costs** - These are costs incurred at the mine property on the activities listed below, after a mine has come into commercial production:

- clearing land,
- removing overburden,
- sinking a shaft, or
- constructing an adit.

It is not unusual for these costs to be capitalized on the operator's balance sheet as they are incurred, and charged to expenses on the statement of earnings through amortization provisions over a number of years as reserves are depleted. For *Mineral Tax Act* purposes, post-production development costs should be included in current operating costs in the fiscal year in which they are incurred.

59 **Non-capital reclamation cost transfer** - Refer to guideline item for line 68 titled "Reclamation Expense". Amendments to the Costs & Expenditures Regulation and the Reclamation Regulation on January 8, 1998 eliminate all non-capital reclamation cost transfers after the 1998 fiscal year of the mine. Refer to Section 3.6 of this handbook for more information.

60 **Minesite general and administrative** - The amount shown on this line must be only for general and administrative costs incurred at the minesite. Those costs incurred at head office or other locations are shown on line 63 below.

63 **Head office administrative costs** - These are costs incurred by the operator at administrative offices located elsewhere than at the minesite. To be deductible from the income of the mine, these costs must be directly related to the operation of the mine.

If the mine operator has business activities other than the mine, a reasonable portion of head office costs must be allocated to these activities. Only those costs related to the mine or distribution of its mineral product should be entered on line 63. See Information Letter MTA11 for additional information.

64 **Total Current Operating Costs** - This is the sum of lines 53 to 63a. This will be used in calculating NCP on line 43, and in calculating the CEA balance on Page 4 of the Return. For the latter purpose, the amount on line 64 should be entered on line 118 on page 4.

RECONCILIATION WITH NET EARNINGS

This section records the adjustments that may be required to derive Net Current Proceeds (NCP) from Net Earnings of the mine in the operator's financial statements. The section has two parts, one headed Additions, the other Deductions.

"Additions" lists expenditures that may be in Net Earnings, but which are not allowable as deductions from Gross Revenue in calculating NCP. They must, therefore, be added back.

"Deductions" lists expenditures that may not have been recorded as expenses in the Net Earnings statement, but are allowable as deductions from Gross Revenue in calculating NCP. It also includes revenues in the Net Earnings statement that are not taxable.

65 **Net earnings/(loss) per financial statements** -

Additions

66 **Income tax expense** - Taxes on income and Federal Part 1.3 Large Corporation Tax are not allowable deductions from revenue in determining NCP. If Net Earnings on line 65 is after income and mineral tax expense provisions, these expenses must be included in additions on line 66.

67 **Lease/rental expense** - The cost of acquiring assets is not an allowable deduction from Gross Revenue in calculating NCP, regardless of the method used to finance the acquisition. Consequently, periodic payments on leases and rental agreements charged to expenses in the Net Earnings statement must be added back on this line.

Although not allowed as deductions from Gross Revenue in calculating NCP, these payments can be added to the Cumulative Expenditure Account (CEA). Enter this amount on page 4, line 120.

Note that when the rate of interest implicit in a lease is about the same as the Investment Allowance Rate, adding lease payments to the CEA in the years of payment will have the same result, for Mineral Tax purposes, as an outright purchase of the asset with the cost being added to the CEA in the year of purchase.

The costs of outright purchases of assets will seldom be added back to Net Earnings because they are not normally deducted directly from revenue, but are expensed through depreciation provisions.

68 **Reclamation expense added to the Reclamation Cost Account** - Enter the amount from page 5, line 139a.

After January 7, 1998, reclamation costs are treated in the same manner as any other allowable costs unless the operator elects to add them to the Reclamation Cost Account. Refer to Section 3.6 of this handbook for more information.

69 **Royalties** - Payments made for the right to win minerals from a mine, other than to the Crown in right of the Province, are not allowable as deductions from Gross Revenue. Examples might include a single payment for the outright purchase of the mineral title to a property, royalties based on the quantity of mineral products produced, or royalties based on the profit derived from the mineral products. Such payments included as expenses in the Net Earnings statement must be added back on this line.

70 **Business interruption insurance premiums** - Business interruption insurance policies are intended to compensate a business for loss of income during a period of disruption in its activities when it cannot earn income by selling its products. Should the operator of a mine receive a benefit from a business interruption claim, the proceeds would not be included in the revenue of the mine because it would not be from the disposition of the mineral products of the mine. For this reason, the related insurance premiums are not allowed as a cost of operating the mine, and must be added back on this line.

71 **Expense provisions credited to reserves** - In matching expenditures with revenue on a Net Earnings statement, an operator may charge some non-capital costs to assets or liabilities as they are incurred because they are wholly or partially related to revenues of other years. Examples are overburden removal costs or large engineering studies. Such costs are charged to expenses on the Net Earnings statement by using expense provisions that differ from the actual costs incurred during a fiscal year.

Because only current operating costs can be used in calculating NCP, any such expense provisions included in the Net Earnings statement must be added back on this line. Any actual costs incurred during the fiscal year should be shown on line 90 in the Deductions section, titled “Costs charged to reserves on financial statements”.

There is one exception to this rule; it relates to remuneration of employees. To the extent that they are reasonable, provisions for future payments of legal obligations such as vacation pay, bonuses, and pensions are allowable as deductions from Gross Revenue in calculating NCP.

72 **Net realizable value of opening inventory less cost** - For the purposes of the *Mineral Tax Act*, the value of a mineral product is determined when it is disposed of (see guideline item to line 44). This generally occurs when it is sold.

On a Net Earnings statement, an operator may calculate the revenue of the mine on a production basis; that is, revenue is recorded when the mineral product reaches a saleable form and is placed in a finished product inventory. The book amount of this inventory is the net realizable value of the product. If this method of recording revenues is used in the financial statements, adjustments are required to remove the profit included in this valuation of inventories.

The first adjustment is to add, on line 72, the net realizable value of opening finished product inventory to Net Earnings, and deduct its cost.

The second adjustment is to deduct, on line 91, the net realizable value of closing finished product inventory from Net Earnings, and add its cost.

73 **Unrelated overhead** - A portion of administrative costs included in an operator's income statement may not be directly related to the operation of the mine. See guideline item 63 earlier in this section for a more complete discussion of administrative overhead.

Overhead costs that are not solely related to the operation of the mine should be allocated to other activities in a reasonable manner.

The result is that, on this line, the following items must be added back:

- the proportionate amount of common overhead costs that are attributable to business activities other than the mine, and
- any overhead cost items on the Net Earnings statement caused directly by business activities other than the mine.

75 **Cost of purchased product sold** - Operators may supplement the sales of mineral product from their own mines with sales of mineral product purchased from other sources. When this occurs, the cost of the purchased mineral product must be added back on this line. This cost should include processing and overhead costs attributable to purchased products.

Revenue from the purchased mineral product must be deducted from Net Earnings by being entered on line 92 in the Deductions section, titled "Mine revenue from the sale of purchased product".

76 **Unrelated cost of sales** - A Net Earnings statement may include items that are part of the mine's activity from the operator's point of view, but the revenue is not taxable under the *Mineral Tax Act*. The reason is that the revenue is not derived from the sale of minerals produced from the mine. This occurs, for example, when an operator uses the mine's concentrator or smelter to process ores from other mines.

Because such revenue is not taxable, the costs of earning it must be added back on this line. These costs must be determined in a reasonable manner. One method would be to apportion the costs of processing ores from other mines against the total quantities of mineral product processed.

General and administrative costs incurred at the mine and head office overhead costs may also be attributable to this type of non-taxable revenue. These costs must be included in any amount entered on this line and estimated in a reasonable manner. The proportion method used in allocating costs of processing the ores can be repeated here.

For details on how to handle revenue from this activity, see guideline item for line 95 in the Deductions section titled "Unrelated sales revenue".

77 **Costs of financing and arranging financing** - Any cost of financing or arranging financing in the Net Earnings statement must be added back on this line.

78 **Interest expense** - Any interest expense in the Net Earnings statement must be added back on this line. Interest costs for a mine are provided for by the Investment Allowance that is added to the CEA.

79 **Provisions for depreciation or depletion** - Any provisions for depreciation or depletion in the Net Earnings statement must be added back on this line.

80 **Exploration expense** - Exploration expense is not an allowable deduction from Gross Revenue in calculating NCP. Consequently, any exploration expense shown in the Net Earnings statement must be added back on this line.

Two points need to be noted here:

(1) Exploration costs as defined in the Regulations can be added to the CEA. See guideline item for line 122 in Section 3.5 and items for the Exploration Account Return in Section 4.0 of this handbook.

(2) An exploration expense that must be added back on page 3 of the return to obtain NCP may differ from exploration costs that can be added to the CEA. The amounts will differ, for example, if the operator defers and amortizes any exploration costs, or if any of the expense was incurred on properties outside British Columbia.

81 **Costs of incorporation, organization or reorganization** - Any cost of incorporation, organization or reorganization in the Net Earnings statement must be added back on this line.

82 **Writedown of asset values** - Any writedown of asset values in the Net Earnings statement must be added back on this line.

88 **Subtotal** – Subtotal of line 65 to 84.

Deductions

89 **Non-capital reclamation cost transfer** - Enter amount from page 5, line 144. Prior to January 8, 1998 all reclamation costs were required to be added to the Reclamation Cost Account. Non-capital reclamation costs incurred and contributions to a mine reclamation fund made during the fiscal year of the mine could then be transferred to reduce Net Current Proceeds by election.

After January 7, 1998 these costs need not be added to the Reclamation Cost Account, and may be used as current operating costs with no election. As a result, non-capital reclamation cost transfers were eliminated after the 1998 fiscal year of the mine. Refer to section 3.6 of this handbook for more information.

90 **Costs charged to reserves on financial statements** - Refer to guideline item for line 71 in Additions titled "Expense provisions credited to reserves".

91 **Net realizable value of closing inventory less cost** - Refer to guideline item for line 72 in Additions titled "Net realizable value of opening inventory less cost".

92 **Mine revenue from the sale of purchased product** - Refer to guideline item for line 75 in Additions titled "Costs of purchased product sold".

93 **Net gains/(losses) on disposal of assets** - Any net gains or losses on disposal of assets included in the Net Earnings statement must be entered on this line. An amount that is a loss should be put in brackets and added to Net Earnings.

94 **Hedging gains/(losses)** - Hedging transactions in commodities are contracts, arranged on a recognized futures exchange, that constitute a promise to buy or sell a specified quantity of a commodity at the future date, at a predetermined price.

- If the commodity's market price at the future date is less than the contract's predetermined price, the seller realizes a gain from the contract and the buyer realizes a loss.
- If the market price at the future date is greater than the predetermined price, the seller realizes a loss and the buyer realizes a gain.

Operators usually enter into hedging transactions as protection against future fluctuations in the price of their mineral product. For Mineral Tax purposes, these transactions are considered to be independent of a mine's operations because a commitment to sell a quantity of mineral product under a future contract may be fulfilled from any source. Thus, the effect of gains or losses from hedging transactions in a Net Earnings statement must be eliminated in calculating NCP. An amount that is a loss should be bracketed and added to Net Earnings.

Currency hedging transactions are also considered to be independent of a mine's operations, and must be treated in the same way as commodity hedging transactions.

If a hedging transaction involves the sale of mineral product from the mine, the price actually received for the mineral product is considered to be the transaction value for Mineral Tax purposes.

95 **Unrelated sales revenue** - This item is related to "Unrelated cost of sales" in the Additions section on line 76. The Net Earnings statement may include sales revenue from activities that do not entail the disposition of the mine's mineral products. Instances might include:

- fees for processing mineral products from other sources,
- technical or management fees charged to other mines.

In reconciling NCP to Net Earnings, these types of revenue should be deducted by entering them on this line.

Care should be taken to determine whether a source of revenue is the result of activity separate from the mine or is a recovery of costs of the mine. For example:

- Revenue derived from use or disposal of capital assets should be entered on this line as a deduction from Net Earnings. Examples include renting out capital equipment or the sale of timber from cleared land. Note that such revenue will reduce the CEA.
- Revenue from the sale of items the cost of which has been included in the mine's current operating costs should not be entered on this line for deduction from Net Earnings. Such revenue might derive from sales of scrap or of process inputs recovered from milling, and is recovery of current operating costs of the mine.

Where sales revenue is unrelated to the activity of the mine, the cost of sales must be added back to Net Earnings on line 76 in the Additions section titled "Unrelated cost of sales".

96 **Interest income** - Any interest income should be entered on this line for deduction from Net Earnings.

97 **Dividend income** - Any dividend income should be entered on this line for deduction from Net Earnings.

104 **Net Mineral Tax earnings/(loss)** - The result of this reconciliation to Net Earnings should equal Gross Revenue less Total Operating Costs. This will provide some assurance that all of the appropriate adjustments to the operator's statement of Net Earnings have been reflected in the calculations of Gross Revenue on line 52 and Total Current Operating Costs on line 64. For example, expense provisions credited to reserves on line 71 must affect a specific line in current operating costs, such as Mining or Milling.

3.5 Guidelines for Page 4

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NET REVENUE CALCULATION

Gross Revenue *[page 3, line 52]*		105
Grants, subsidies and other assistance in respect of capital assets		106
Insurance proceeds in respect of capital assets		107
Revenue in the nature of capital asset cost recovery		108
Proceeds on disposal of capital assets		109
Deemed disposition proceeds for assets taken out of use at the mine		110
Subtotal C *[sum of lines 105 to 110]*		111
Deduct Cumulative Expenditure claim - the lesser of Subtotal E *[line 127]* and Subtotal C *[line 111]*		112
Net Revenue *[to page 2, line 15]*		113

CUMULATIVE EXPENDITURE ACCOUNT

Balance at the end of the preceding fiscal year			114
Adjustments (specify) ______			115
Pre-production Discovery Costs			116
Development costs prior to commercial production			117
New mine allowance *[new mine expenditures × 1/3]*			117a
Total Current Operating Costs *[page 3, line 64]*			118
Net increase /(decrease) in inventories:			
Closing mineral product inventory at cost			
Closing supplies inventory at cost			
Opening mineral product inventory at cost	( )		
Opening supplies inventory at cost	( )		119
Payments on leases and rentals			120
Cost of capital assets purchased			121
Exploration cost allocation *[complete Election to Allocate Exploration Expenses]*			122
Research costs			123
Reclamation Cost Transfer *[page 5, line 146]*			124
Subtotal D *[sum of line 114 to 124]*			125
Investment Allowance *[line 135]*			126
Subtotal E *[line 125 plus line 126]*			127
Deduct amount claimed on line 112		( )	128
Ending Balance			129

INVESTMENT ALLOWANCE CALCULATION

Cumulative Expenditure Account balance at the end of the preceding fiscal year *[line 114 plus line 115]*		130
Add the excess, if any, of Subtotal D *[line 125]* over Subtotal C *[line 111]*		131
Total *[line 130 plus line 131]*		132
Cumulative Expenditure Account average balance *[line 132 divided by 2]*		133
Investment Allowance Rate	× %	134
Investment Allowance *[line 133 × line 134; to line 126]*		135

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Page 4 shows the calculation of Net Revenue and the Cumulative Expenditure Account (CEA). Note that there is Net Revenue only when line 111 exceeds line 127. Note also that either line 113 or line 129 will be nil.

NET REVENUE CALCULATION

105 **Gross Revenue** - Enter the amount from page 3, line 52.

106 **Grants, subsidies and other assistance in respect of capital assets** - Amounts included on this line should relate only to assets. Amounts relating to current operating costs are entered on line 46 on page 3.

107 **Insurance proceeds in respect of capital assets** - Amounts entered on this line should relate only to assets. Proceeds relating to current operating costs are entered on line 47 on page 3.

108 **Revenue in the nature of capital asset cost recovery** - Any revenue that is gained from the use of an asset whose cost has been included in the CEA, such as from short-term rentals or contracted services, must be included in Net Revenue on this line. The net effect of this is to reduce the cost of the asset.

109 **Proceeds on disposal of capital assets** - Enter the amount at the bottom of page 4 under "Disposal Proceeds". In most instances when assets are disposed of, this line will show the sale price of the property that has been sold. If a liability of the operator to a creditor is reduced as a result of the seizure of an asset, the amount of the reduction would also be proceeds on disposal and entered on this line.

110 **Deemed disposition proceeds for assets taken out of use at the mine** - If an asset of the mine, such as a truck or a drilling rig, is taken out of use at the mine and is used for any other purpose, then it is considered to have been disposed of as far as the mine is concerned. The operator must then enter on this line an amount equal to the fair market value of the asset at the time it was taken out of use.

Similarly, if the operator reduces the proportion of use of an asset at the mine and the asset is used elsewhere, a portion of the asset equal to the proportion of the reduction of use would be deemed to have been disposed of. The disposition proceeds entered on this line would be the proportion of the reduction of use applied to the fair market value.

111 **Subtotal C** - Enter the sum of lines 105 to 110.

112 **Deduct Cumulative Expenditure claim** - Enter the lesser of Subtotal E (line 127) or Subtotal C (line 111).

113 **Net Revenue** - This is line 111 minus line 112. Enter this amount on page 2, line 15.

CUMULATIVE EXPENDITURE ACCOUNT

114 **Balance at the end of the preceding fiscal year** - When a Mineral Tax Return is being filed for the first time, enter here any allowable costs incurred in prior years. This would include the cost of preproduction development or capital assets that are directly related to the operation of the mine and were acquired prior to the beginning of the fiscal year for which the return is being filed. Thereafter, enter the Cumulative Expenditure Account Ending Balance (line 129) from the return filed for the preceding fiscal year.

In some cases a balance may have been transferred from another operator on the purchase of an interest in the mine. Please refer to Information Letters MTA3 and MTA5 for more information.

115 **Adjustments** - Enter here any adjustments to the CEA balance at the end of the preceding year. Such adjustments might arise from amended Returns or audits of previous years.

116 **Pre-production Discovery Costs** - “Discovery costs” are costs incurred in determining the existence, location, extent or quality of a mineral deposit in British Columbia. More specifically, these are costs of:

- prospecting,
- geological, geophysical and geochemical surveys,
- drilling,
- trenching,
- digging test pits, and
- preliminary sampling.

“Preproduction discovery costs” for a particular mine include all discovery costs incurred by the operator for that mine property prior to the start of commercial production that:

- have not been included in costs of any other mine, and
- were incurred while the operator had a right to win minerals from the property.

Discovery costs are deemed to have been incurred for a property when the operator had the right to win minerals from it, if:

- these costs provided a reasonable basis for believing that a producing mine might be established, and
- the acquisition of the right to win minerals from the property was a direct result of incurring discovery costs.

The amount on line 116 may be affected if any interest in the property has been acquired from a previous operator. If this is the case, subject to two conditions, the amount entered on line 116 may also include the proportion of the preproduction discovery costs of the previous operator that equals the share of the property acquired by the current operator. The two conditions are as follows:

(1) The property must not have been in commercial production at any time in the seven years preceding the acquisition.

(2) The preproduction discovery costs of the previous operator must not have been used to reduce revenues of any previous operator for the purposes of determining Net Revenue, and would have been available for deduction by the previous operator.

In determining the extent to which the preproduction discovery costs would have been available for claim by the previous operator, any claim of CEA shall be deemed to have been preproduction costs before any other types of costs.

117 **Development costs prior to commercial production** - These are costs incurred during the fiscal year of the mine on the activities listed below, to bring a property into commercial production:

- drilling,
- clearing,
- removing overburden,
- sinking a shaft, or
- constructing an adit.

When incurred before the start of commercial production, such costs can be added to the CEA of the mine on line 117. They may not be added to the CEA of any other mine.

117a **New Mine allowance** - This is calculated as 1/3 of the costs:

- Entered on line 117, and
- Entered on line 120 and line 121 where the assets are acquired for the purpose of production or distribution of mineral products from the mine.

The above costs qualify provided that:

(1) the mine:

(a) is located on a property from which minerals had not previously been produced, and began producing minerals in reasonable commercial quantities after December 31, 1994 and before January 1, 2010;

(b) was before January 1, 1995 a closed or abandoned mine within the meaning of the *Mines Act,* and began producing minerals in reasonable commercial quantities after December 31, 1994 and before January 1, 2010;

(c) had ceased operations and had laid off substantially all of its operating workforce before January 1, 1995, and began producing minerals in reasonable commercial quantities after December 31, 1994 and before January 1, 2010; or

(d) was expanded after December 31, 1994 and before January 1, 2010 to the extent that the greatest designed capacity, measured in tonnes of input of ore from the mine was not less than 25% greater than it was in the fiscal year immediately preceding the expansion;

(2) the costs were incurred:

(a) after December 31, 1994;

(b) before the coming into production or the completion of the expansion of the mine; and

(c) in the case of an expansion, in the course of and principally for the purposes of the expansion;

(3) in the case of a mine that ceased operations, the costs were not incurred to acquire assets that were previously used in the operation of the mine or to compensate a previous operator for development expenditures; and

(4) the costs were not incurred to acquire assets that were previously used for any purpose by a person with whom the operator was not dealing at arm's length.

118 **Total Current Operating Costs** - Enter the amount from page 3, line 64.

119 **Net increase/(decrease) in inventories** - The amount of any increase in the cost of inventories during the fiscal year must be added to the CEA. Conversely, any reduction in the cost of inventories must be deducted from the CEA on this line.

Inventories include unused parts and supplies required for operating the mine, and mineral products resulting from the mine's operation.

120 **Payments on leases and rentals** - Enter here the amount of any rental or lease payments. Amounts added back on line 67 of the Additions section on page 3 of the return may be included here if they were paid or payable during the fiscal year of the mine.

121 **Cost of capital assets purchased** - Enter the amount at the bottom of page 4 under "Cost of Purchases. Items that qualify as capital assets under the *Mineral Tax Act* are essentially those that qualify as capital assets for purposes of the *Income Tax Act (Canada)*, and are necessary for the operation of the mine.

122 **Exploration cost allocation** - An Election to Allocate Exploration Expenditures must be filed for any allocation of exploration costs to a particular mine no later than six months after the fiscal year end of the mine to which the allocation is made. Please refer to Section 4.0 of this Handbook for more information on the Election to Allocate Exploration Expenses. Costs that may be allocated are discovery costs (see guideline item for line 116) that were incurred during the fiscal year by the operator after the start of commercial production from any one or more mines of the operator.

If the operator has more than one mine in British Columbia, exploration costs may be allocated, or apportioned, to one or more mines.

Prior to March 23, 1994, the allocation had to be made in the fiscal year in which the exploration costs are incurred and could not be changed thereafter.

After March 22, 1994, a mine operator can accumulate exploration expenditures in an Operator's Exploration Account in the year in which they are incurred and allocate those expenditures to one or more of the operator's mines whenever the operator chooses. Any unallocated balance in an Operator's Exploration Account will earn an Investment Allowance equivalent to what would have been earned on these costs in the CEA of a mine.

An operator is required to report its Exploration Account balance by filing an Operator's Exploration Account Return with the Commissioner of Mineral Tax no later than six months after the fiscal year end of the operator. Refer to Section 4.0 of this handbook for instructions on completing the Operator's Exploration Account Return.

123 **Research costs** - These are costs incurred by the operator on scientific research and experimental development that are related to the operator's mineral activities. However, to be allowable additions to the CEA of a mine, the results of such research must be public property.

124 **Reclamation Cost Transfer** - Enter the amount from page 5, line 146. Prior to January 8, 1998 all reclamation costs were required to be added to the Reclamation Cost Account. Amounts could then be transferred from the Reclamation Cost Account to the CEA by filing an election.

After January 7, 1998 reclamation costs need not be added to the Reclamation Cost Account, and may be treated in the same manner as any other allowable cost under the *Mineral Tax Act* with no election. However, for operators who have accumulated balances in the Reclamation Cost Account under the old rules, any amounts that were added to the Reclamation Cost Account before the end of the 1998 fiscal year may still be transferred to the CEA by filing an election. Refer to Section 3.6 of this handbook for more information.

125 **Subtotal D** - Enter the total amount of line 114 to 124.

126 **Investment Allowance** - Enter amount from line 135

127 **Subtotal E** - Enter the total amount of line 125 and 126.

128 **Deduct amount claimed on line 112** - Enter amount from line 112.

129 **Ending Balance** - Enter total amount of line 127 minus line 128.

INVESTMENT ALLOWANCE CALCULATION

The Investment Allowance is a provision for a return on an operator's investment in a mine. Actual interest expense is not an allowable cost because it is provided for by the Investment Allowance. The Investment Allowance provides for more than interest expense because it allows for a return on both debt and equity capital. It also eliminates the need to determine how much of an operator's interest expense is related to a particular mine.

The Investment Allowance is based on the average of the opening balance in the CEA and the balance after adding expenditures incurred in the current fiscal year and deducting Gross Revenue and other receipts for the current fiscal year. The instructions for lines 130 to 135 involve only transfers of amounts from other lines and the calculations are explained clearly in the line texts.

3.6 Guidelines for Page 5

BRITISH COLUMBIA

Ministry of Small Business and Revenue

MINERAL TAX ACT
MINERAL TAX RETURN

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RECLAMATION COSTS and RECLAMATION TAX CREDITS

RECLAMATION COST

Balance of the Reclamation Cost Account at the end of the preceding fiscal year		136
Additions:		
Reclamation fund contributions incurred before January 8, 1998		137
Non-capital reclamation costs incurred before January 8, 1998		138
Costs of assets for reclamation purposes incurred before January 8, 1998		139
Amount elected to be added under s. 5(1) of the Reclamation Regulation *[complete Reclamation Cost Election Schedule]*		139a
Subtotal G *[sum of lines 136 to 139a]*		140
Deductions:		
Reclamation fund refunds received or receivable		141
Reclamation cost recoveries		142
Amount used in respect of tax credit claimed in the preceding period *[credit claimed divided by the Net Revenue Tax rate]*		143
Non-capital reclamation cost transfer to reduce Net Current Proceeds *[amount elected under s. 4(1) of the Reclamation Regulation; may not exceed the sum of line 137 and line 138; to page 3, line 89]*		144
Subtotal H *[sum of lines 141 to 144]*		145
Reclamation cost transfer to the Cumulative Expenditure Account *[to page 4, line 124]* *[amount elected under s. 4(1) of the Reclamation Regulation - complete Reclamation Cost Transfer Schedule]*		146
Subtotal I *[line 145 plus line 146]*		147
Ending Balance *[the amount, if any, by which subtotal G exceeds subtotal I; to page 5, line 38]*		148
Reclamation Recovery ***[the amount, if any, by which subtotal I exceeds subtotal G; to page 3, line 49]***		149

RECLAMATION TAX CREDIT

Balance of the account at the end of the preceding fiscal year		34
Deduct reclamation tax credit claim of the preceding fiscal year		35
Add Net Revenue Tax payable *[page 2, line 19]*		36
Ending Balance *[to page 5, line 41]*		37

RECLAMATION TAX CREDIT CLAIM

(i) Reclamation Cost Account ending balance *[line 148]*		38
Net Revenue Tax rate	× 13 %	39
Amount of Reclamation Cost Account creditable *[line 38 × line 39]*		40
(ii) Reclamation Tax Credit Account ending balance *[line 37]*		41
Reclamation Tax Credit Claim *[claim an amount up to the lesser of line 40 and 41; to page 2, line 4]*		42

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RECLAMATION COSTS

The *Mineral Tax Act* and the *Reclamation Regulation* enable operators to claim a refund of Net Revenue Tax for reclamation costs. Page 5 of the return provides the mechanism to claim a tax refund after a mine has been closed.

Before January 8, 1998, reclamation costs were required to be added first to the Reclamation Cost Account. The operator could then elect to use non-capital reclamation costs incurred in the fiscal year, or contributions to a Mine Reclamation Fund, as current operating costs. Similarly, an election could be made to add capital reclamation costs and non-capital reclamation costs incurred in prior years to the CEA. If no election was made, the costs remained in the Reclamation Cost Account and were available to claim as a Reclamation Tax Credit at a later date.

On January 8, 1998, the *Reclamation Regulation* and the *Costs and Expenditures Regulation* were amended to change the treatment of reclamation costs for Mineral Tax purposes. As of that date, reclamation costs incurred in the fiscal year are treated the same as any other costs related to the operation of the mine. Current reclamation costs and contributions to a Mine Reclamation Fund are now allowable as current operating costs, and capital reclamation costs are allowed as additions to the Cumulative Expenditure Account, without an election.

Operators who wish to add reclamation costs to the Reclamation Cost Account in order to claim a Reclamation Tax Credit are still able to do so. To add costs to the Reclamation Cost Account, a Reclamation Cost Election must be made within six months of the fiscal year end of the mine for which an operator wishes to add the costs to the Reclamation Cost Account. This will usually be done when a mine has paid net revenue tax in the past, and has no revenue against which to claim the costs in the current fiscal year.

For mines that have accumulated a balance in their Reclamation Cost Account prior to the change in legislation, the old rules will apply to costs incurred but not transferred out of the Reclamation Cost Account prior to the end of the 1998 fiscal year of the mine. Operators will continue to be able to transfer these amounts to the Cumulative Expenditure Account by filing a Reclamation Cost Transfer election within six months after the end of the fiscal year of the mine. Non-capital reclamation costs incurred in a previous taxation year may not be transferred to reduce Net Current Proceeds.

For more information regarding the 1998 changes to the reclamation cost provisions under the *Mineral Tax Act*, please refer to Information Letter MTA13.

RECLAMATION COST ACCOUNT

136 **Balance of the Reclamation Cost Account at the end of the preceding fiscal year** - This figure will be nil in the first Mineral Tax Return filed by an operator. Thereafter, it will be the amount shown on line 148 in the preceding year's Return.

In some cases a balance may have been transferred from another operator on the purchase of an interest in a mine. Please refer to Information Letters MTA3 and MTA5 for more information.

Additions

137 **Reclamation fund contributions incurred before January 8, 1998** - This is the amount deposited by the operator, under the *Mines Act*, into a mine reclamation fund during the fiscal year and before January 8, 1998. After that date, reclamation fund contributions are treated as current operating costs unless the operator elects to add them to the Reclamation Cost Account on Line 139a.

138 **Non-capital reclamation costs incurred before January 8, 1998** - These include costs of activities such as tidying ground, filling excavations, landscaping or seeding incurred during the fiscal year and before January 8, 1998. After that date, non-capital reclamation costs are treated as current operating costs unless the operator elects to add them to the Reclamation Cost Account on Line 139a. If the amounts were reported as expenses in the Net Earnings statement, they should also be entered on page 3 in the "Additions" section as "Reclamation Expense added to the Reclamation Cost Account" on line 68.

139 **Costs of assets for reclamation purposes incurred before January 8, 1998** - These might include purchase or rental of equipment, such as vehicles or pumps before January 8, 1998. After that date, capital reclamation costs are treated as capital additions to the CEA unless the operator elects to add them to the Reclamation Cost Account on Line 139a.

139a **Amount elected to be added under s. 5(1) of the Reclamation Regulation** - To add an amount on this line, a Reclamation Cost Election Schedule must be completed and filed within six months of the fiscal year end of the mine. An election is only required for amounts incurred after January 7, 1998. Before that time, all reclamation costs were required to be added to the Reclamation Cost Account. If the amounts were reported as expenses in the Net Earnings statement, they should also be entered on page 3 in the "Additions" section as "Reclamation Expense added to the Reclamation Cost Account" on line 68. Please refer to the introduction to this section and Information Letter MTA13 for more detail.

140 **Subtotal G** - Enter the sum of lines 136 to 139a.

Deductions

141 **Reclamation fund refunds received or receivable** - Enter any amounts refunded during the fiscal year or expected to be received from the operator's reclamation fund in respect of work done during the fiscal year.

142 **Reclamation cost recoveries** - These are amounts recovered in any manner from reclamation activities.

143 **Amount used in respect of tax credit claimed in the preceding period** - This figure will be nil in the first Mineral Tax Return filed by an operator. Thereafter, it will be the amount shown on line 42, in the preceding year's Return, divided by .13.

144 **Non-capital reclamation cost transfer to reduce Net Current Proceeds** - If you are entering an amount on this line, complete a Reclamation Cost Transfer Schedule to make this election and file it within six months after the end after the fiscal year of the mine.

You may elect any amount not exceeding the lesser of:

(a) Non-capital reclamation costs incurred during the current fiscal year of the mine and before January 8, 1998 (line 138) plus contributions made during the current fiscal year and before January 8, 1998 to a Mining Reclamation Fund (line 137)

OR

(b) The opening balance plus additions during the fiscal year (Subtotal G, line 140) minus recoveries during the fiscal year (the sum of lines 141, 142 and 143).

Any amount entered on this line should also be entered on lines 59 and 89 on page 3.

Only costs incurred before January 8, 1998 should be entered on this line. After that date, non-capital reclamation costs are treated as current operating costs unless the operator elects to add them to the Reclamation Cost Account on line 139a. Non-capital reclamation costs incurred in a prior fiscal year may only be transferred to reduce Net Current Proceeds in the year they were incurred.

145 **Subtotal H** - Enter the sum of lines 141 to 144.

146 **Reclamation cost transfer to the Cumulative Expenditure Account** - If you are entering an amount on this line, complete a Reclamation Cost Transfer Schedule to make this election and file it within six months of the end of the fiscal year of the mine.

Before January 8, 1998, any amount by which subtotal G on line 140 exceeded subtotal H on line 145 could be transferred to line 124 of the CEA on page 4 of the return. The advantage of making this transfer would have been to earn additional Investment Allowance.

After January 7, 1998 reclamation costs and contributions to Mine Reclamation Funds are treated the same as any other allowable costs related to the operation of the mine, and no election is required.

If amounts have accumulated in the Reclamation Cost Account from prior years, the Reclamation Cost Transfer election is still available to transfer these amounts to the CEA. The maximum amount that may be transferred under the old rules is limited however, to the balance in the Reclamation Cost Account at the end of the 1998 fiscal year of the mine.

147 **Subtotal I** - Enter the sum of line 145 and 146.

148 **Ending Balance** - If subtotal G on line 140 exceeds subtotal I on line 147, this excess is entered on this line. Otherwise, see line 149.

149 **Reclamation Recovery** - If subtotal I on line 147 exceeds subtotal G on line 140, this excess should be added to revenue on page 3, line 49.

RECLAMATION COST TRANSFER SCHEDULE

If amounts have accumulated in the Reclamation Cost Account from prior years the Reclamation Cost Transfer election is still available to transfer these amounts to the CEA. The maximum amount that may be transferred under the old rules is limited however, to the balance in the Reclamation Cost Account at the end of the 1998 fiscal year of the mine. To make this election, complete the Reclamation Cost Transfer Schedule and file it within six months of the end of the fiscal year end of the mine for which the transfer is to be taken into account.

NOTE: Non-capital reclamation costs and contributions to a Mine Reclamation Fund may only be transferred to reduce Net Current Proceeds in the year in which they are incurred. In any subsequent year, these amounts may only be transferred to the CEA.

RECLAMATION COST ELECTION SCHEDULE

After January 7, 1998 reclamation costs and contributions to Mine Reclamation Funds are treated the same as any other cost related to the operation of the mine. However, if an operator wishes to add reclamation costs to the Reclamation Cost Account rather than use them as ordinary current or capital costs, an election may be made to do so. This would generally be done if a mine is not taxable in the current year but paid Net Revenue Tax in prior years that could now be claimed back as a Reclamation Tax Credit.

In order to make the election, complete the Reclamation Cost Election Schedule indicating the amount of Mine Reclamation Fund contributions made during the year and the amount of reclamation costs incurred during the year that you wish to add to the Reclamation Cost Account. Once the costs are added to the Reclamation Cost Account they may not be transferred back out to reduce NCP or added to the CEA.

RECLAMATION TAX CREDIT

Reclamation tax credits provide for refunds of Net Revenue Tax. This section is a running balance of the Net Revenue Tax paid less any reclamation tax credits that have been claimed in prior years. The balance in this account is the maximum amount that may be claimed as a Reclamation Tax Credit, subject to the amount available in the Reclamation Cost Account.

RECLAMATION TAX CREDIT CLAIM

The *Mineral Tax Act* provides for refunds of Net Revenue Tax based on reclamation costs incurred when there is no current income from which such costs may be deducted. This section shows how to calculate such refunds.

Two amounts limit the size of the Reclamation Tax Credit Claim:

(1) The amount of reclamation costs that have accumulated in the Reclamation Cost Account at the end of the fiscal year (on line 148). The tax credit claim may not exceed this amount multiplied by 13%.

(2) The ending balance of the Reclamation Tax Credit Account on line 37. This represents the cumulative amount of Net Revenue Tax paid less Reclamation Tax Credits claimed in past years. The tax credit claim may not exceed this balance.

4.0 GUIDELINES FOR THE EXPLORATION ACCOUNT RETURN

BRITISH COLUMBIA

Ministry of Small Business and Revenue

MINERAL TAX ACT
EXPLORATION ACCOUNT RETURN

Freedom of Information and Protection of Privacy Act - The personal information requested on this form is collected under the authority of, and will be used for purposes of administering the *Mineral Tax Act* RSBC1996 c. 291. If you have any questions about the collection and use of this information, please contact the Mineral, Oil and Gas Revenue Branch at P.O. Box 9328 Stn. Prov. Gov't, Victoria, B.C. V8W 9N3 250 952-0192.

FISCAL YEAR OF OPERATOR	FROM	D	M	Y	TO	D	M	Y	FILE NO.
NAME OF OPERATOR									
ADDRESS OF OPERATOR									

MINES OPERATED DURING THE FISCAL YEAR OF THE OPERATOR

Mine Name	Fiscal year end of the Mine D	M	Y
	D	M	Y
	D	M	Y

EXPLORATION ACCOUNT

Exploration Account Balance at the end of operator's preceding fiscal year		501
Add/(subtract)		
Exploration expenditures		502
Exploration grants and subsidies	( )	503
Proceeds on disposal of assets	( )	504
Other forms of assistance	( )	505
Subtotal A		506
Less allocations to mines during the fiscal year of the operator:	( )	507
	( )	508
	( )	509
	( )	510
Subtotal B		511
Investment Allowance *[line 519]*		512
Ending Balance		513

INVESTMENT ALLOWANCE CALCULATION

Beginning Balance *[line 501]*		514
Subtotal B *[line 511]*		515
Total *[line 514 plus 515]*		516
Average balance *[line 516 divided by 2]*		517
Investment Allowance rate		518
Investment Allowance *[line 518 × 517: to line 512]*		519

CERTIFICATION

I, ______________________________, certify that this return, including accompanying schedules and statements, has been examined by me and to the best of my knowledge is in conformity with the provisions of the Mineral Tax Act.

(Date) (Signature) (Title)

PERSON TO WHOM INQUIRIES REGARDING THIS RETURN SHOULD BE DIRECTED

Name		Telephone Number	
Address		Fax Number	

DELIVERY

This completed return must be delivered by the last day of the sixth month following the end of the fiscal year of the operator to:

Commissioner, Mineral Tax Act
PO Box 9328 Stn Prov Gov't
Victoria, B.C. V8W 9N3

Facsimile 250 952-0191 Telephone 250 952-0192 or 1 800 667-1182

MPR 002-1 REV02/07

POINTS TO NOTE

- Be sure to record the name and the fiscal year of the operator on the lines provided at the top of the page.
- Computer printouts may be submitted, but only if approved first by the Branch. Printouts must be so designed that the signature of the person responsible for the Return is clearly visible, and that the document is dated.
- All figures must be in Canadian dollars, and rounded to the nearest dollar.

MINES OPERATED DURING THE FISCAL YEAR OF THE OPERATOR

List the operator's mines that were in commercial production during the fiscal year. Indicate the fiscal year end of each mine.

EXPLORATION ACCOUNT

501 **Exploration Account Balance at the end of the operator's preceding fiscal year** - When an Exploration Account Return is being filed for the first time, this amount should be nil. Thereafter, enter the Exploration Account ending balance (line 513) from the return filed for the preceding year.

502 **Exploration expenditures** - Costs that may be entered here are discovery costs (see first paragraph of guideline item for line 116 in Section 3.5 of this handbook) that were incurred during the fiscal year of the operator. The operator must have one or more mines in British Columbia, and the costs must be incurred in a fiscal year of one of those mines during which that mine was in commercial production.

503 **Exploration grants and subsidies** - Enter the amount of any assistance that may reasonably be regarded as being with respect to exploration expenditures on line 502 for any fiscal year of the operator.

504 **Proceeds on disposal of assets** - Enter the amount of any proceeds on disposal of any assets that have been included in the exploration account in any fiscal year of the operator.

505 **Other forms of assistance** - Enter any amounts that may relate to the exploration expenditures on line 502 for any fiscal year of the operator.

506 **Subtotal A** - Enter the sum of lines 501 to 505.

507 to 510 **Less allocations to mines during the fiscal year of the operator** - An Election to Allocate Exploration Expenses must be filed for any allocation to a particular mine no later than six months after the end of the fiscal year of the mine to which the allocation is made.

The amount of exploration expenditures that may be allocated to a mine is the sum of the following:

(1) the balance of the operator's exploration account at the end of the fiscal year of the operator immediately preceding the end of the fiscal year of the mine, plus

(2) the exploration costs incurred by the operator from the date referred to in (1) to the end of the fiscal year of the mine.

511 **Subtotal B** - Enter the sum of lines 506 to 510.

512 **Investment Allowance** - Enter the amount from line 519.

513 **Ending Balance** - Enter the sum of lines 511 and 512.

INVESTMENT ALLOWANCE CALCULATION

514 to 519 The Investment Allowance is based on the average of the opening Exploration Account balance and Subtotal B. The instructions for line 514 to 519 involve only transfers of amounts from other lines and the calculations are explained clearly in the line texts.

CERTIFICATION

This should be completed by the individual operator or, if the operator is a corporation, by an authorized signing officer of the corporation.

PERSON TO WHOM INQUIRIES REGARDING THIS RETURN SHOULD BE DIRECTED

This must be the person to whom the Ministry can direct inquiries and need not be the person who completed or certified the Exploration Account Return.

DELIVERY

This return must be delivered to the address shown by the last day of the sixth month following the end of the fiscal year of the **operator**.

5.0 PLACER GOLD MINE MINERAL TAX RETURN

Commencing with the 1999 calendar year, all corporations and individuals who operate a placer gold mine must file a Placer Gold Mine Mineral Tax Return annually. The only exception for filing a return is for individuals who operated a placer gold mine and **both** sold less than $50,000 of placer minerals and produced less than $50,000 (fair market value sales price) during the calendar year. There is no filing exception for corporations who operate a placer gold mine.

Instalment payments are not required to be remitted during the calendar year, but payment of Mineral Taxes due must be made in full, and submitted along with the completed Placer Gold Mine Mineral Tax Return on or before March 31 of each year.

5.1 How to Complete a Placer Gold Mines Mineral Tax Return

POINTS TO NOTE

Record the name of the operator and the calendar year on the lines provided at the top of the page.

File no. This number will be allocated by the Ministry when the operator's first return is filed.

A printable Placer Gold Mine Mineral Tax Return is available on the internet at http://www.sbr.gov.bc.ca/mog/mineral_tax/forms.htm. A downloadable Excel version is also available at this website.

All figures must be in Canadian dollars, and rounded to the nearest dollar.

Submit with your Placer Gold Mine Mineral Tax Return the financial statements for the mine and a cheque payable to the Minister of Finance in payment of any balance owing.

Where the operator's fiscal year does not coincide with the calendar year, the operator should submit a statement of operations for the calendar year and a copy of the last fiscal year's financial statements.

If an operator has more than one placer mine, a Placer Gold Mine Mineral Tax Return must be filed for each mine.

Enter the name, address and phone number of the person to whom the Ministry may direct inquiries.

5.2 Guidelines for Placer Gold Mine Mineral Tax Return

BRITISH COLUMBIA

MINERAL TAX ACT **Ministry of Small Business and Revenue**

PLACER GOLD MINE MINERAL TAX RETURN

(for use only by Placer Gold Mine Operators for calendar years after 1998)

Freedom of Information and Protection of Privacy Act - The personal information requested on this form is collected under the authority of, and will be used for purposes of administering the *Mineral Tax Act* RSBC1996 c. 291. If you have any questions about the collection and use of this information, please contact the Mineral, Oil and Gas Revenue Branch at P.O. Box 9328 Stn. Prov. Gov't, Victoria, B.C. V8W 9N3 250 952-0192.

CALENDAR YEAR	| | |	FILE NO.	
Proportionate Share of the Mine Reported on this Return		______ %	601
NAME OF MINE		LOCATION OF MINE	
NAME OF OPERATOR			
ADDRESS OF OPERATOR	____________		

PERSON TO WHOM INQUIRIES REGARDING THIS RETURN SHOULD BE DIRECTED

Name ____________ Telephone Number ( ) ____________ Fax Number ( ) ____________

INVENTORY RECONCILIATION

	Gold		Other Placer Minerals (Specify Unit of Measure)	
Inventory at beginning of year	oz.	602		607
Add : Placer minerals produced during the year		603		608
Subtotal		604		609
Less: Placer minerals sold during the year	( )	605	(	610
Inventory at end of year	oz.	606		611

CALCULATION OF MINERAL TAX

Sales of placer gold during the year	$	621
Sales of other placer minerals during the year		622
Subtotal *[sum of lines 621 & 622]*		623
Tax Rate 0.5%	× **0.005**	624
Mineral Tax Payable *[line 623 × line 624]*		625
Deduct: Amounts previously remitted for the year	( )	626
Other credits (specify) ____________	( )	627
Balance of Tax Payable/(Overpaid) *[sum of lines 625 to 627]*		628
Add late filing penalty *[$25/day to a maximum of $2,500 plus 5% of unpaid tax on line 628]*		629
Amount Payable/(Overpaid)	$	630

Do you want overpayment ☐ Refunded ☐ Credited to another year

[Overpayments will be credited to the following year unless refund box checked] **Remittance with this Return** $ 631

CERTIFICATION

I, ____________________ , certify that this return, including statements and any accompanying schedules, has been examined by me and, to the best of my knowledge and belief, reflects the results from the operation of the mine for the above calendar year and is in conformity with the provisions of the *Mineral Tax Act*.

(Date) (Signature) (Title)

DELIVERY

Please submit the completed return together with financial statements for the mine and a cheque payable to the Minister of Finance in payment of any balance owing by March 31st following the end of the calendar year to:

Commissioner, Mineral Tax Act
PO Box 9328 Stn Prov Gov't
Victoria, B.C. V8W 9N3

Facsimile 250 952-0191

HAVE YOU INCLUDED:
☐ **Financial Statements**
☐ **Cheque for balance owing**

Telephone 250 952-0192 or 1-800 667-1182

PLACER GOLD MINE MINERAL TAX RETURN

601 **Proportionate Share of the Mine Reported on this Return -** This is the share of revenue to which a mine operator is entitled and the costs the operator is obliged to pay under the terms of an agreement with other operators of the mine.

Name of mine The name by which the mine is generally known.

Location of mine The name of the nearest community.

Name of operator The operator's legal name as the operator of the mine.

Address of operator Address to which the operator wants correspondence sent.

INVENTORY RECONCILIATION

Use 'ounces' as the unit of measure for amounts reported on lines 602 to 606.

602 **Inventory at beginning of year** - Enter the quantity of gold inventory on hand from the production of the mine at the beginning of the calendar year. If a return has been filed for a previous year, this should be equal to the inventory at the end of that year.

603 **Add: Placer minerals produced during the year.** Enter the quantity of gold produced from the mine during the calendar year.

604 **Subtotal** - Enter the sum of lines 602 and 603.

605 **Less: Placer minerals sold during the year** - Enter the quantity of placer gold sold during the calendar year.

606 **Inventory at end of year** - Deduct line 605 from line 604.

Please specify the Unit of Measure for amounts reported on lines 607 to 611 that are Placer Minerals other than gold.

607 **Inventory at beginning of year** - Enter the quantity of other placer minerals on hand from the production of the mine at the beginning of the calendar year.

608 **Add: Placer minerals produced during the year.** Enter the quantities of other minerals produced by the placer mine during the calendar year.

609 **Subtotal** - Enter the sum of lines 607 and 608.

610 **Less: Placer minerals sold during the year** - Enter the quantity of other placer minerals sold during the calendar year.

611 **Inventory at end of year** - Deduct line 610 from line 609.

CALCULATION OF MINERAL TAX

621 **Sales of placer gold during the year** (in Cdn $)

622 **Sales of other placer minerals during the year** (in Cdn $)

These are determined by the price received by the operator, unless:

- that price is subject to some other consideration having an undetermined value, or
- the buyer and seller are related and the price is lower than it would have been if they were not related.

In both cases, the transaction value of the placer minerals disposed of should be the transaction value at which placer minerals would have been bought and sold between parties who were dealing at arm's length.

623 **Subtotal** - Enter the sum of lines 621 and 622.

624 **Tax Rate** - This is 0.5%

625 **Mineral Tax Payable** - Enter 0.5% of line 623.

626 **Deduct: Amounts previously remitted for the year** - Enter total amount of payments previously made for the calendar year.

627 **Other credits (specify)** - Enter other amounts being used as payments of the tax payable for the calendar year. These may be such items as overpayments from a previous fiscal year.

628 **Balance of Tax Payable/(Overpaid)** - Enter the sum of lines 625 to 627.

629 **Add late filing penalty -** If you fail to file a Mineral Tax Return within the required time (by March 31st of each year for the previous calendar year) you are liable for the following penalties:

- $25 for each day of default, up to a maximum of $2,500, plus
- 5% of any unpaid taxes

If your Mineral Tax Return is being filed late, please calculate and enter the amount of the late filing penalty on this line.

630 **Amount Payable/(Overpaid)** - Enter line 628 plus line 629. Note that interest on unpaid tax may be applicable. If an amount payable is due on March 31, interest is charged from March 31 until the day on which all amounts due are paid.

Any overpayment may be credited to another year's tax payable or it may be refunded. Indicate how you wish an overpayment to be handled by checking the appropriate box below line 630.

These interest rates are available on the internet at
http://www.sbr.gov.bc.ca/mog/mineral_tax/investment_allowance_rates.htm

631 **Remittance with this Return** - Enter the payment sent with this Return. This should be the amount shown on line 630 plus Interest on Unpaid Tax that may be due. Remittance must be rounded to the nearest dollar and may be made by cheque payable to the Minister of Finance. We do not charge or refund an amount of less than $5.

Remittances may be made by electronic fund transfer as outlined in Section 2.3 of this handbook.

Operators may wish to arrange for a refinery to remit mineral taxes on their behalf. Such arrangements are acceptable to the Ministry, however, operators are reminded that ultimate responsibility rests with the operator to ensure the amounts are paid when due and that remittances are made for all gold sales whether they be to refineries or to other buyers.

CERTIFICATION

This should be completed by the individual operator or, if the operator is a corporation, by an authorized signing officer of the corporation.

DELIVERY

This section states where and when a Placer Gold Mine Mineral Tax Return, the financial statements for the mine, and any payments should be sent.

6.0 QUARRY MINERAL TAX RETURN

Commencing with the 2001 calendar year, all operators of mines from which substantially all minerals removed are quarry materials must file a Quarry Mineral Tax Return. Quarry materials are defined in the *Mineral Tax Act* to include the following:

Limestone	Dolomite	Marble	Shale	Clay
Volcanic Ash	Sandstone	Quartzite	Dimension Stone	Diatomaceous Earth

Instalment payments are not required to be remitted during the calendar year, but payment of Mineral Taxes due must be made in full, and submitted along with the completed Quarry Mineral Tax Return on or before March 31st of each year.

Producers of quarry materials who have previously filed a Mineral Tax Return will have the option of continuing to file the regular Mineral Tax Return or to file the new Quarry Mineral Tax Return. Any eligible producers of these materials must elect in prescribed form on or before the last day of the sixth month following the fiscal year ending in 2001, to continue filing the regular Mineral Tax Return. This is a one time only election, and once made, may not be rescinded.

6.1 How to Complete a Quarry Mineral Tax Return

POINTS TO NOTE

Record the name of the operator and the calendar year on the lines provided at the top of the page.

File no. This number will be allocated by the Ministry when the operator's first return is filed.

The address at the top is the address to which the operator wants correspondence sent.

A printable Quarry Mineral Tax Return is available on the internet at http://www.sbr.gov.bc.ca/mog/mineral_tax/forms.htm. A downloadable Excel version is also available at this website.

All figures must be in Canadian dollars, and rounded to the nearest dollar.

Submit with your Quarry Mineral Tax Return the financial statements for the quarry(s) and a cheque payable to the Minister of Finance in payment of any balance owing.

Enter the name, address and phone number of the person to whom the Ministry may direct inquiries.

6.2 Guidelines for Quarry Mineral Tax Return

British Columbia

MINERAL TAX ACT **Ministry of Small Business and Revenue**

QUARRY MINERAL TAX RETURN

(for use only by Quarry Operators for calendar years after 2000)

Freedom of Information and Protection of Privacy Act - The personal information requested on this form is collected under the authority of, and will be used for purposes of administering the *Mineral Tax Act* RSBC1996 c. 291. If you have any questions about the collection and use of this information, please contact the Mineral, Oil and Gas Revenue Branch at P.O. Box 9328 Stn. Prov. Gov't, Victoria, B.C. V8W 9N3 250 952-0192.

CALENDAR YEAR		FILE NO.
NAME OF OPERATOR		
ADDRESS OF OPERATOR		

PERSON TO WHOM INQUIRIES REGARDING THIS RETURN SHOULD BE DIRECTED

Name ______________________ Telephone Number (   ) ____________

Address ______________________ Fax Number (   ) ____________

QUARRY PRODUCTION

QUARRY NAME	LOCATION	TYPE OF QUARRY MATERIALS PRODUCED	OPERATOR'S SHARE OF PRODUCTION	TONNES PRODUCED
			%	
			%	
			%	
			%	
			%	
			TOTAL TONNES	

CALCULATION OF MINERAL TAX

Total Tonnes produced during the calendar year (enter total tonnes from above)		701
Deduct: Production Exemption (Max. of 25,000 tonnes per operator, max. 25,000 tonnes per quarry regardless of the # of operators)	( )	702
Deduct: Moisture Exemption (Applicable only to materials with excessive moisture content as pre-approved by the Commissioner)	( )	704
Subtotal		705
Tax Rate $ 0.15 per tonne	× **$ 0.15**	706
Mineral Tax Payable *[line 705 × line 706]*	$	707
Deduct: Payments /Other credits (if any, please specify)____________	( )	708
Balance of Tax Payable/(Overpaid)		709
Add late filing penalty *[$25/day to a maximum of $2,500 plus 5% of unpaid tax on line 709]*		710
Amount Payable/(Overpaid), *rounded to the nearest dollar*	$	711
Do you want overpayment ☐ refunded ☐ credited to another year *[Overpayments will be credited to the following year unless refund box checked]* **Remittance with this**	$	712

CERTIFICATION

I, ______________________, certify that this return, including statements and any accompanying schedules, has been examined by me and, to the best of my knowledge and belief, reflects the results from the operation of the quarry(s) for the above calendar year and is in conformity with the provisions of the *Mineral Tax Act*.

(Date) (Signature) (Title)

DELIVERY

Please submit the completed return together with financial statements for the quarry(s) and a cheque payable to the Minister of Finance in payment of any balance owing by March 31st following the end of the calendar year to:

Commissioner, Mineral Tax Act
PO Box 9328 Stn Prov Gov't
Victoria, B.C. V8W 9N3
Facsimile 250 952-0191

HAVE YOU INCLUDED:
☐ **Financial Statements**
☐ **Cheque for balance owing**
Telephone 250 952-0192 or 1 800 667-1182

MPR 004-1 REV00-10

QUARRY PRODUCTION

Quarry Name - List the name(s) of the quarry(s) that operated during the calendar year. If you have more than five quarries please attach a list containing the production information as requested for in this section.

Location - Indicate the name of the community nearest to each quarry.

Type of Quarry Materials Produced - List the quarry materials produced at each quarry.

Operator's Share of Production - Indicate the operator's proportionate share of production reported on this return for each quarry.

Tonnes Produced - List the operator's share of the total tonnes of quarry materials produced at each quarry in the calendar year.

Quarry materials used for construction purposes as defined in the *Mineral Tenure Act* are not subject to Mineral Tax and should not be included in the total tonnes removed. The *Mineral Tenure Act* defines "construction purpose" to include, without limitation,

a) the building or maintenance of a road, railway bed, runway, berm, dam, impoundment, breakwater, dike, levee, foundation, rock wall and other similar thing, and

b) the providing of fill and riprap;

CALCULATION OF MINERAL TAX

701 **Total Tonnes produced during the calendar year.** Enter the operator's share of the total tonnes of quarry materials produced during the calendar year as listed in the quarry production section. The rate per tonne **removed** was established using the concept of "pithead" production which is the weight of quarry materials as removed from the quarry. Tonnes removed is **not** to be measured after milling and processing. In circumstances where it can be demonstrated that weighing of quarry materials at a location other than the quarry will produce the same result, the Commissioner will accept such calculations.

702 **Deduct: Production Exemption** - Enter the amount of the production exemption claimed.

Each operator may only claim up to 25,000 tonnes production exemption even if they operate more than one quarry. No more than 25,000 tonnes production exemption may be claimed at any one quarry regardless of the number of operators at that quarry. For example, if two operators mine one quarry and report equal proportionate shares then they would both claim an exemption of 12,500 tonnes. If one of those operators owned and operated 100% of another quarry in addition to this one, that operator would only have a remaining exemption to claim of 12,500 tonnes.

704 **Deduct: Moisture Exemption -** An exemption is allowable only for materials with moisture content in excess of 15%, such as clay. The exemption, calculated as a percentage, will reduce the taxable weight of quarry material by the amount of moisture in excess of 15%. The Commissioner must pre-approve any exemption for any materials with moisture content in excess of 15%.

705 **Subtotal -** Enter the amount calculated by subtracting the moisture exemption, if any, from the subtotal on Line 703.

706 **Tax Rate -** The tax rate for all quarry materials is $0.15 per metric tonne.

707 **Mineral Tax Payable -** Enter the amount determined by multiplying the number of tonnes as calculated in Line 705 times the tax rate of $0.15 per tonne.

708 **Deduct: Payments/Other credits -** Enter the amount of any payments made during the year prior to the filing of this return or any miscellaneous credits that are applicable. Please specify the details of any amounts entered in this column. As instalment payments are not required from quarry operators, it is unlikely any amounts will be entered in this line. However, some operators may choose to prepay their Mineral Taxes over the course of the calendar year and those amounts would be entered here accordingly.

709 **Balance of Tax Payable (Overpaid) -** Enter the amount determined by subtracting any payments/other credits entered on Line 708 from the Mineral Tax Payable calculated on Line 707.

710 **Add Late Filing Penalty -** If you fail to file a Mineral Tax Return within the required time (by March 31st of each year for the previous calendar year) you are liable for the following penalties:

- $25 for each day of default, up to a maximum of $2,500, plus
- 5% of any unpaid taxes

If your Mineral Tax Return is being filed late, please calculate and enter the amount of the late filing penalty on this line.

711 **Amount Payable (Overpaid) -** Enter line 709 plus line 710. Note that interest on unpaid tax may be applicable. If an amount payable is due on March 31, interest is charged from March 31 until the day on which all amounts due are paid.

Any overpayment may be credited to another year's tax payable or it may be refunded. Indicate how you wish an overpayment to be handled by checking the appropriate box below line 711.

These interest rates are available on the internet at
http://www.rev.gov.bc.ca/mog/mineral_tax/investment_allowance_rates.htm

712 **Remittance with this Return -** Enter the payment sent with this Return. This should be the amount shown on line 711 plus Interest on Unpaid Tax that may be due. Remittance must be rounded to the nearest dollar and may be made by cheque payable to the Minister of Finance. We do not charge or refund an amount of less than $5.

Remittances may be made by electronic fund transfer as outlined in Section 2.3 of this handbook.

CERTIFICATION

This should be completed by the individual operator or, if the operator is a corporation, by an authorized signing officer of the corporation.

DELIVERY

This section states where and when a Quarry Mineral Tax Return, the financial statements for the mine, and any payments should be sent.

GLOSSARY

Act	Mineral Tax Act
Branch	Mineral, Oil & Gas Revenue Branch
CEA	Cumulative Expenditure Account
Commissioner	The Commissioner of Mineral Tax appointed by the Minister of Energy, Mines and Petroleum Resources. Currently, the Commissioner is the Assistant Deputy Minister, Resource Development Division, Ministry of Energy, Mines and Petroleum Resources.
RCA	Reclamation Cost Account
CTCA	Cumulative Tax Credit Account
Mine	The *Mineral Tax Act* defines a mine as a mineral deposit or a site located in British Columbia, from which a mineral is or has been obtained. It includes all the works and chattels, whether located inside or outside the province, that are used to mine, process and transport the mineral product. Mine works and chattels include production facilities, buildings and equipment owned by the operator. A site could be tailings from an old mine or an abandoned stockpile. The inclusion of works or chattels outside the province is needed in the definition to determine the transaction value of a mineral product when the first point of sale is outside British Columbia.
Mineral Product	The product of a mine or a product derived from the product of a mine. A product, for example, may be an ore, a concentrate, a refined metal, jewellery, or a mineral composite.
Minister	Minister of Small Business and Revenue
Ministry	Ministry of Small Business and Revenue
NCP	Net Current Proceeds
RTCA	Reclamation Tax Credit Account