

INDEX

Amalgamation *See also* **Reorganization, corporate**

- continuity of assets, liabilities and shareholders, 10.5
- special rules for certain amalgamations, 10.5
- • “subsidiary wholly-owned corporation” involving, 10.5
- • • defined, 10.5
- • successor rules not applying, 10.5
- successor corporation rules generally applying, 10.5
- two or more taxable Canadian corporations, 10.5

Canadian Development Expense (CDE), 3.4 *See also* **Exploration and development, Flow-through shares and Mineral Property Interests, farm-outs**

Canadian Exploration Expense (CEE), 3.3 *See also* **Exploration and development, Flow-through shares and Mineral Property Interests, farm-outs**

Capital cost allowance (CCA)

- available-for-use rule, 4.10
- • anti-avoidance provision, 4.10
- • • non-arm’s length lease payments, 4.10
- • butterfly reorganization, 4.10
- • long-term construction project rule, 4.10
- • • example of election to use long-term project rule, 4.10
- • • upper threshold limit on this exemption, 4.10
- • rolling start rule, 4.10
- • when building considered available for use, 4.10
- • when property, other than building, considered available for use, 4.10
- class applicable for depreciable mining property generally, 4.3
- • before 1988, 4.4
- • • Class 10, 4.4.2

- • • • acquired after commencement of commercial production, 4.4.2
- • • • electrical generating or distributing equipment, 4.4.2
- • • • “social property”, 4.4.2
- • • • transportation property, 4.4.2
- • • • Class 12, 4.4.3
- • • • Class 28, 4.4.1
- • • • acquired prior to commencement of commercial production, 4.4.1
- • • • additional CCA deduction, 4.4.1
- • • • • “income from a mine” included. 4.4.1
- • • • • base 30 per cent CCA rate, 4.4.1
- • • • • major mine expansion, 4.4.1
- • • • • new mine, 4.4.1
- • • • • types of property, 4.4.1
- • • • Class 29, 4.4.4
- Crown property and surface construction, 4.8
- • payment to government to allow it to acquire social property, 4.8
- • • taxpayer deemed to acquire property at cost, 4.8
- • • taxpayer deemed to have acquired property for CCA purposes, 4.8
- • • “specified temporary access roads”, qualifying as CEE, cost of, 4.8
- general concept, 4.2
- • “assistance”, capital cost reduced by, 4.2
- • sale of depreciable asset, 4.2
- • • capital gain, 4.2
- • • “recaptured”, 4.2
- • • terminal loss, 4.2
- half-year rule, 4.2, 4.3, 4.9
- exceptions, 4.9
- • • “butterfly” reorganization, 4.9
- • • depreciable property requirement, 4.9
- • “rolling start rule”, 4.9
- introduction, 4.1
- Oil Sands, 4.5.6
- • accelerated CCA, 4.5.6
- ownership of mineral resource, 4.7

Index

- common law presumption of ownership, 4.7
- “custom processing” assets excluded, 4.7
- “mineral resource” defined, 4.7
- mining operator considered to “own” mineral resources, 4.7
- severance of mineral rights, 4.7
 - by Crown reservation, 4.7
 - by private contract, 4.7
 - by statute, 4.7
 - corporeal interest, 4.7
 - possession of minerals *in situ*, 4.7
 - incorporeal interest, 4.7
 - profit à prendre, 4.7
 - holder not having possession of minerals *in situ*, 4.7
 - right to extract and possess minerals after severed, 4.7
 - whether interest in land, 4.7
 - mining lease serving to convey mineral ownership, 4.7
 - mining operator considered to “own” mineral resources, 4.7
- planning, 4.11
- rules after 1988 and before March 21, 2013, 4.5
 - Class 41(a), 4.3, 4.5.1
 - Class 41(a.1), 4.3, 4.5.2
 - Class 41(b), 4.3, 4.5.3
 - Class 43, 4.5.4
 - Class 43(a), 4.5.4
 - Class 43(b), 4.5.4
 - “custom processing” and “coal mine operator”, 4.5.5
 - deemed mine, 4.5.8
 - oil sands, 4.5.6
 - amendments to Regulations, 4.5.6
 - production from mine, 4.5.7
 - rules after March 20, 2013, 4.6
 - Class 41.2, 4.3, 4.6.1, 4.6.2
 - components, 2.4.7
 - consequential amendments, 4.6.4
 - eligible mine development property, Class 41, 4.6.2
 - federal budget 2013, 4.6
 - other definitions, 4.6.3
 - transitional schedule, 4.6
- **Change of control** *See also* **Successor rules**
 - capital losses, 10.8.3
 - accrued capital losses, 10.8.3
 - accrued losses used to increase adjusted capital cost base of property with gain, 10.8.3
 - definition, 10.8.3
 - none of capital losses available for carryforward or carried back, 10.8.3
 - depreciable property, 10.8.4
 - anti-avoidance provision, 10.8.4
 - preventing acquisition of depreciable property in anticipation of change of control, 10.8.4
 - preventing acquisition of potential terminal loss in its depreciable property, 10.8.4
 - non-capital losses, 10.8.2
 - deductions allowed in two limited circumstances, 10.8.2
 - none of capital losses available for carryback and deduction, 10.8.2
 - where control of parent or subsidiary acquired, 10.8.2
 - taxation year-end, 10.8.1
 - transfers of losses, deductions and credits limited, 10.8
 - utilities connections and rights of way, 4.6.6
 - zero emission vehicles, 4.6.5
- **Charitable donations**
 - flow-through shares, 12.10.6
- **Classification of taxpayer**
 - introduction, 2.1
 - joint venture, 2.4
 - criteria for joint venture, 2.4.1-2.4.5
 - contractual intent, 2.4.2
 - development of single undertaking, 2.4.1
 - profits, participation in, 2.4.5
 - tax motivation, 2.4.3
 - defined, 2.4, 2.4.9
 - legal nature of, 2.4.8
 - Australian viewpoint, 2.4.8
 - Canadian viewpoint, 2.4.8
 - operator

Index

- agent, 2.4.9
- role of, 2.4.9
- undisclosed principal doctrine, 2.4.9
- partnership, 2.3
- “business” defined, 2.3
- essential ingredients for partnership, 2.3
- limited partnership, 2.3
- tests in ascertaining existence of partnership, 2.3
- “principal-business corporation”, 2.2
- definition, 2.2
- factors considered in determining “chief business” of corporation, 2.2
- income tax consequences, 2.2
- “principal business”, 2.2
- mining or exploring for minerals, 2.2
- point at which corporation becoming “principal-business corporation”, 2.2
- construction vs. exploring or drilling for gas, 2.2
- principles governing characterization of “principal business”, 2.2
- prospectors and grubstakers, 2.5
- conveyance of mining property to corporation, 2.5
- tax deferred nature of conveyance, 2.5
- prospector, meaning of, 2.5
- traders or dealers, 2.6
- trusts and SIFTS, 2.7
- income trusts or income funds, 2.7
- royalty trust structure, 2.7
- Corporate reorganization** *See* **Reorganization, corporate**
- Exploration and development**
- borrowed money for exploration or development, 3.7
- interest expenses being CEE or CDE, 3.7
- election by taxpayer, 3.7
- carved-out production payments, 3.8
- 50 per cent tax on income earned on carved-out interest, 3.8
- Canadian Development Expense (CDE), CCDE account and deduction, 3.4
- CCDE account, 3.4.2
- expenses, examples, 3.4.1
- grandfathering, 3.3.1
- additions to account, 3.4.2
- reductions to account, 3.4.2
- CDE, 3.4.1
- defined, 3.4.1
- deduction, 3.4.3
- Canadian Exploration Expenses (CEE), CCEE account and deduction, 3.3
- CCEE account, 3.3.3
- grandfathering, 3.3.1
- additions to account, 3.3.3
- reductions to account, 3.3.3
- “assistance” defined, 3.3.3
- CEE, 3.3.1
- access roads, temporary, 3.3.1
- CRA Guidelines concerning, 3.3.1
- cannot qualify as SRED, 3.12
- defined, 3.3.1
- exclusions, 3.3.1
- express statutory exclusions, 3.3.1
- inclusions, 3.3.1
- “mining concern taken as a whole”, 3.3.1
- “new mine”, what constituting, 3.3.1
- two ore bodies, 3.3.1
- pre-production development costs, 3.3.1
- choosing CEE treatment, 3.3.1
- purpose tests, 3.3.1
- two mining procedures, 3.3.1
- deduction, 3.3.4
- principal-business corporation, 3.3.4
- deductions, order of, 3.11
- history, 3.2
- Canadian exploration and development expenses, 3.2
- CEE and CDE, 3.2
- Income Tax Application Rules (ITAR), 3.2
- “incurred” expenses, 3.5
- introduction, 3.1
- no duplication of deduction, 3.9
- prepaid expenses, 3.6
- SRED, 3.12
- taxation years, short, 3.10
- underground exploration, 3.3.1
- Farm-outs, 1.9** *See also* **Mineral property interests and Sale of mining properties**

Index

- CRA position, 1.9.1
- assessing policy, 8.3.1(c)
- Interpretation Bulletin, examples, 8.3.1(c)
- “equipping costs”, defined, 8.3.1(c)
- “unproven resource property”, defined, 8.3.1(c)
- case law, 1.9.1
- contractual joint ventures, 1.9.4
- legal analysis, 1.9.3
- mining option agreements, 1.9.5
- transactions, 8.3.1(c)
- Flow-through shares**
- chapter, structure of, 12.2
- company, type of, 12.5
- “all or substantially all”, 12.5.2
- assets being shares in principal-business corporation, 12.5.2
- meaning of, 12.5.2
- 90 per cent rule, 12.5.2
- business outside Canada, 12.5.5
- definition, 12.5
- “principal-business corporation”, 12.5.1
- criteria for determining, 12.5.1
- “mining or exploring for minerals”, 12.5.1
- non-resident company, 12.5.4
- parent-subsidiary structure, 12.5.8
- “stacking” arrangement contemplated, 12.5.8
- resource properties owned, 12.5.6
- time for qualifying, 12.5.3
- time of commencing business, 12.5.7
- expenses, types of, 12.4
- assistance, 12.4.9
- defined, 12.4.9
- example: provincial refundable tax credits, 12.4.9
- B.C. mineral exploration tax credit, 12.4.9
- “eligible taxpayer”, 12.4.9
- example of amount of expenses net of assistance that could be renounced, 12.4.9
- “excluded expense”, 12.4.9
- Yukon Act: exploration credit, 12.4.9
- “ineligible expense”, 12.4.9
- permanent establishment in Yukon, 12.4.9
- Canadian Exploration Expense (CEE) and CDE, 12.4.3
- “deposit”, 12.4.1
- “mineral resource”, 12.4.1
- “preliminary sampling”, 12.4.1
- rental payments for dormant inventories not qualify as CEE, 12.4.1
- “specified sampling”, 12.4.2
- types of development expenses qualifying, 12.4.3
- feasibility studies, 12.4.6
- flow-through mining expenditure, 12.4.2
- mine sites, old and new, 12.4.7
- overhead and affiliate costs: CEDOE, 12.4.4
- CEDOE defined, 12.4.4
- “administration, management and financing”, 12.4.4
- connection test, 12.4.4
- consulting engineer report, 12.4.4
- deemed not to qualify for purposes of flow-through share rules, 12.4.4
- portion of expense exceeding “costs incurred”, 12.4.4
- pre-production revenue, exclusion for, 12.4.10
- seismic, 12.4.8
- staking claims, 12.4.5
- introduction, 12.1
- exploration company authorized to renounce its CEE tax write-off in favour of shareholders, 12.1
- reducing by half, capital that high income investors having at risk, 12.1
- federal tax credit of 15% for individual investors, 12.1
- high risk capital requirements, 12.1
- need to stimulate exploration in mining industry, 12.1
- investment encouraged in oil and gas exploration, 12.1
- investors entitled to access certain resource expenses incurred by companies, 12.1
- investor, type of, 12.7

Index

- agent, 12.7.4
- deceased investor, 12.7.5
- non-resident, 12.7.2
- partnership, 12.7.3
- person, 12.7.1
- procedural rules, 12.8
 - basic remuneration, 12.8.3
 - but-for test, 12.8.13
 - communication of information, 12.8.15
 - excess renunciation, 12.8.9
 - penalties for, 12.8.10
 - tax treatment of damages, 12.8.9
 - failure to file, 12.8.7
 - filing, late, 12.8.8
 - income tax returns, T2, 12.8.18
 - notice of objection and appeal, 12.8.19
 - one-year look-back rule, 12.8.4
 - conditions to be met, 12.8.4
 - dealing at arm's length, 12.8.4
 - "toll charge" for extending period, 12.8.4
 - formula for calculating monthly toll charge, 12.8.4
 - where failure to incur resource expenses in one-year period, 12.8.4
 - investors reassessed, 12.8.4
 - where partnership and corporation deemed not to deal at arm's length, 12.8.4
 - partnership filings, 12.8.17
 - partnership procedure, 12.8.6
 - reassessment period, six year, 12.8.16
 - removal of expense, 12.8.5
 - selling investment, 12.8
 - tax shelter registration, 12.8.2
 - gifting arrangement, 12.8.2
 - split-receipting donation rules, 12.8.2
 - "tax shelter" defined, 12.8.3
 - third party penalties, 12.8.14
 - tiered renunciation, 12.8.11
 - warehousing, prohibited, 12.8.12
 - share, type of, 12.6
 - agreement in writing, 12.6.3
 - conditions precedent or conditions subsequent, 12.6.3
 - enforceable and legally binding, 12.6.3
 - letters of intent, 12.6.3
 - prior to date resource expenditures incurred, 12.6.3
 - definition, 12.6.1
 - "flow-through share", 12.6.2
 - corporation promising to incur CEE and CDE, 12.6.1
 - "best efforts" acceptable in certain circumstances, 12.6.1
 - two-year time frame, 12.6.1
 - share consideration, 12.6.1
 - special warrants, 12.6.1
 - prescribed share and prescribed right, 12.6.2
 - contractual right of rescission not resulting in shares being "prescribed", 12.6.2
 - form of guarantee, security or indemnity, 12.6.2
 - "prescribed right", 12.6.2
 - prescribed share not qualifying as flow-through share, 12.6.2
 - several alternate provisions describing prescribed share, 12.6.2
 - Regulation 6202.1(1), 12.6.2, 12.10.1
 - Regulation 6202.1(2), 12.6.2
 - exceptions, 12.6.2
 - special warrants or bonus shares, 12.6.2
 - Technical Interpretations, 12.6.1
 - termination clause not necessarily causing issued share to be prescribed share, 12.6.2
 - whether "additional benefits" constituting assistance in acquiring shares, 12.6.2
 - *Furakawa* line of cases, 12.6.2
 - whether obligation to transfer property or confer benefit, 12.6.2
 - warrant structure, 12.6.4
 - statutory framework, 12.3
 - forms, 12.4
 - main structural rules, 12.3
 - "renunciation system", 12.3
 - rules for deductions and credits available to investor, 12.3
 - substantive definitions, 12.3
 - subsequent transactions, 12.10
 - acquisition of control, 12.10.2

Index

- amalgamation, 12.10.3
 - divisive reorganizations, 12.10.4
 - donation flow-through shares, 12.10.6
 - partnership transactions, 12.10.5
 - tax-deferred rollover provisions applying to dissolution of partnership, 12.10.5
 - share sale, 12.10.1
 - Regulation 6202.1(1), 12.10.1
 - Regulation 6202.1(5), 12.10.1
 - tax benefits to investor, 12.9
 - adjusted cost base of investor, 12.9.6
 - deemed cost of nil, 12.9.6
 - partnership flow-through share structure, 12.9.6
 - resale restrictions by SEC being external conditions, 12.9.6
 - whether gain on subsequent sale being on income or capital account, 12.9.6
 - purchase for resale vs. purchase for tax planning, 12.9.6
 - allowable business investment loss, 12.9.10
 - alternative minimum tax, 12.9.8
 - cumulative net investment loss account, 12.9.9
 - deemed expense, 12.9.1
 - investor placed in position of having incurred resource expense, 12.9.1
 - deduction for CEE incurred, 12.9.1
 - investor's CCEE account, 12.9.1
 - federal investment tax credit (ITC), 12.9.3
 - extension of, 12.9.3
 - form T1229, 12.9.5
 - loss, generating, 12.9.2
 - mineral exploration tax credit, 12.9.3
 - deduction of CEE or CDE not restricted to investor's income, 12.9.2
 - limited partnership, 12.9.2
 - paid-up capital (inside basis), 12.9.7
 - partnership issues, 12.9.13
 - "at-risk" rules not, in concept, presenting difficulty, 12.9.13
 - where selling shares and reinvesting in other shares, 12.9.13
 - "at-risk" rules possibly limiting amount of deductions, 12.9.13
 - limited recourse amount, 12.9.13
 - "tax shelter investment" possibly restricting deductibility, 12.9.13
 - "prescribed benefit", 12.9.13
 - provincial tax credits, 12.9.4
 - flow-through share tax credits, 12.9.4
 - British Columbia, 12.9.4
 - Manitoba, 12.9.4
 - Ontario, 12.9.4
 - Saskatchewan, 12.9.4
 - interaction with definition of CCEE, 12.9.4
 - "government assistance" not excluding federal ITCs, 12.9.4
 - RRSP contributions, 12.9.12
 - stock option flow-through shares, 12.9.11
- Foreign exploration and mining** *See also*
- Successor rules**
- financing company structure, 16.9
 - foreign affiliate system, 16.4
 - basic principles underlying system, 16.4
 - purpose of system, 16.4
 - rules for implementing, 16.4
 - foreign accrual property income (FAPI), 16.4
 - foreign exploration and development expense (FEDE) and FRE, 16.2
 - foreign exploration and development expense (FEDE), 16.2.1
 - defined, 16.2.1
 - FEDE account reduced by amount of FEDE deducted by taxpayer, 16.2.1
 - amount of FEDE that taxpayer able to deduct, 16.2.1
 - FEDE not including certain types of expenses, 16.2.1
 - conditions for including expenses, 16.2.1
 - successor corporation rules applying, where, 16.2.1
 - foreign resource expense (FRE), discussed, 16.2.2
 - adjusted cumulative foreign resource expense (ACFRE), 16.2.2

Index

- exploration expense, 16.2.2(c)
- FRE definition, selected elements, 16.2.2(b)
- FRE definition, statutory context and purpose, 16.2.2(g)
- cumulative foreign resource expense (CFRE) determined by formula, 16.2.2
- CFRE applying on country-by-country basis, 16.2.2
- “foreign resource income”, 16.2.2
- “foreign resource loss”, 16.2.2
- purpose test in paragraph (j), 16.2.2(d) to (f)
- statutory interpretation, 16.2.2(a)
- mechanics, 16.2.3
- additional deduction for portion of “global foreign resource limit”, 16.2.3
- maximum deduction of ACFRE, 16.2.3
- minimum deduction of ACFRE, 16.2.3
- foreign tax credit, 16.3
- business-income taxes, 16.3.3
- foreign income on country-by-country basis, 16.3.3
- paid to foreign country in respect of business carried on in country, 16.3.3
- rules preventing trading in foreign tax credits, 16.3.3
- specific exclusions, 16.3.3
- excess foreign tax credits, 16.3.8
- reasons for presence of excess foreign tax credits, 16.3.9
- generally, 16.3.1
- calculated on country-by-country basis, 16.3.1
- credit for foreign taxes paid on foreign-source income or profits, 16.3.1
- business-income tax, 16.3.1
- conversion into non-capital losses, 16.3.1
- unused foreign tax credits, 16.3.1
- non-business income tax, 16.3.1
- excess foreign taxes, deduction for, 16.3.1
- withholding taxes, 16.3.1
- double taxation, alleviating, 16.3.1
- income or profits tax, 16.3.2
- “income or profits” tax, 16.3.2
- tax levied in respect of net income or profits, 16.3.2
- tax subject to tax treaty between Canada and another country, 16.3.2
- withholding tax based on gross receipt, 16.3.2
- “tax”, criteria for, 16.3.2
- resource royalty not taxes, 16.3.2
- mechanics: business-income tax, 16.3.6
- mechanics: non-business-income tax, 16.3.7
- mechanics of foreign tax credits, 16.3.5
- non-business-income taxes, 16.3.4
- adjustments or variables, 16.3.4
- “bare” tax rate applied to foreign income, 16.3.4
- carry over for business-income taxes in form of unpaid credits, 16.3.6
- limitations on current year’s claim, 16.3.4
- limitations preventing refund of Canadian taxes, 16.3.6
- “sourcing restriction”, 16.3.6
- unused foreign tax credits, 16.3.6
- rules with respect to claiming, 16.3.6
- where carried back to previous taxation year, 16.3.6
- provincial foreign tax credits, 16.3.8
- holding company structure, 16.8
- joint venture structure, 16.8
- introduction, 16.1
- business income from foreign sources included in business income in Canada, 16.1
- credit for any foreign income taxes paid, 16.1, 16.3
- forms of carrying on mining activities, 16.1
- foreign branch or foreign subsidiary corporation, 16.1
- subsidiary corporation and royalty agreement with parent, 16.1
- parent providing funding, and acquiring right to royalty, 16.1
- enforceable right being itself “foreign resource property”, 16.1
- outbound loans: section 17, 16.5

Index

- • anti-avoidance rules: indirect funding, 16.5.3
- • • exempt loan or transfer, 16.5.3
- • anti-avoidance rules: options, 16.5.5
- • anti-avoidance rules: partnerships and trusts, 16.5.4
- • exceptions, 16.5.2
- • mechanics, 16.5.1
- royalty rights structure, 16.7
- • FAPI earned by foreign entity attributed to Canadian owner, 16.7
- • foreign subsidiary being “controlled foreign affiliate”, 16.7
- • • royalty rights granted in exchange for cash funding, 16.7
- • funds provided by parent representing its cost of its royalty rights, 16.7
- • • funds constituting addition to parent’s CFRE account, 16.7
- transfer pricing, 16.6
- • arms-length transfer price, 16.6.1
- • contemporaneous documentation, 16.6.3
- • penalties, 16.6.2
- • reporting, 16.6.4

Functional Currency

- anti-avoidance rules, 18.10
- • transactions with fluctuations in reporting currencies, 18.10
- • transfer of property from corporation to another, 18.10
- • • “purpose test”, 18.10
- conversion of amounts carried back, 18.7
- default rules, 18.1
- • “Canadian tax results”, 18.1
- • “relevant spot rate”, 18.1
- eligibility for, 18.2
- foreign affiliates and FAPI, 18.6
- • transacting in single currency, 18.6
- general rules, 18.3
- • application in provinces, 18.3
- • “fresh start” rules, 18.3
- • not available for Canadian GST/HST, 18.3
- • “pre-transition debts”, rules of, 18.3
- • relevant spot rate, daily rate, 18.3
- • relevant spot rate, first day of taxation year, 18.3

- liquidations and amalgamations, 18.10
- • amalgamations qualifying under s. 87(1), 18.10
- • liquidations winding-up as in s. 88(1), 18.10
- • purpose of rules for, 18.10
- • special deeming rule for debt obligations between two predecessors, 18.10
- • “tax reporting currency” of subsidiary, 18.10
- partnerships, 18.6
- • multi-tiered, 18.6
- • P1 and P2 members, 18.6
- revocation of, 18.9
- • notice of revocation, form T1296, 18.9
- tax payments and refunds in Canadian currency, 18.5
- • under Parts I, VI, VI.1 and XIII.1, 18.5
- transition of existing tax attributes, 18.4

General Anti-Avoidance Rule

- application of GAAR, 17.1
- • avoidance transaction, 17.3
- • misuse or abuse, 17.4
- • tax benefit, 17.2
- application of GAAR to international transactions, 17.7
- capital loss cases, 17.8
- • stop-loss rules, 17.8
- deduction of interest expenses and GAAR, 17.5
- surplus stripping and GAAR, 17.6

Gold loans, 1.10 *See also* Mineral property interests

Industrial minerals

- development costs, 15.2
- exploration costs, 15.3
- introduction, 15.1
- • common industrial minerals, 15.1
- plant and equipment costs, 15.5
- • power-operated movable equipment designed for excavating, 15.5
- • sand and gravel pit not “mine”, 15.5
- • • front-end loaders properly characterized as Class 22 (now Class 38) for CCA, 15.5

Index

- • • production equipment used in stone quarry, 15.5
 - • • • depreciable at rate of 30percent, 15.5
 - property costs, 15.4
 - • capital cost allowance (CCA) available to taxpayer, 15.4
 - • cost being cost of depreciable property, 15.4
 - • depreciation rate, determining unit-of-production, 15.4
 - • • recalculation of unit-of-production depreciation rate required, when, 15.4
 - • industrial mineral mine including harvesting of peat, 15.4
 - • maximum CCA, 15.4
 - • sale of mine being proceeds of disposition of depreciable property, 15.4
 - • • where mine exhausted, 15.4
 - provincial mining tax, 15.7
 - • industrial mineral mine not allowed to claim 25 % resource allowance, 15.7
 - • levies possibly deductible on limited basis, 15.7
 - tax rate, 15.6
- Mineral property interests**
- “Canadian resource properties”, 1.7
 - • amendment, proposed, 1.7
 - • Canadian exploration expense, 1.7
 - • “deposit” of minerals, 1.7
 - • “foreign resource property”, 1.7
 - • graphite, 1.7
 - • income tax definition, 1.1, 1.7
 - • “industrial minerals”, omission of, 1.7
 - • marble, 1.7
 - • “mineral” defined, 1.7
 - • “mineral resource” defined, 1.7
 - • nephrite, 1.7
 - • oil and natural gas reserves not included unless oil sands deposit, 1.7
 - • potash, 1.7
 - • property interest, 1.7
 - • • “any property”, 1.7
 - • • enforceable right to royalty on future production, 1.7
 - • • granting of leasehold interest, 1.7
 - • • tailings, 1.7
 - • • “ore” processed from tailings, 1.7
 - • • exploration licence or permit, 1.3
 - • • “mining exploration licence” in Quebec, 1.3
 - • • modern exploration technology, employing, 1.3
 - • • program of work, 1.3
 - • • rights of permit holder, 1.3
 - • farm-outs, 1.9
 - • Canada Revenue Agency (CRA) position, 1.9.1
 - • • dispositions under farm-outs not giving rise to proceeds of disposition, 1.9.1
 - • • • options, 1.9.1
 - • • • simple farm-out transaction, 1.9.1
 - • • • typical farm-out transaction, 1.9.1
 - • • • • “equipping costs”, 1.9.1
 - • • • • “unproven resource property”, 1.9.1
 - • • • • widespread farm-out transaction, 1.9.1
 - • • mining industry, 1.9.1
 - • • • some uncertainty, 1.9.1
 - • • oil and gas industry, 1.9.1
 - • • widespread farm-out transaction, 1.9.1
 - • case law, 1.9.2
 - • “farmee”, 1.9
 - • “farmor”, 1.9
 - • legal analysis, 1.9.3
 - • • exploratory drilling on unproven mineral property in return for percentage interest, 1.9.3
 - • • • amount receivable, 1.9.3
 - • • • • amount “fixed and ascertained”, 1.9.3
 - • • • • right to receive compensation, 1.9.3
 - • • • Canadian Development Expense (CDE), 1.9.3
 - • • • Canadian Exploratory Expenses (CEE), 1.9.3
 - • • • • no express exclusion for CDE expense, 1.9.3
 - • • • • depreciable property costs, 1.9.3
 - • • • • capital cost allowance, 1.9.3
 - • • • • neither CEE nor CDE unless amount received, 1.9.3
 - • • • • expense being both CDE and CEE, 1.9.3
 - • • • • electing to deduct as CEE, 1.9.3

Index

- expropriation of property, where, 1.9.3
 - feasibility study costs, 1.9.3
 - CEE vs. CDE, 1.9.3
 - reduction to farmee's CCDE account, 1.9.3
 - "grass roots" exploration costs constituting CDE, 1.9.3
 - possible income tax implications, 1.9.3
 - pre-production development costs, 1.9.3
 - amount received, 1.9.3
 - remaining CEE, 1.9.3
 - gold loans, 1.10
 - borrower required to return equivalent quantity of goods, 1.10
 - "hedge" of future gold production, 1.10
 - "loan for consumption", 1.10
 - introduction, 1.1
 - mineral claim, 1.1
 - mining lease, 1.1
 - prospecting licence, 1.1
 - mineral claims, 1.1, 1.4
 - eligibility requirements, 1.4
 - ground staking, 1.4
 - map selection, 1.4
 - removal of minerals solely for testing purposes, 1.4
 - rights under claim, 1.4
 - mining leases, 1.5
 - application requirements, 1.5
 - requirements differing among jurisdictions, 1.5
 - interest conveyed by mining lease, 1.5
 - Ontario granting "patent" where requisite mineral production, 1.5
 - profit a prendre or right to extract minerals, 1.5
 - right to commercially exploit minerals within leased lands, 1.5
 - Alberta requiring order-in-council, 1.5
 - offtake and stream transactions, 1.11
 - metal stream transaction, 1.11
 - option agreements, 1.6
 - discontinuance of mining operations, 1.6
 - disposal by optionee of property, plant and equipment, 1.6
 - optionee exercising option when property put into production, 1.6
 - notice to commence production once stipulated costs incurred, 1.6
 - optionee recovering its expenditures prior to royalty being paid, 1.6
 - optionee's right to sell property provided purchaser assuming its obligations, 1.6
 - optionor trading title to property for future royalty interest, 1.6
 - preliminary licensing requirements, 1.2
 - mineral claim, 1.2
 - prospecting licence, 1.2
 - right conferred, 1.2
 - royalties, 1.8
 - amendment, proposed, 1.8
 - "deductibility" of royalty payments, 1.8
 - deduction by royalty payer not prohibited, 1.8
 - forms of royalty, 1.8
 - where royalty holder having direct interest in production, 1.8
 - where royalty interest computed with reference to "net profits" of royalty payer, 1.8
 - right to, 1.7, 1.8
 - "royalty interest", 1.8
 - interest in land, 1.8
 - "royalty", meaning of, 1.8
 - interest in mineral production, 1.8
 - share of future production, 1.8
 - third party purchase of royalty interest, 1.8
- Mining industry terms, Glossary**
- Offtake and stream transactions, 1.11**
- Option agreements, 1.6 *See also* Mineral property interests**
- Partnerships**
- adjusted cost base (ACB) adjustments, 11.5
 - calculation of ACB of partnership interest, 11.5

Index

- • distribution of partnership's profits reducing ACB of partnership interest, 11.5
- • negative ACB not resulting in capital gain, 11.5
- • partner deducting its share of partnership's CEE, CDE, FEDE and FRE, 11.5
- • • option of electing not to include its share of CDE incurred by partnership in its CDE, 11.5
- • partner's share of loss of partnership deducted in computing ACB of its interest, 11.5
- allocation of income or loss, 11.7
- • "at-risk" rules: limited partner, 11.7.3
- • • background, 11.7.3(a)
- • • statutory scheme, 11.7.3(b)
- • • • at-risk amount being defined aggregate, 11.7.3(b)
- • • • deductions and losses allowable, 11.7.3(b)
- • • • deduction of losses limited to partner's at-risk amount, 11.7.3(b)
- • • • "exempt interest", 11.7.3(b)
- • • • "limited partner" defined, 11.7.3(b)
- • • • restricting ability to deduct losses to, 11.7.3(b)
- • limited recourse rules, 11.7.4
- • • limited recourse amount, 11.7.4
- • • "tax shelter investment", 11.7.4
- • • • deductibility of certain amounts restricted, 11.7.4
- • • • partnership interest, 11.7.4
- • • • "prescribed benefit" in financing taxpayer's investment, 11.7.4
- • • • "tax shelter" defined, 11.7.4
- • partner's share, 11.7.1
- • reallocation, 11.7.2
- • restriction on allocation, 11.7.2
- • • example where special allocation of income and loss being desirable, 11.7.2
- • • non-arm's length partners agreeing to share income or loss, 11.7.2
- • • • sharing in manner not reasonable, 11.7.2
- • • • unreasonably disproportionate allocations, 11.7.2
- • • • income or loss realizations caused by "agreed amounts" on property transferred, 11.7.2
- • • • minister reallocating, 11.7.2
- • • • partnership income, resource expenses and losses, 11.7.2
- expenses, deduction of, 11.3
- • allocation to partner of partnership's "net income" from its source, 11.3
- • • whether partner's ability to differentiate "sub source" of revenue being impaired, 11.3
- • CEE, CDE, FEDE and FRE allocated, by partnership 11.3
- • • deemed incurred by partner, 11.3
- • non-resident partner, 11.3
- • partner entitled to add its share of CEE and CDE to resource deduction accounts, 11.3
- • successor corporation acquiring property from partnership, 11.3
- • whether entitled to deduct successored resource pools acquired from partner, 11.3
- flow-through shares, 12.9.13
- formation and dissolution, 11.2
- dissolution, 11.2.3
- • • generally, 11.2.3(a)
- • • • deemed continuation of partnership for certain purposes, 11.2.3(a)
- • • • deemed disposition at fair market value, 11.2.3(a)
- • • • • partners incurring CDE of this amount, 11.2.3(a)
- • • • • where not applying, 11.2.3(a)
- • • • • non-resident partner, 11.2.3(a)
- • • • • deemed disposition, 11.2.3(a)
- • • • • proceeds from disposition credited to CCDE account, 11.2.3(a)
- • • • • treated as sale at fair market value, 11.2.3
- • • • retiring partner, 11.2.3(e)
- • • • • allocation of share of income or loss to retired partner, 11.2.3(e)
- • • • • where continuing to receive income, 11.2.3(e)
- • • • "residual interest", 11.2.3(e)

Index

- right to receive income taxed as “right or thing” on death, 11.2.3(e)
 - transfer of undivided interest, 11.2.3(d)
 - cost amount of partnership’s resource properties, 11.2.3(d)
 - cost of partner’s undivided interest, 11.2.3(d)
 - election in respect of disposition, 11.2.3(d)
 - example: tax consequences of partnership dissolution, 11.2.3(d)
 - joint venture, creating, 11.2.3(d)
 - liabilities of partnership to be paid or personally assumed, 11.2.3(d)
 - two former partners carry on business of former partnership, 11.2.3(d)
 - transfer to another Canadian partnership, 11.2.3(b)
 - tax-deferred rollover, 11.2.3(b)
 - transfer to sole proprietorship, 11.2.3(c)
 - partial rollover, 11.2.3(c)
 - sole proprietor treated as acquiring assets at their “cost amount”, 11.2.3(c)
 - “cost amount” defined, 11.2.3(c)
 - transfer of property from partnership to corporation, 11.2.2
 - transfer of property to partnership, 11.2.1
 - contribution of Canadian resource property, 11.2.1(c)
 - contribution of depreciable property, 11.2.1(d)
 - cost of boot and partnership interest, 11.2.1(e)
 - examples, 11.2.1(f)
 - two Canadian residents (A and B) forming general partnership, 11.2.1(f)
 - A contributing mineral lease and B contributing financing, 11.2.1(f)
 - A and B electing to transfer mineral lease at \$1, 11.2.1(f)
 - A contributing lease subject to mortgage, 11.2.1(f)
 - elected amount exceeding fair market value, 11.2.1(f)
 - general rule, 11.2.1(a)
 - subsection 97(2) tax-free contribution, 11.2.1(b)
 - election, joint, 11.2.1(b)
 - late elections, 11.2.1(b)
 - transfer to first partnership, 11.2.1(b)
 - tax-deferred contribution of property to partnership, 11.2.1(b)
 - requirements to be met for rollover, 11.2.1(b)
 - non-resident partners, tax returns of, 11.8
 - generally, 11.8.1
 - sale by partnership, 11.8.2
 - sale of partnership interest, 11.6
 - sale by Canadian resident, 11.6.1
 - special rules affecting computation and timing of gains and losses, 11.6.1
 - disposition from depreciable property and non-capital property, 11.6.1
 - disposition of part of partnership interest, 11.6.1
 - where funds contributed by new partner not left in partnership, 11.6.1
 - disposition of partnership interest, 11.6.1
 - disposition to tax-exempt or non-resident person, 11.6.1
 - sale by non-resident, 11.6.2
 - “taxable Canadian property”, 11.6.2
 - U.S. resident not having treaty protection, 11.6.2
 - two-tier partnership, 11.4
- Property interests** *See* **Mineral property interests**
- Prospectors and grubstakers, 2.5** *See also* **Classification of taxpayer**
- Provincial income taxes**
- British Columbia, 13.3
 - corporate tax, 13.3
 - adjusted taxable income, 13.3
 - mining exploration tax credit (METC), 13.3
 - notional tax, 13.3
 - two pools of deductions: federal and provincial, 13.3
 - history, 13.2

Index

- corporate income tax system, 13.2
- “agreeing provinces”, 13.2
- federal tax abatement for income earned in province, 13.2
- whether corporation having “permanent establishment” in province, 13.2
- “non-agreeing” provinces, 13.2
- federal allocation rules, 13.2
- double taxation for personal income tax, 13.2
- northern regions or territories, 13.2
- powers derived from federal government, 13.2
- provinces agreeing not to enact income tax in return for “rent”, 13.2
- provinces having limited tax power, 13.2
- “direct taxation”, 13.2
- “provincial purpose”, 13.2
- “within the province”, 13.2
- provinces now levying personal income tax as percentage of federal tax, 13.2
- tax on net income (TONI) system, 13.2
- introduction, 13.1
- Northwest Territories, 13.4
- Ontario, 13.5
- amalgamation, 13.5
- *Corporations Tax Act*, 13.5
- harmonization of provincial and federal taxes, 13.5
- *Taxation Act, 2007*, 13.5
- Saskatchewan, 13.6
- ore, definition, 13.6
- potash, definition, 13.6
- manufacturing and processing, 13.6
- manufacturing and processing investment tax credit (M&P ITC), 13.6
- “prime metal stage equivalent”, 13.6
- wind-up, 13.5
- Provincial levies and resource allowance**
- introduction, 5.1
- flat charge per ton on ore removed, 5.1
- royalties on petroleum production, 5.1
- tax on gross production unconstitutional as “indirect tax”, 5.1
- tax on “mining profit” constitutional as “direct tax”, 5.1
- whether deductible as laid out “for purpose of earning income”, 5.1
- mining taxes, problem with, 2003, 5.1.7
- period of 1944-1948, 5.1.1
- deduction for mining tax on profits, 5.1.1
- accrual basis, deduction on, 5.1.1
- full deduction not allowed, 5.1.1
- period of 1949-1967: Regulation 701 formula, 5.1.2
- proportion of mining taxes deductible based on formula, 5.1.2
- mismatch of numerator and denominator for various reasons, 5.1.2
- random working of formula among provinces, 5.1.2
- Regulation 701 being arbitrary and unsatisfactory, 5.1.2
- period of 1974-2003, 5.1.5
- deduction denied for provincial royalties and taxes on resource production, 5.1.5
- mining taxes on profits becoming completely non-deductible, 5.1.5
- “resource allowance” deduction, 5.1.5
- amendments to federal resource allowance regime, 5.1.5
- deductions respecting use of property or services provided by non-arm’s length party, 5.1.5
- every deduction virtually included in calculating “resource profits”, 5.1.5
- inclusion of 25 per cent of resource losses, 5.1.5
- “resource profits” being those derived from “resource activities”, 5.1.5
- investment encouraged by excluding certain expenses from “resource profits”, 5.1.5
- “resource profits” from production receiving restricted interpretation, 5.1.5
- 25 per cent of resource production profits, 5.1.5
- Syncrude Remission Order, 5.1.5
- problems with mining taxes, 5.1.7
- current deduction limited to mining of industrial minerals, 5.1.7
- definitions
- “eligible tax”, 5.1.8

Index

- “income”, 5.1.8
- “mine”, 5.1.8
- limitation in section 3900 being inappropriate, 5.1.7
- mining tax only deductible if tax imposed on persons engaged in mining operations, 5.1.7
- mineral rights tax not contingent upon production, 5.1.7
- taxpayer should not be prevented from deducting full amount of taxes, 5.1.7
- proposed deductibility of provincial mining taxes, 5.1.7
- proposal resurrecting former section 701 of Regulations, 5.1.7
- proposed amendment repealing definition of “minerals”, 5.1.7
- suggested approach, 5.1.8
- Saskatchewan potash production, 3.1.8
- taxes on mining income serving similar purpose to provincial resource royalties, 5.1.7
- proposals of 2003, 5.1.6
- arbitrariness of resource allowance, 5.1.6
- “new economic realities”, 5.1.6
- metal prices declining and market pressures to be competitive, 5.1.6
- oil and gas markets deregulated and prices fluctuating, 5.1.6
- phasing in of deduction for actual provincial royalties and mining taxes, 5.1.6
- “transition path” proposed, 5.1.6
- provincial levies: deductibility, 5.3
- acquisitions from Crown, 5.3.6
- taxpayer deemed to have acquired at fair market value, 5.3.6
- definitions, 5.3.2
- “Crown”, 5.3.2
- “Crown body”, 5.3.2
- “Crown levies”, 5.3.2
- dispositions to Crown, 5.3.5
- rules for determining fair market value, 5.3.5
- taxpayer deemed to receive fair market value, where proceeds for less, 5.3.5
- paragraph 12(1)(o), 5.3.4
- counterpoint to paragraph 18(1)(m)
- paragraph 18(1)(m), 5.3.3
- Canadian Exploration Expense (CEE), 5.3.3
- annual rental payments, whether included, 5.3.3
- Canadian Development Expense (CDE), 5.3.3
- exclusions, 5.3.3
- Crown levies, no deduction to be made for any, 5.3.3
- certain amounts exempted, 5.3.3
- payments to Crown for normal commercial transactions deductible, 5.3.3
- Part II tax, 5.3.8
- transfer of producing oil and gas wells to tax-exempt entity, 5.3.8
- remission orders and former Canada-U.S. Treaty, 5.3.9
- permanent establishment in Canada, 5.3.9
- deduction of all expenses, wherever incurred, reasonably allocable to, 5.3.9
- whether Crown levies being expenses reasonably allocable, 5.3.9
- section 80.2: reimbursement, contribution or allowance, 5.3.7
- statutory provisions, 5.3.1
- amendments of 2003 permitting deductions of Crown levies after phase-out period, 5.3.1
- specific changes, 5.3.1
- transition period, 5.3.1
- provincial mining taxes
- deductibility, 5.1.8
- resource allowance, 5.2
- “adjusted resource profits”, 5.2.3
- add-backs, 5.2.3
- deductions, 5.2.3
- partnership, taxpayer’s share of income or loss from, 5.2.3
- “specified royalty” income, 5.2.3
- amount of resource allowance, 5.2.4
- resource allowance formula, 5.2.4
- Canadian Exploration and Development Overhead Expense (CEDOE), 5.2.4
- “gross resource profits”, 5.2.1

Index

- income and losses from specific sources, 5.2.1
- concept of “production” as source of income, 5.2.1
- notional, 13.6
- percentage amount claimed being reduced, 5.2
- resource loss, 5.2.5
- “resource profits”, 5.2.2
- deductions, 5.2.2
- exclusions from Part I deductions, 5.2.2
- “resource activity”, 5.2.2
- Royal Commission of 1964-1966, 5.1.3
- problems with Regulation 701, 5.1.3
- recommendations of Royal Commission, 5.1.3
- full deductibility as alternate solution, 5.1.3
- Royalties, 5.1.9
 - deductibility of, 5.1.9
 - forms of, 5.1.9
 - inclusion in income, 5.1.9
 - tax reform of 1971, 5.1.4
 - no deductibility of provincial taxes, but increased federal abatement, 5.1.4
- Provincial mining taxes**
 - British Columbia mineral tax, 14.3
 - assessment and reassessment, 14.3.9
 - two levels of appeal, 14.3.9
 - appeal to B.C. courts, 14.3.9
 - appeal to minister, 14.3.9
 - appeal from minister’s decision, 14.3.9
 - books and record, 14.3
 - calculation of tax, 14.3.4
 - cumulative expenditure account (CEA), 14.3.4(d)
 - cumulative tax credit account, 14.3.4(a)
 - net current proceeds, 14.3.4(c)
 - net revenue, 14.3.4(b)
 - exploration investment allowance, 14.3.4(b)
 - prescribed allowance for new mines, 14.3.4(b)
 - “hedging activities” excluded, gains and losses from, 14.3.4(b)
- prescribed costs and expenses, 14.3.4(b)
 - exploration costs, 14.3.4(b)
 - allocation to mine, 14.3.4(b)
 - election by operator, 14.3.4(b)
 - exploration account, 14.3.4(b)
 - preproduction discovery costs, 14.3.4(b)
 - privately owned minerals, 13.3.3
 - slag, 13.3.3
 - specific exclusions, 14.3.4(b)
 - proportionate share of gross revenue from operation of mine, 14.3.4(b)
 - transaction value of mineral product, 14.3.4(b)
- collection and enforcement, 14.3.11
- credits available, 14.3.2
- reclamation costs, 14.3.2
 - defined, 14.3.2
 - reclamation tax account (RCA), 14.3.2
- specified portion of expenditures, 14.3.2
- disposition of mine, 14.3.5
- election in respect of account balances on disposition of interest in mine, 14.3.5
 - joint election, 14.3.5
 - resultant consequences, 14.3.5
- filing requirements, 14.3.6
- introduction, 14.3
- minerals subject to tax, 14.3
- two-part tax, 14.3
 - primary tax: net revenue tax, 14.3
 - secondary tax: net current proceeds tax, 14.3
- liability for tax, 14.3.3
- “mine”, 14.3.3
- “mineral”, 14.3.3
- “operator”, 14.3.3
- payment requirements, 14.3.7
- penalties and offences, 14.3.10
- tax payable, 14.3.1
- placer gold mine, 14.3.1
 - introduction, 14.1
 - levy of charge on resource production, 14.1
- “direct” taxes, right to levy, 14.1

Index

- proprietary interest in resource, where, 14.1
- mining industry, 14.1
- flat charge per ton of ore removed, 14.1
- mining profit, tax on, 14.1
- non-renewal natural resources, 14.1
- broad power of taxation, 14.1
- “primary production”, 14.1
- oil and gas leases, 14.1
- royalties on production, 14.1
- provincial tax legislation, 14.1
- three northern regions, 14.1
- none having power to tax natural resources, except Yukon, 14.1
- powers derived from federal government, 14.1
- devolution of power, 14.1
- Northwest Territories royalty, 14.4
- appeals, 14.4.9
- books and records, 14.4.8
- deductions, 14.4.4, 14.4.5
- permitted, 14.4.4
- depreciation allowance, 14.4.4
- insurance proceeds, 14.4.4
- processing assets, where using, 14.4.4
- where production less than 12 months, 14.4.4
- prohibited, 14.4.5
- filing requirements, 14.4.7
- introduction, 14.4
- mining leases granted by federal minister, 14.4
- royalty on production, 14.4
- characteristics of royalty, 14.4
- liability for tax, 14.4.1
- payment of royalties, 14.4.6
- royalty rates, 14.4.2
- value of output, 14.4.3
- formula for calculation, 14.4.3
- Ontario mining tax, 14.2
- assessment and reassessment, 14.2.8
- collection and enforcement, 14.2.10
- exemption for new mine and mine expansion, 14.2.3
- filing requirements, 14.2.7
- liability for tax, 14.2.1
- “mine”, 14.2.1
- “operator”, 14.2.1
- Ontario Royalty and diamonds, 14.2.11
- payment, 14.2.6
- penalties and offences, 14.2.9
- profit calculation, 14.2.5
- deductions, 14.2.5(b)
- Ontario exploration and development expenditures, 14.2.5(b)
- specific exclusions, 14.2.5(b)
- depreciation and processing allowance, 14.2.5(c)
- allowable depreciation for mining asset, 14.2.5(c)
- undepreciated capital cost, 14.2.5(c)
- government assistance, capital cost reduced by, 14.2.5(c)
- prescribed processing allowance, 14.2.5(c)
- processed by another person, where, 14.2.5(c)
- processed only in concentrator in Canada, where, 14.2.5(c)
- “processing” defined, 14.2.5(c)
- reduction where output leaving Canada prior to final stage, 14.2.5(c)
- inclusions, 14.2.5(a)
- hedging, 14.2.5(a)
- “proceeds” from mine, 14.2.5(a)
- losses, 14.2.5(e)
- remote mine profit, 14.2.5(d)
- formula, 14.2.5(d)
- remote mine exemption, 14.2.4
- tax rate, 14.2.2
- formula, 14.2.2
- Saskatchewan Potash Taxation, 14.5
- capital tax, 14.5.4
- potash, 14.5.1
- potash mining tax, 14.5.3
- mineral rights tax, 14.5.3
- potash production tax, 14.5.3
- potash royalties, 14.5.2
- resource surcharge, 14.5.4
- **“Qualifying environmental trust” legislative scheme, 6.5** *See also Reclamation funding*
- “prohibited investment”, defined, 6.5
- “excluded trust”, 6.5
- “qualified investment”, 6.5

Index

- “significant interest”, 6.5
- “specified shareholder”, 6.5
- Reclamation funding**
- assumption of future reclamation in asset sale, 6.6
- assumption ought not to be regarded as additional proceeds of disposition, 6.6
- feasibility and environmental studies, 3.3.2
- CRA’s earlier position being appropriate, 6.6
- CRA’s recent position, 6.6
- suggested approach, 6.6
- right result, 6.6
- “contingent liabilities assumed ” on asset conveyances, 6.6
- *Daishowa*
- further implications, 6.6.4
- payments other than a sale, 6.6.5
- prior to Supreme Court decision, 6.6.2
- Supreme Court decision, 6.6.3
- deductibility of reclamation costs incurred, 6.2
- as current business expense, 6.2
- meaning of “reclamation”, 6.2
- ordinary operating cost fully deductible on income account, 6.2
- industry background, 6.1
- non-deductibility of future reclamation estimate, 6.3
- deduction disallowed in respect of expense that was “reserve” or “contingent liability”, 6.3
- deduction disallowed unless “incurred”, 6.3
- refundable security deposit not deductible, 6.3
- “qualifying environmental trust” legislative scheme, 6.5
- “cleanup” of mining sites, facilitating, 6.5
- consequences of trust ceasing to be qualifying environmental trust, 6.5
- contributions and withdrawals, 6.5
- limited partnerships, 6.7
- “operation of a mine” not defined, 6.5
- broader interpretation preferred, 6.5
- positive elements required, 6.5
- “site”, meaning of, 6.5
- special tax of trust income, 6.5
- subject to refundable tax credit to corporate beneficiary, 6.5
- example of mechanism, 6.5
- trusts not qualifying, 6.5
- reclamation trust concept, 6.4
- mining reclamation trusts, provincially-mandated, 6.4
- contributions deductible, 6.4
- Reorganization, corporate**
- affiliated persons, 10.9
- accrued gains, 10.9.1
- accrued losses, 10.9.2
- amalgamation, 10.5
- continuity of assets, liabilities and shareholders, 10.5
- special rules for certain amalgamations, 10.5
- “subsidiary wholly-owned corporation” involving, 10.5
- defined, 10.5
- successor rules not applying, 10.5
- successor corporation rules generally applying, 10.5
- two or more taxable Canadian corporations, 10.5
- change of control, 10.8
- capital losses, 10.8.3
- accrued capital losses, 10.8.3
- accrued losses used to increase adjusted capital cost base of property with gain, 10.8.3
- definition, 10.8.3
- none of capital losses available for carryforward or carried back, 10.8.3
- depreciable property, 10.8.4
- anti-avoidance provision, 10.8.4
- preventing acquisition of depreciable property in anticipation of change of control, 10.8.4
- preventing acquisition of potential terminal loss in its depreciable property, 10.8.4
- non-capital losses, 10.8.2
- deductions allowed in two limited circumstances, 10.8.2
- none of capital losses available for carryback and deduction, 10.8.2

Index

- where control of parent or subsidiary acquired, 10.8.2
 - “restart” transactions, 10.8
 - taxation year-end, 10.8.1
 - transfers of losses, deductions and credits limited, 10.8
 - divisive reorganization (butterfly), 10.7
 - advance income tax rulings advisable, 10.7
 - distribution of assets of corporation to its corporate shareholders, 10.7
 - tax-deferred basis, 10.7
 - property transferred in proportion to the shareholder’s proportionate ownership, 10.7
 - steps that shareholder corporations taking in effecting reorganization, 10.7
 - introduction, 10.1
 - liquidation, 10.6
 - bump and partnerships, 10.6.2
 - application of s. 88(1)(d)(ii.1), 10.6.2
 - partnership interest, denial of, 10.6.2
 - subsection 88(1) wind-up, 10.6.1
 - cost of qualifying capital property, increasing, 10.6.1
 - no change in CCDE of subsidiary or to parent’s account, 10.6.1
 - other properties deemed to be disposed of for “cost amount”, 10.6.1
 - resource properties distributed to parent deemed to be for no proceeds, 10.6.1
 - where subsidiary wound up, 10.6.1
 - taxable liquidation, 10.6.3
 - rollover concept, 10.2
 - section 85 rollovers, 10.3
 - general rules, 10.3.3
 - elected amount, 10.3.3.3(b)
 - balance of transferor’s CCDE account, 10.3.3(b)
 - Canadian resource property, 10.3.3(b)
 - “eligible property”, 10.3.3(b)
 - equal to aggregate of vendor’s CCEE and CCDE pools, 10.3.3(b)
 - conversion to purchaser’s CCDE account, 10.3.3(b)
 - avoidance by successor election, 10.3.3(b)
 - fair market value, not exceeding, 10.3.3(b)
 - foreign resource properties, 10.3.3(b)
 - nominal amount, 10.3.3(b)
 - restrictions, 10.3.3(b)
 - non-share consideration, 10.3.3(b)
 - vendor not required to include any amount in its income, 10.3.3(b)
 - key conditions, 10.3.3(a)
 - miscellaneous considerations, 10.3.3(c)
 - subsection 85(1), 10.3.1
 - foreign resource property not “eligible property”, 10.3.1
 - non-residents, disposition by, 10.3.1
 - “taxpayer” defined, 10.3.1
 - transfer to taxable Canadian corporation, 10.3.1
 - subsection 85(2), 10.3.2
 - partnership, transfer by, 10.3.2
 - share for sale exchange, 10.4
 - rule not applying if certain conditions present, 10.4
- Resource allowance** *See* **Provincial levies and resource allowance**
- Royalties, 1.8**
- amendment, proposed, 1.8
 - CRA policy, 1.8
 - “deductibility” of royalty payments, 1.8
 - defined, 1.8
 - forms of royalty, 1.8
 - right to, 1.7, 1.8
 - royalty holder, 1.8
 - “royalty interest”, defined, 1.8
- Sale of mining properties**
- actual sale, 8.3
 - basic rules, 8.3.1
 - Canadian resource property, 8.3.1(a)
 - income included from proceeds being negative balance of CCDE account, 8.3.1(a)
 - proceeds of sale reducing CCDE account to extent proceeds receivable, 8.3.1(a)
 - receivable amount when collectible right to amount acquired, 8.3.1(a)
 - carve-out, 8.3.1(d)

Index

- attractiveness declining, 8.3.1(d)
 - judicial basis for carve-outs, 8.3.1(d)
 - employee royalty interests, 8.3.1(e)
 - farm-out, 8.3.1(c)
 - farm-out transactions, 8.3.1(c)
 - CRA's assessing policy, 8.3.1(c)
 - Interpretation bulletin, examples in, 8.3.1(c)
 - "equipping costs", 8.3.1(c)
 - "unproven resource property", 8.3.1(c)
 - depreciable property, uncertainty arising with, 8.3.1(c)
 - income tax characterizations of transactions, three possible, 8.3.1(c)
 - simple, typical and widespread farm-outs not giving rise to proceeds, 8.3.1(c)
 - widespread farm-outs treated as disposition where not unproven property, 8.3.1(c)
 - foreign resource property, 8.3.1(b)
 - contingent consideration, 8.3.7
 - Crown, transaction with, 8.3.4
 - expropriation of resource property, 8.3.6
 - election under s. 59.1 providing special rules for computing income, 8.3.6
 - proceeds of disposition excluded where proceeds spent on CEE or CDE, 8.3.6
 - CEE or CDE to be incurred in ten year period, 8.3.6
 - trader or dealer, sale by, 8.3.2
 - inventory in hands of trader or dealer, 8.3.2
 - profit on disposal treated as disposal of other types of inventory, 8.3.2
 - transfer at other than fair market value, 8.3.3
 - deemed to receive proceeds at not less than fair market value, 8.3.3
 - trust or estate, distribution from, 8.3.5
 - deemed disposition rules for trusts, 8.3.5
 - deemed taxation year, 8.3.5
 - proceeds deemed equal to cost amount to trust, 8.3.5
 - deemed sale, 8.4
 - death, 8.4.1
 - deemed proceeds of disposition of resource properties, 8.4.1
 - amounts in CCEE or CCDE no longer deductible, 8.4.1
 - spousal rollover, 8.4.1
 - deemed carrying on business, 8.4.4
 - non-resident ceasing to carry on business, 8.4.3
 - deemed disposition of royalty in cessation of business, 8.4.3
 - sale of working interests in exchange for royalty being taxable, 8.4.3
 - resident, ceasing to be, 8.4.2
 - history, 8.2
 - introduction, 8.1
 - capital gain not generated, 8.1
 - withholding on sale by non-resident, 8.5
 - certificate protecting purchaser from tax liability, 8.5
 - "certificate limit", 8.5
 - non-resident furnishing security to minister as alternative, 8.5
- Successor rules**
- anti-avoidance, 9.8
 - where acquisition's purpose being to avoid limitation on deductibility of resource expenses, 9.8
 - control, acquisition of, 9.7
 - accumulated resource expenses able to be deducted against income, 9.7
 - amalgamation, 9.7
 - "control", meaning of, 9.7
 - corporation as member of partnership, 9.7
 - corporation deemed to own its percentage share of properties, 9.7
 - parent and subsidiary, 9.7
 - parent and two wholly-owned subsidiaries, 9.7
 - parent and wholly-owned subsidiary, 9.7
 - designation of portion of income between them, 9.7
 - two levels of ownership, 9.7
 - definitions, 9.3
 - "original owner", 9.3

Index

- partnership not included, 9.3
 - “person” as defined in s. 248, 9.3
 - “predecessor owner”, 9.3
 - intermediary corporation, 9.3
 - “production”, 9.3
 - “reserve amount”, 9.3
 - history, 9.2
 - changes in 1987 to successor corporation rules, 9.2
 - generally accumulated business losses carried forward after change of control, 9.2
 - deducted against revenues derived from “same or similar” businesses, 9.2
 - successor rules more restrictive, 9.2
 - successored resource expenses applied on property specific basis, 9.2
 - introduction, 9.1
 - “ring-fenced” effect, 9.1
 - expenses carried over, 9.5
 - Canadian Development Expenses (CDE), 9.5.2
 - Canadian Exploration Expense (CEE), 9.5.1
 - Cumulative Foreign Resource Expense (CFRE), 9.5.3
 - deduction, order of, 9.5.5
 - Foreign Exploration and Development Expense (FEDE), 9.5.3
 - generally, 9.5
 - original owner and predecessor owner, 9.5.4
 - amalgamation or merger, 9.5.4
 - election not to claim all or portion of CCEE and CCDE account, 9.5.4
 - preserving pre-succession resource accounts, 9.5.4
 - non-arm’s length transaction, 9.5.4
 - successor not allowed to claim inherited CCDE account in first year, 9.5.4
 - transferor’s CFRE reduced to nil after succession, 9.5.4
 - elect to reduce specified amount so that CFRE available to successor, 9.5.4
 - example in Technical notes, 9.5.4
 - transferor not deduct FEDE in year of disposition, 9.5.4
 - transferor’s remaining CCDE used as basis for deduction, 9.5.4
 - transferor’s remaining CCEE used to reduce amount included in income, 9.5.4
 - prerequisites for successor corporation rules, 9.4
 - acquisition by successor corporation, 9.4
 - “all or substantially all” of Canadian resource properties acquired, 9.4
 - election filed with minister, 9.4
 - resource accounts, rules required to apply to all or none of, 9.4
 - rules not applying in transactions involving certain affiliated corporations, 9.4
 - partnerships, selected points, 9.9
 - “look-through rule”, 9.9
 - qualifying income, 9.6
 - Cumulative Canadian Development Expense (CCDE), 9.6.2
 - Cumulative Canadian Exploration Expense (CCEE), 9.6.1
 - Cumulative Foreign Resource Expense (CFRE), 9.6.3
 - Foreign Exploration and Development Expense (FEDE) and FRE, 9.6.3
 - operation of concepts illustrated in Technical Notes, 9.6.3
 - qualifying income for deduction of successor FEDE, 9.6.3
 - ten per cent minimum relating to maximum deductions, 9.6.3
 - operation of provision by example in Technical Notes, 9.6.3
 - unused amount of successor FRE able to be deducted against ringed-fence income, 9.6.3
- Tax rates and tax credits**
- Federal Budget of 2003, 7.1
 - deduction of provincial and other Crown royalties, 7.2
 - federal corporate income tax rate reductions, 7.2
 - transition path for phase-in, 7.2
 - introduction, 7.1
 - base federal corporate income tax rate, 7.1
 - income from Canadian mining, 7.1

Index

- manufacturing and processing, 7.1
- gross revenues less deductions, 7.1
- resource allowance, 7.1
- deduction against “resource profits”,
7.1
- rate reductions, statutory scheme for, 7.3
- general rate reduction, 7.3.1
- taxable resource income, 7.3.1
- transitional rate reduction, 7.3.2
- “resource rate reduction percentage”
increasing, 7.3.2
- “taxable resource income” being lesser
of two amounts, 7.3.2
- Federal Budget of 2006, 7.3.1
- rate reductions, 7.3.1
- tax credits, 7.4
- Atlantic region expense, 7.4.3
- “qualified property” acquired for use in
Atlantic region, 7.4.3
- machinery and equipment, 7.4.3
- tax credit reducing capital cost for
purpose of claiming CCA, 7.4.3
- pre-production mining expenses, 7.4.1
- “grass roots” exploration and
pre-production development
expenditures, 7.4.1
- “investment tax credit”, 7.4.1
- scientific research and experimental
development (SR&ED), 7.4.2
- “qualified expenditure” defined, 7.4.2
- exclusions, 7.4.2
- qualified expenditure pool, 7.4.2
- formula, 7.4.2