

deduction from income from all sources. The cost of mineral properties will be classified as exploration expenses and will be immediately deductible but this cost will not earn depletion. Revenue from the sale of mineral properties will be treated as income.

Prospectors and their financial backers are no longer exempt from income tax on receipts from the sale of a mining property but receipts in the form of shares will be classified as a capital gain upon sale of the shares. Only one half of a capital gain is subjected to income tax. The tax liability of the prospector upon the sale of the shares may be further reduced through purchase of a forward-averaging annuity contract. Amendments to the Act in 1973 provided that all individual taxpayers (including prospectors and grubstakers) may also invest, in a forward-averaging annuity contract, the proceeds in the form of money from the sale of resource properties after January 1, 1973. The benefit to the prospector lies in the fact that the total tax on the annual receipts from an annuity for two or more years will usually be less than if the proceeds are included in income in one year. Prospectors may deduct exploration costs from other income at the rate of 20% annually.

The general corporate tax rate which was 50% in 1972 will be reduced by one percentage point each year until it reaches 46% in 1976. The federal government abates to the provinces 10 points of the corporate tax rate. Beginning in 1977, the abatement to the provinces in the case of mining companies will be increased by 15 percentage points, reducing the federal corporate tax rate on mining companies to 21%. At that time the provinces will be in a position to occupy 25 percentage points of the corporate income tax rate on mines.

The Act was further amended in 1973 to reduce the general corporate tax rate on income from manufacturing and processing to 40% for 1973 and subsequent years. The Income Tax Regulations were also amended to permit the deduction in two years of the capital cost of manufacturing the processing machinery and equipment acquired between May 8, 1972 and December 31, 1974. The reduced corporate tax rate and the accelerated capital cost allowance apply to the processing of minerals only beyond the prime metal stage. A re-examination of the reduced tax rate may be made after March 31, 1974 upon a motion signed by not fewer than 60 members of the House of Commons.

**Emergency Gold Mining Assistance Act.** Under this Act, which came into force in 1948 (RSC 1970, c.E-5), financial assistance was provided to marginal gold mines to counteract the effects of increasing costs of production coupled with a fixed price for gold. By enabling gold mines to extend their productive life, the subventions helped communities dependent on gold mining to adjust gradually to diminishing support. In 1973 the Act was amended and its application extended to June 30, 1976.

The amount of assistance payable to an operator is determined by a formula and is based on the average cost of production per ounce and the number of ounces produced; it ranges from zero to \$10.27 an oz t produced. Gold mines having a cost of production of \$26.50 or less an oz t receive no assistance and those having a cost of production of \$45 or more an oz t receive the maximum rate of \$10.27 an oz t.

The open market price of gold began to rise in 1971, and further increases have occurred since then. The higher prices made it more profitable for gold mine operators to sell their gold on the open market than to sell to the Royal Canadian Mint, which is necessary to be eligible for assistance payments. The Mint buying price in US funds an oz t was \$35 until May 1972 when it was raised to \$38. The Mint buying price was further increased to \$42.22 in October 1973. No applications for assistance under the Act have been received on gold produced since December 31, 1971.

### 12.2.2 Provincial government aid

**Newfoundland.** The Newfoundland government, through the Mines Branch of the Department of Mines and Energy, provides several valuable services to those interested or involved in exploration and mining, including: a continuing program of mineral assessment designed to encourage development of the mineral resources of the province; inspection of exploration work carried out on concession areas and examination of mining operations; administration of beaches (control of removal of sand and gravel as a conservation measure) and collection of data relevant to the control of sand removal; identification of mineral rock specimens submitted by the public and examination of corresponding occurrences where warranted; technical advice dispensed to those who seek such service (i.e. in hydrological problems and on the