Development Agency and with the support of industry, the sector sets up training courses for mineral scientists, technologists and economists brought to Canada under various aid programs, and advises on mineral projects undertaken by Canada as an aid to developing countries. The sector publishes extensively and maintains the National Mineral Inventory, a listing of about 16,000 mineral showings and deposits in Canada that may be consulted by the public.

The Energy Policy Sector is primarily a policy-making group with a direct impact on the mining industry. It assesses individual projects and developments relative to each energy source and in terms of their interrelationships. It appraises trends in oil and gas exploration and production, transportation, processing and marketing in Canada and abroad, and provides information to federal government agencies, industry and the public on oil and gas developments. In the field of uranium, the sector continues to coordinate uranium matters in the areas of stockpiling, establishment of uranium-enrichment facilities and export. With respect to coal, it provides research and development grants and advises on production expansion rates in the light of profitability and projected demand. The sector also administers federal interests in offshore mineral resources as well as in federally owned mineral rights in the provinces.

Tax incentives to the mining industry. Although mineral industry enterprises are subject to federal income tax, certain benefits granted to them under the Income Tax Act serve as incentives to exploration and development. An outline of tax amendments and regulations affecting mining in general appears in previous editions of the *Canada Year Book*. The most up-to-date information on income tax allowances which apply to the mining industry may be obtained from the Department of National Revenue (Taxation) and the appropriate provincial taxation offices.

Under the provisions of the amended Income Tax Act (effective January 1, 1972) the exemption from income tax for the first three years of operation of new mining ventures terminated at the end of 1973. However initial capital expenditures in a new mining operation on buildings, machinery and equipment and certain community and transportation facilities may be deducted as rapidly as income will permit. However, new mining ventures will not be liable for federal income tax until initial capital expenditures have been recovered. In the case of a major expansion of an existing mine, capital expenditures on buildings and on machinery and equipment also may be deducted immediately.

The tax reform effected on January 1, 1972 was further modified by the federal budgets of November 18, 1974, and June 23, 1975. To offset the new or greater royalties and increased mining taxes imposed by various provinces, the Government of Canada eliminated royalties, rentals, fees and mining taxes as deductions for income tax purposes. At the same time, the federal income tax rate for the mining industry was reduced to 25% to partially compensate for the non-deductibility of royalties and mining taxes. This decrease of about 15 percentage points from the normal federal rate of taxation was known as the "mining tax abatement". The budget proposals of June 23, 1975 replaced the mining tax abatement with a "resource allowance". This deduction in computing income is 25% of net production income before deductions for interest, exploration and development expenses and depletion are made.

Prior to May 6, 1974 individuals and corporations whose principal business was not related to the oil, gas or mining industry were permitted to deduct their exploration and development expenses incurred in searching for oil, gas or minerals in Canada by an amount each year equal to their total income from oil, gas and mineral resources for the year or 20% of the previously undeducted exploration and development expenses, whichever was the greater amount. After May 6, 1974 these taxpayers became entitled to deduct, in computing their annual income, 30% of the previously undeducted exploration and development expenses incurred in searching for oil and gas properties, computed in the same manner as for petroleum and mining companies.