MiningWatch Canada

Mines Alerte

Understanding Mining Taxation in Canada

Joan Kuyek, August 24, 2004

Introduction

MiningWatch Canada is a coalition of seventeen Canadian organizations: Aboriginal, environmental, social justice, labour and church groups that are concerned about the heavy toll on natural capital, the environment, human rights, health and communities caused by irresponsible mineral extraction.

Mining has a big footprint: acid mine drainage, toxic effluents, air pollution, occupational hazards, enormous consumption of energy and water, roads and rail transportation hazards, community disruption and public tax costs. Local communities bear the brunt of these costs, and are often ill equipped to protect their interests. In Canada alone, mining produces 1 million tonnes of waste rock and 950,000 tonnes of tailings per day, most of which is toxic. In addition to active mineral operations, there are also over 10,000 abandoned mines throughout the nation, draining into watercourses and destroying fragile ecosystems. The toll on human health through injury, death and disease from this sector is one of the highest in the world.

The awesome cost of the minerals we take for granted must be respected in government policy and industry practice. To us, this means treasuring the minerals that have already been extracted and reducing the need for mining wherever possible. Many more jobs and more sustainable economies can be created in the minerals industry if the focus shifts from mining to the re-use of minerals already taken from the ground and to value-added production in Canada.

A 1999 study by the Institute for Fiscal Studies concluded that our tax system “significantly favours the use of virgin materials rather than recycled materials in the case of metal and glass products”.[1] This was further to a 1995 report prepared for the Canadian Council of Ministers of Environment (CCME) that found tax expenditures provided by the federal and provincial governments provided a bias against recycling. The authors estimated that, for Ontario, recycled materials should be taxed at a rate 4.5% lower than at present in order to be taxed at the same rate as virgin minerals. Furthermore, to achieve optimal waste management the taxation rate for recycled materials would have to be 13 percentage points less than virgin materials.

[1] K. Scharf, “Tax Incentives for Extraction and Recycling of Basic Materials in Canada”, Fiscal Studies, 20(4), pp. 451-477, 1999.

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As a policy option de-emphasizing mining and incenting mineral re-cycling, re-use and value-added processing makes sense on many levels:

- balance of trade: our exports of crude metals are exceeded by the import of value-added metals manufacture;
- depletion of natural capital: no less prestigious a body than the OECD has called for a reduction in all material inputs – including metals. Mining is a heavy user of water and energy; and our minerals deposits are being depleted;
- toxic legacies: mining pollutes water, air and soil, increasing human health costs and creating lost opportunity costs for the fishery, tourism and farming;
- distorted land-use planning: the perceived need for more mineral extraction sites distorts land use planning and local economies and leaves behind toxic legacy sites and mining dependent communities;
- Canada's international reputation. The international activities of Canadian mining companies have created an "ugly Canadian" image wherever they go: whether they are propping up a dying chrysotile asbestos industry in Québec by forcing government to veto its inclusion in the Rotterdam Convention, mining on indigenous lands in the Philippines, opposing mining royalties in Peru, or opposing a US Environmental Protection Agency order for cleanup of toxic waste in the Columbia River.

The mining industry in Canada argues that these problems are offset by the industry's contribution to local, provincial and national economies, but there is a growing body of literature about the net negative effect that mineral extraction has on economies. This view has now been affirmed in the report of the World Bank's Extractive Industries Review, which tabled its report in January of this year. Details can also be found in No Rock Unturned on our web site[2].

In a study undertaken by the Pembina Institute and MiningWatch Canada in 2002 (Looking Beneath the Surface[3]), we discovered that even in Canada, the return on investment from the mining industry to federal and provincial governments is shrinking in cash revenues, in contribution to gross domestic product (GDP), and in employment, while the environmental and social costs are rising.

At the same time, the industry promotes data stating that there are 386,000 people directly employed in mining. In fact, there are currently fewer than 25,000 people employed in mining and milling in Canada: the others work in smelting, refining, and manufacturing – all work that could still be there if we re-cycled metals instead of mining them.

We would argue that mining enjoys power in this country – and other countries – well in excess of its actual economic contribution. Symptomatic of this power is the way in which the Canadian tax system has evolved over time in response to the demands of industry lobbies so that despite millions in perverse subsidies, mining companies pay almost nothing in taxes.

This paper looks at the tax incentives that the mining industry enjoys in Canada. It is our position that these incentives would better be directed to research and development of metals recycling, value-added industries and conservation, to just transitions for workers and community economic development initiatives for mining dependent communities, and to the clean-up of toxic and unsafe abandoned mines.

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[2] http://www.miningwatch.ca/issues/No_Rock_Unturned/No_Rock_sum_E.pdf
[3] http://www.miningwatch.ca/documents/belowthesurface-eng.pdf

Gathering data about taxes

In December 2002, the Pembina Institute and MiningWatch released Looking Beneath the Surface, a study assessing the value of government support for the metal mining industry in Canada. The research for this study took more than a year of poring through public accounts and industry and Statistics Canada reports, and analyzing and digesting what we found. The work was hampered by the lack of data available from government. Governments were generally unable to provide estimates of the value of a number of important tax measures introduced to support the industry. Other information was considered confidential for commercial or privacy reasons. In many cases closure and long-term care costs were not estimated at all or were underestimated. Most mines in Canada leave behind tonnes of toxic waste rock and tailings that need to be monitored and treated in perpetuity.

As an example, the Canadian government's Bill C-48 amending the Income Tax received royal assent on November 7, 2003, doing away with the Resource Allowance and reducing the corporate tax rate for mining from 28% to 21% by 2007. The data on which they had to rely for this legislation was based on modeling from data from 1997, the most recent year for which complete data was available[4].

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[4] The estimate in the Technical Paper of the fiscal cost of the measures ultimately contained in Bill C-48 was based on confidential corporate income tax (so-called T2) data from the Canada Revenue Agency (CRA) for 1997, the most recent year for which complete data was available. To estimate the impact going forward, forecasts for factors such as commodity prices and gross domestic product were derived from internal analyses performed by Finance Canada and from external sources. The revenue impact was then determined based on the proposed transition path using a micro-simulation model, which modeled the changes in tax rates and the tax structure.

The pie chart on page 10 of the Technical Paper written for Bill C-48 presents an estimate of the total value of royalties, income taxes and capital taxes paid to federal and provincial governments in 1997 by the mining industry. The estimate excludes indirect taxes (for example, excise and sales taxes) and property taxes and hence, understates total revenues. Federal income and capital tax figures are based on confidential CRA data for the 1997 taxation year, the most recent year for which complete data were available. Provincial income and capital tax figures are estimates based on federal data. Provincial mining tax and royalty figures are based on Public Accounts data. Obviously in a highly cyclical industry like mining, the figures can vary significantly from one year to another.

All types of mining are included in the data, including quarries. Since the data is enterprise-level, corporations are assigned to a particular industry category based on the activity that represents the greatest value-added. For that reason, the data may include some smelting and refining as well as mineral extraction. On the other hand, it may exclude some extraction carried on by companies for which this is not the primary source of added value.

While the CRA does not publish industry tax data, there is a Statistics Canada publication that generally does provides detailed federal and provincial tax data Financial and Taxation Statistics for Enterprises (catalogue number 61-219). The most recent year of the publication that includes detailed tax data (based on financial statement data and reconciled using a sample set of CCRA data) is 1998. Taxation statistics were not included in the 1999 to 2001 editions (http://dsp-psd.pwgsc.gc.ca/Collection-R/Statcan/61-219-XIE/61-219-XIE.html). The note to readers on page 6 of the 2001 edition indicates that the taxation statistics are expected to re-introduced with[4] the 2002 reference year, for the years 2000, 2001 and 2002.

Within the publication for 1998 and earlier years, data is segregated based on Standard Industrial Classification (SIC) codes, which are different from the enterprise codes used by CRA. One important industry is Industry 16, non-ferrous metals and primary metal products. This includes mining and manufacturing (rolling, casting, and extruding) of non-ferrous and primary metal products. Quarrying and sand pit mining are included in Industry 29, building materials, while potash mining is included in Industry 14, chemical and other chemical products.

When we were undertaking our report, we were told that governments did not keep records of the amount of tax foregone for a number of significant measures. In Ontario, this included the production allowance, which can be as much as 65% of a company's revenues, and provincial flow-through shares. In British Columbia it included the new mine allowance and the investment allowance. Federally, it included the accelerated capital cost allowance, and any disaggregated information about actual taxes and royalties received from the industry.

Looking Beneath the Surface did, however, find and bring to light many of the government incentives and subsidies to the mining industry, including tax deductions and credits, and program expenditures. The report is available on the MiningWatch Canada web site and includes a detailed description of the methodology used to arrive at the figures. The total value of the incentives and subsidies to the metal mining industry alone was staggering: over $580.2 million in the 2000-2001 fiscal year. This figure did not include the costs for reclaiming abandoned mines, unfunded liabilities for mine closures, nor the costs for the subsidies and incentives we were unable to track.[5] Most of the subsidies and incentives were directed to prospecting and exploration.

The benefits from the industry were measured in jobs and GDP. Again, it took considerable detective work to dig through industry exaggerations. Government figures usually aggregate jobs for all stages of the mineral industry, not just for mining and milling, which produces a figure of "386,000 direct jobs" instead of the 24,000 that were mining and milling; the GDP for the industry was mixed together with tar sands, or with quarries.

When we talked about the results from the study, we were always confronted by critics who said, as Senator David Tkachuk did at the Senate hearings in December on Bill C-48, "But the mining industry pays billions in taxes!" This paper is an attempt to answer that challenge.

The Department of Finance web site[6] carries a paper called The Canadian Tax Advantage, which states that the average corporate tax rate in Canada is now below the average U.S rate and will be more than 6 percentage points lower by 2008. It also says that there is a lifetime $500,000 capital gains exemption in Canada that has no equivalent in the US, and a 20% research and development tax credit for all R&D expenditures, where the US credit is for incremental expenditures. In addition, the federal capital tax is being phased out over the next five years.

This paper draws heavily on the information to be found on the Natural Resources Canada web site[7].

What is the total income from Canadian mining taxes?

Statistics Canada uses the Standard Industry Classification (SIC) codes to segregate tax data. The codes are different from those of the tax department. However, Industry 16 in the SIC includes non-ferrous metals and primary metal products, which includes rolling, casting, and extruding of non-ferrous and primary metals. According to that table, in 1998 (the last year for which data was available), the total tax payable to the federal government was $405 million and to all provincial governments was $181 million. For 1997, the same table shows federal taxes of $251 million and

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[5] Finance Canada says they did not agree with the modeling methods we used to calculate this figure, but have yet to provide a specific critique of any of the report.
[6] http://www.fin.gc.ca/toce/2003/cantaxadv_e.html
[7] http://www.nrcan.gc.ca/miningtax

provincial taxes of $147 million. The Mintz Report for 1997, showed all royalties and taxes for the mining sector (including all kinds of mining) to be $850 million with federal taxes at $204 million or 24% of the total. These figures all include income tax and capital tax. They do not include indirect taxes like excise, sales taxes and payroll taxes.

These are the only figures available from public sources. It is clear that the amount is not even close to one billion dollars.

Layers of taxation for mining Companies

The federal government imposes:

- corporate income taxes under the *Income Tax Act* – currently 28%, to be reduced to 21% by 2007, based on net income
- capital tax (a tax on assets and inventory) – applies only to companies with assets over $50 million, to be phased out totally by 2008
- the GST (7% of purchases – export sales are zero rated – GST does not apply and producers are entitled to a refund for tax paid on inputs)
- payroll levees such as EI and CPP
- excise taxes and customs duties – numerous exemptions and rate reductions

Provincial governments and territorial governments impose:

- income taxes varying from 9.4% to 15% based on value of production
- Mining Tax varying from 5-14% on defined mining profits
- Capital tax of less than 1%. Six provinces have a capital tax; Ontario is phasing it out.
- Health tax, sales tax, etc.

Income taxes

How are federal and provincial income taxes calculated?

Federal corporate income tax is calculated based on the revenues of a company less allowed expenditures. In 2003, the rate was 28% for mining companies, as opposed to 21% for other industries, because the mining industry had the Resource Allowance.

Mining companies have for years enjoyed the special treatment of the Resource Allowance, which is calculated as 25% of the company's annual resource profits – after operating costs and capital costs were computed and before the deduction of exploration expenses, development expenses, earned depletion and interest expenses. It purpose is ostensibly to offset crown royalties, mining taxes and other charges paid to provincial governments. However, over the years, provincial governments have given more and more away to mining companies, so that very little tax is paid provincially at all. The Resource Allowance therefore created a windfall for the companies. The Government of Canada estimated the cost of the RA in 2001 to be almost $141 million. Bill C-48, passed in December 2003, changed all this. It will reduce the federal tax rate for mining companies from 28% to 21%, but it will also progressively remove the Resource Allowance. By 2007, both measures will be in place.

Mine revenues, profit and loss

A study of the financial statements of any mining company makes it clear that the game of tax avoidance is played by ensuring that the company minimizes the profit shown on its books and maximizes its losses. This works because most taxes are based on profit.

The federal and provincial governments, in fact, are often in the position of owing tax refunds to mining companies. Mining companies are able to convert their losses into credits against future mining taxes, and show these credits on their books as "tax assets".

According to their 2003 annual financial statements, four of the largest mining companies in Canada paid – or were owed by governments – the following totals in taxation. The figures include their subsidiaries and taxes paid to governments elsewhere in the world.

	Sales (US $)	Taxes 2003	Taxes 2002
Barrick Gold	$2.035 billion	$5 million	($16 million)
Placer Dome	$1.763 billion	$44 million	($34 million)
Inco	$2.474 billion	($49 million)	($639 million)
Noranda	$4.657 billion	$24 million	($168 million)

Numbers in brackets indicate negative tax.

Calculating Corporate Income Tax

The federal government, the provinces and the territories all levy income tax.

Canadian companies are taxed federally on their worldwide income regardless of the geographic source, but provinces and territories can only levy a tax on the activity in their own jurisdiction.

Revenues can come from four different sources: business, property/investment, employment and capital gains.

A number of expenses and deductions are allowed in the computation of income for tax purposes:

- <u>*Resource Allowance*</u> – 25% deducted from profits (revenues minus operating expenses, not including Crown royalties and mining taxes, and minus the Capital Cost Allowance) before the calculation of taxable income. Only 75% of resource profits are subject to tax. The federal resource allowance is being phased out by 2007.

- <u>*Capital expenditures, pursuant to a Capital Cost Allowance*</u>. Mining is usually included in "Class 41" and is allowed a 25% depreciation rate. In some cases (assets acquired before the beginning of commercial production, or major expansions) mines are allowed to deduct up to 100% in year one (Accelerated Capital Cost Allowance)

- <u>*Loss carry-overs*</u> – A non-capital loss resulting from operations can be carried back 3 years and carried forward for 10 years.

- *Investment Tax Credits (ITCs)* – are available federally and in many provinces for scientific research, for investments in some regions of Canada, and to individual purchasers of flow-through shares where the funds are spent on "grass-roots" mineral exploration.

- *Canadian Exploration Expenses (CEE)* – expenses incurred for the purpose of determining the existence, location, extent or quantity of a mineral resource, including prospecting, geo-chemical and geophysical surveys, drilling, trenching and preliminary sampling, removing overburden, sinking a mine shaft (Pre-production development costs). It does not include costs for environmental assessment or the purchase of mineral claims. Any portion not used in the year the expenditure was incurred can be carried forward indefinitely. It creates a pool of expenditures, which can be transferred to subsidiaries and upon sale of the company. It is often a reason to keep a floundering mining company alive rather than wind it up.

- *Canadian Development Expenses (CDE)* – expenses incurred in sinking and excavating a mineshaft, acquiring new resource properties, underground workings ***after*** the mine came into production. CDE is accumulated in a pool call the Cumulative Canadian Development Expenses. Up to 30% of the unclaimed balance in the pool may be claimed each year. The pool is transferable and can be carried forward indefinitely.

- *Flow Through Shares (FTS)* – companies are allowed to renounce or "flow through" CEE and CED expenses to shareholders, so that the investor can use them as a tax loss. The investor gets a 100% tax deduction for the money they invested in the shares, and they get to speculate on the value of the share over time.

- *Foreign Resource Expenses (FRE) and Foreign Exploration and Development Expenses (FEDE)* – all foreign exploration and development expenses incurred by a Canadian corporation prior to 2001 were accumulated in one global tax pool called the FEDE balance. Since that time, the FRE expenses must be allocated on a country-by-country basis. They can be claimed at 10-30% of the accumulated total.

- *Deduction of Mine Reclamation Trust Contributions* – Income earned is subject to tax, as are withdrawals from the trust. Reclamation costs are fully deductible at the time incurred.

Tax planning considerations

There are a number of complicated tax planning methods for the mining industry that also affect taxable income. Companies keep a set of accounting books that enable them to calculate the cost of production over the total life of the mines in their possession. They also keep a separate set of books for tax purposes that typically differs from the accounting records. This is because generally accepted accounting principles call for different methods of recognizing revenue and expenses than the Income Tax Act and regulations.

The management accounts match anticipated expense and revenues over the long haul, and then allocate the total costs over the period they will be earning income from the mine(s). Income tax rules enable the offsetting of revenues against expenses. Incentives allowed by the tax system distort these patterns, and result in the "deferred taxes" and "valuation allowances" which can be seen in the financial statements of mining companies. Often the notes to the financial statements give detailed explanations of how these tax-planning tools have been used to affect current tax payable. It is beyond the scope of this paper to examine tax-planning considerations in detail.

Deferred taxes

Companies calculate the *future tax payable* in computing the value of their deferred taxes. Deferred taxes are accrued and reflected as an expense in a company's income statement, but not payable to the taxing authority in that time period. Deferred taxes compensate for an understatement of income tax expense that would occur if only the tax currently due to the taxing authority was reflected as the total income tax expense[8].

For example, when a company depreciates $1,000 of mining equipment, it may recognize $100 per year of depreciation on its ledger each year for 10 years. Meanwhile, the Department of Finance offers an accelerated depreciation schedule that enables companies to write off up to 100% of the cost in the first few years. For the first few years, this reduces the taxable income on the government books relative to the company's own ledger. So the company pays less tax in cash than it shows on its ledger as an income tax expense. The difference needs to be accounted for and is shown as a deferred tax expense.

Valuation Allowance

The valuation allowance is a method of raising or lowering the current value of a company by adjusting the value of its assets to reflect market value. The valuation adjustments may be accumulated and released to the operating account as required to affect taxation. For example, in 2003, because of higher gold prices, Barrick Gold was faced with paying an accumulated income tax expense of $44 million. They were able to offset the potential tax expense by releasing valuation allowances of $39 million. The tax valuation allowance had been created by a construction start-up at Veladero in Argentina and by a corporate reorganization that enabled them to take advantage of certain tax assets.

Valuation allowances can also be accumulated by changes in tax law and regulation, by currency exchange rates, by re-evaluation of the extent and quality of ore bodies, by changes to "good will and reputation" – in effect, by anything that has an impact on the realizable value of the company assets.

Capital Tax

The capital tax is based on company assets. Since 2003, the federal capital tax applies only to companies with more than $50 million in assets, and will be phased out altogether by 2008. Most provinces (Alberta, Manitoba, New Brunswick, Nova Scotia, Ontario, Québec, Saskatchewan) charge capital tax ranging from 0.225 to 0.6 % on assets. Ontario is phasing it out.

The Mining Tax

How provinces calculate mine revenues for mining tax purposes.

There are two or three levels of taxation on mines provincially: corporate income tax, Mining Tax and capital tax.

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[8] From http://www.noresco.com/site/content/info_glossary.asp

Some provinces calculate mine revenues after the deduction of a Resource Allowance (25%). With the elimination of the federal Resource Allowance, most provinces will no longer allow a comparable deduction provincially, and instead will allow a deduction for actual federal taxes paid. However, in the last budget, Ontario gave in to pressure from industry and is keeping the deduction.

Provincial governments have different approaches to mine revenue for mining tax purposes. BC considers the valuation of the resource to be the ultimate selling price by the mining company. Other provinces tax mineral wealth at " mine mouth"; i.e., they tax the unrefined product and deduct estimated costs for processing it. This allowance for processing is set arbitrarily based on a percentage of the cost of the assets (buildings, equipment, etc) used for the processing, subject to a maximum, usually 65%. The rate varies from a low of 8% (no processing – Québec, New Brunswick, Newfoundland) to the maximum (65% - smelter/refinery in the province)

For the purposes of the Mining Tax, companies can also deduct Mining and Processing Asset Depreciation – often at 100% in the year of purchase. Deductions are also made for Pre-production Development Expense, Exploration Expenses and Mine Reclamation Fund contributions. Ontario exempts the first $500,000 of mining income annually, New Brunswick exempts the first $100,000.

Tax holidays

Some provinces also provide Mining Tax holidays for new mines. Ontario provides a $10 million tax exemption for new mines as well as a three-year tax holiday, and 10 years for mines in remote locations (north of North Bay). Quebec has tax credits for new mines in northern Quebec. British Columbia exempts new mines from the net profits portion of mining tax until all costs have been recovered. Saskatchewan exempts new mines from mining tax until accumulated profits exceed the investment in the mine. The definition of a "new mine" for tax purposes, can often be stretched to include new shafts on the same ore body.

Canadian companies operating abroad

"Canada is the most generous country in the world in terms of their tax benefits." *(John Gravell of Price-Waterhouse Coopers during a presentation on Canadian mining taxation.)*

A company is a considered a Canadian resident if it is registered in Canada, or if its central management is located here. To be registered in Canada, a company does not need to have any Canadian directors, nor does its head office need to be located in Canada. Glamis Gold has its head office in Reno, Nevada.

Canadian companies are taxed by the Canadian federal government on their worldwide income, regardless of the geographic source. Canada has tax treaties with many countries that set out rates of taxation, and methods for avoiding "double taxation" – paying tax on the same profits to the host and home country. The Foreign Resource Expense described above was designed for this purpose.

A country with which Canada has a tax treaty is referred to as "Designated Treaty Country" or DTC. The net earnings of a foreign affiliate in a DTC are added to the "exempt surplus account" of the foreign affiliate, and the earnings are exempt from Canadian taxation – although they will have to pay the taxes agreed to in the treaty to the host country. If there is no treaty, then net earnings are in the "taxable surplus account", and any income or profits taxes paid are added to the company's Underlying Foreign Tax (UFT) account.

Foreign Accrual Property Income (FAPI)

FAPI refers to the net earnings of a company that is not "active business income". This can include proceeds from the sale of capital assets (like a mining claim), or from an investment business. FAPI is taxable in Canada. The purpose of the business is key to the definition of FAPI, for example, if an exploration company realizes a gain on the sale of a foreign resource property, but says that the purpose of the business was not to earn profits from selling it but to bring it into production, then the profits from the sale will not be FAPI.

Withholding Tax

In the context of offshore transactions, a government imposes a tax on distributions being made to foreigners. This is the withholding tax. The purpose of the tax is to allow the government to make sure it exacts its share of a taxable event before the wealth leaves its shores and moves beyond its control. Thus, when a Canadian company sells its mine in Chile, the Chilean government will require that a certain portion of the sale proceeds be taken out to satisfy taxation obligations prior to releasing the remaining proceeds to the Canadian seller. Withholding tax also applies to dividends to foreign shareholders and interest payments. Tax treaties between countries vary the basic rates accordingly.

The Canadian statutory withholding rate is 25%; however, the rate is effectively reduced by tax treaties. The Canada-US treaty provides for 10% on interest and royalties and 5% on dividends paid to non-resident corporations. The Canada-Chile tax treaty sets the withholding tax rate at 15% (with some nuances). Some tax havens have no withholding taxes.

Reducing foreign taxes

There are a variety of techniques to reduce or eliminate taxation from foreign operations, such as

- A Canadian company can transfer debt to a foreign affiliate, thereby reducing its taxable income, and avoiding income tax in the host country
- Setting up a series of subsidiaries and holding companies to take advantage of low or zero withholding taxes in other countries

Foreign Companies in Canada – Principal Business Corporation

A company can gain access to the special tax incentives provided under the Canadian resource income tax treatment by incorporating a Principal Business Corporation (PCB) in Canada. A PCB is a corporation whose principal business is directly related to one or more of exploration, development, extraction and processing. By incorporating a PCB, the non-resident investor can

- Get domestic financing using Flow-Through Shares
- Get 100% write-off and indefinite carry forward for its exploration and development expenses, 30% amortization of the costs of acquiring resource properties (CEE and CDE)
- Gain access to the Accelerated Capital Cost Allowance for capital costs on "greenfield" mines or major expansions.

Recommendations

- It is extremely difficult to sort out the tax and royalty benefits of the mining and concentrating industry for a number of reasons. Many figures are confidential. Mining data is frequently aggregated with data from downstream industries like smelting, refining and metals manufacturing – industries that would still exist if the inputs were re-cycled materials. Mining data is also often aggregated with tar sands, oil and gas. Neither government nor the public has the tools it needs to develop policies for sustainable minerals management. The federal, provincial and territorial Departments of Finance should annually provide Canadians – and countries with which we do business – with updated and dis-aggregated information about the actual contribution in taxes from the mining industry and other sectors to the Canadian economy.

- There is an obvious need to rethink the system of taxation that has evolved for mining in Canada. The subsidies, incentives and tax planning rules result in most companies paying little or no tax and do not serve the Canadian public well. Special subsidies for mining exploration, such as those described in *Looking Beneath the Surface*, should be ended and the public resources transferred to community re-investment strategies, abandoned mine reclamation, and metal conservation and recycling research and development.