Ministry of Finance
Tax Bulletin

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Disclaimer: This bulletin has not been updated to reflect any legislated amendments or policy changes introduced after June 2016.

For the most up-to-date information, see our Mining exploration tax credit for corporate income tax page.

Mining Exploration Tax Credit

Income Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated July 2010. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin explains how the Mining Exploration Tax Credit (METC) provides refundable tax credits on expenditures for conducting grassroots mineral exploration in BC.

The expiry date for the METC is December 31, 2019.

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Eligibility Requirements

Who is Eligible

You are eligible to claim the METC for each tax year that you are subject to BC income tax, if you meet all of the following:

- you conduct exploration activity in BC,
- you incur the expenses, and
- you resided in BC on the last day of the tax year (corporations must have maintained a permanent establishment at anytime during the tax year).

If you are an individual or a corporation that is an active member of a partnership, you may claim your proportionate share of the partnership's METC. An active member of a partnership includes a partner that is engaged in a business similar to the partnership. Limited partners are not eligible to claim the METC.

Who is Not Eligible

You are not eligible to claim the METC if you are a corporation that:

- is exempt from tax under section 27 of the *Income Tax Act* (the Act),
- has taxable income that is exempt under Part I of the federal *Income Tax Act* (the federal Act),
- is controlled directly, or indirectly, by persons who are exempt from tax under section 27 of the Act or under Part I of the federal Act, or
- is a prescribed labour sponsored venture capital corporation, an employee venture capital corporation, a small business venture capital corporation, or has registered an employee share ownership plan.

Note: You cannot transfer the METC to a third party, such as an investor.

Mining Exploration Activities and Expenses

Mining exploration expenses are your costs for determining the existence, location, extent or quality of a mineral resource in BC, including any expenses for the following activities:

- prospecting,
- carrying out geological, geophysical or geochemical surveys,
- drilling by rotary, diamond, percussion or other methods, or
- trenching, digging test pits and preliminary sampling.

A mineral resource is a base or precious metal deposit, a coal deposit, a bituminous sands deposit or oil shale deposit, and certain other deposits, such as calcium chloride, kaolin, gypsum, and diamond. An accumulation of petroleum or natural gas (other than a bituminous sands deposit or oil shale deposit) is not a mineral resource.

Expenses that Qualify

To qualify as a mining exploration expense for the METC, the goods or services must:

- be provided or used during eligible mining exploration activities in BC, either entirely or substantially (90% of the time),
- be reasonable in the circumstances, and

- not have been claimed by another person in relation to the METC.

The following are examples of mining exploration expenses that qualify for the METC when they meet all of the above qualifications.

- Travel costs, such as food, accommodation and vehicle costs, including gas and repairs. You must claim the actual cost, not an allowance or estimate, and you cannot include personal expenses. For example, when a vehicle is used for both business and personal use, you apportion the expense by the total kilometres travelled for business over the total kilometres travelled for the year.
- Salary and wage costs for employees whose duties are performing or supervising mining exploration activities.
- Contractor costs for conducting mining exploration on your behalf.
- Technical report writing costs by a qualified geologist, engineer or other technical reports that are required to determine the existence, location, extent or quality of a mineral resource in BC.
- Property rental/leasing costs, including maintenance, taxes and insurance.
- Equipment rental/leasing costs.
- Road building costs to obtain a bulk sample or to perform exploration if the expense qualifies as a Canadian Exploration Expense under the federal Act.
- Road repair costs.
- Exploration costs at an old mine site that is considered a derelict and abandoned property (it does not have the characteristics of a mine anymore).

Expenses that Do Not Qualify

You cannot claim mining expenses that do not meet the qualifications outlined in the section above. For example, if you pay a geologist on a salary basis and they spend 60% of the time on geological work and 40% on administration, the entire salary cost does not qualify because 90% of their time has not been spent on exploration activities.

In addition, the following expenses have been specifically excluded from the METC.

- Amounts renounced under section 66(12.6) of the federal Act and reported to an investor on a T101 or T5013 (T5013A).
- Outlay or expenses that were incurred by a taxpayer during a tax year in the course of earning exempt income.
- Expenses that relate to a mine that has come into production in reasonable commercial quantities, or to a potential or actual extension of such a mine.
- Your personal or living expenses.
- Your personal or own time spent prospecting.

- Capital or depreciation costs for equipment, such as a bulldozer or drill. However, the costs of operating the bulldozer or drill, such as fuel, repairs and maintenance, may qualify when used for exploration.
- Purchasing or leasing costs of seismic data acquired by another person before the cost was incurred, data that another person had acquired the right to use before the cost was incurred or data that resulted from work that was at least 90% completed more than one year before the cost was incurred.
- Canadian development expenses, as defined in section 66.2(5) of the federal Act. For example, your expenses while drilling or completing, building a temporary access road or in preparing a site in respect to an oil or gas well. Also, costs related to ownership of Canadian resource properties, including property you have a right, licence or privilege to prospect, explore, drill or mine for minerals in a mineral resource in Canada.
- Canadian exploration and development overhead expenses (CEDOE), as defined in the regulations to the federal Act, including costs of administration, management and financing.
- Rent, compensation or purchases from a connected person to the extent they exceed the cost to the connected person. For example, if an individual owned over 10% of a company's shares and was performing work as a geologist for the company on a contract basis, any amount paid to them that exceeded the costs incurred by them would not be eligible.

How to Calculate and Claim the METC

You calculate the METC based on your net eligible mining exploration expenses. To determine the net amount, you take your total qualified mining exploration expenses and subtract the total amount of assistance received. Assistance includes reimbursements you receive or are entitled to, such as grants, subsidies, rebates and forgivable loans.

The METC is 20% of the net qualified mining exploration expenses. The credit is 30% for exploration in prescribed Mountain Pine Beetle affected areas. You can find a link to a map of the Mountain Pine Beetle affected areas on our **website**.

For a partnership, the METC is equal to each partners' agreed share of income or loss, unless otherwise specified in the partnership agreement. The allocation of the METC is made at the end of the fiscal period of the partnership and is included at the end of the individual's or corporation's tax year.

You calculate and claim the METC by completing the applicable form below and filing it with your federal income tax return. Your METC will be applied against your tax payable. However, if your credit exceeds your tax payable, you will receive a refund.

- **For Individuals,** you complete a *British Columbia Mining Exploration Tax Credit (Individuals)* form (**T88**) and file it with the *T1 General Income Tax and Benefit Return.*
- **For Corporations**, you complete a *British Columbia Mining Exploration Tax Credit* form (**T2SCH421**) and file it with the *T2 Corporation Income Tax Return*.
- **For Partnerships**, you complete a *British Columbia Mining Exploration Tax Credit Partnership Schedule* form (**T1249**) **and** either a (T88) or (T2SCH421) form (depending on whether the partner is an individual or corporation).

  Note: Each partner must apply separately for their share of the credit.

To claim the METC for:

- 2016 and earlier tax years, you must file the forms noted above **within 36 months** after the end of the tax year for which the credit is claimed. For example, if you are claiming tax credits for the 2016 tax year ending on December 31, 2016, your forms must be received by the Canada Revenue Agency on or before December 31, 2019.
- 2017 and later tax years, you must file the forms noted above **within 18 months** after the end of the tax year for which the credit is claimed. For example, if you are claiming tax credits for the 2017 tax year ending on January 31, 2017, your forms must be received by the Canada Revenue Agency on or before July 31, 2018.

Need more info?

Online: **gov.bc.ca/personalincometaxes**
Toll free in Canada: 1 877 387-3332
Fax: 250 356-9243
E-mail: **ITBTaxQuestions@gov.bc.ca**

Canada Revenue Agency
Toll-free in Canada: 1 800 663-1511
Online: **cra-arc.gc.ca**

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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

Latest Revision
June 2016
- Extended the expiry date for METC to December 31, 2019.