

Net cost of \$1,000 spent on mineral exploration in Québec for a company – Project dedicated to CSMs

Major companies (Expenses related to a project dedicated to CSMs ¹)	On April 30, 2025	Junior companies ⁷ (Expenses related to a project dedicated to CSMs ¹)	On April 30, 2025
Exploration expenditures ²	1,000	Exploration expenditures ⁸	1,000
Credit and deductions in Québec		Credit and deductions in Québec	
Under the Taxation Act :		Under the Taxation Act :	
Refundable tax credit for resources ³ (20% ⁴ x \$1,000)	200	Refundable tax credit for resources ³ (45% ⁴ x \$1,000)	450
Tax deduction (11.50% x \$1,000)	115	Tax deduction (11.50% x \$1,000)	115
Decrease of tax deduction (for mining tax) (11.50% x \$128)	(15)	Decrease of tax deduction (no mining tax payable by these companies)	0
Decrease of tax deduction (credit for resources) ⁵ (11.50% x \$200)	(23)	Decrease of tax deduction (credit for resources) ⁵ (11.50% x \$450)	(52)
Under the Mining Tax Act :		Under the Mining Tax Act :	
Mining tax savings (16% x (\$1,000 - \$200 ⁵)) ⁶	128	Refundable duties credit for losses (16% x (50% x (\$1,000 - \$400 - (\$450 ⁵ - \$180 ⁹))))	26
Company's Québec tax savings	405	Company's Québec tax savings	539
Federal deductions		Federal deductions	
Tax deduction (15% x \$1,000)	150	Tax deduction ⁸ (15% x \$600)	90
Decrease of tax deduction (for mining tax) (15% x \$128)	(19)	Decrease of tax deduction (no mining tax payable by these companies)	0
Decrease of tax deduction (credit for resources) ⁵ (15% x \$200)	(30)	Decrease of tax deduction (credit for resources) ⁵ (15% x \$450)	(68)
Company's Federal tax savings	101	Company's Federal tax savings	22
Amount assumed by the governments	506	Amount assumed by the governments	561
Net cost for the company (\$)	494	Net cost for the company (\$)	439

- (1) The critical and strategic minerals (CSMs) covered by the measure are: antimony, bismuth, cadmium, cesium, cobalt, copper, rare earth elements, platinum group elements, tin, gallium, graphite (natural), indium, lithium, magnesium, nickel, niobium, scandium, tantalum, tellurium, titanium, vanadium et zinc.
- (2) In the example of the **major companies**, the exploration costs were not renounced by the mining company under either the Taxation Act (Québec) or the Income Tax Act (Federal).
- (3) As of March 26, 2025, expenses eligible for the *Refundable tax credit for resources* (RTCR) correspond, among others to Canadian exploration and development expenses applicable to mining resource expenses, incurred in Québec. A ceiling of \$100 million of cumulative eligible expenses over five years was also introduced under the 2025-2026 Budget. The introduction of this ceiling applies to a taxation year that begins after March 25, 2025. The example presented includes only exploration expenses related to mineral resources.
- (4) Eligible expenses mainly attributable to one or more critical and strategic minerals, incurred after March 25, 2025, will be eligible for the enhanced rates until December 31, 2029. After that date, they will be eligible for the rates applicable to eligible expenses related to other mining resources (22.5% for junior companies¹ and 10% for major producing companies).
- (5) The RTCR reduces the amount of eligible exploration expenditures.
- (6) The exploration allowance is limited to 10% of the annual profit.
- (7) Corporation that does not exploit any mineral resources or operate any oil or gas wells. This corporation must also not be part of an associated group member of which exploits a mineral resource or operate an oil or gas well.

- (8) In the example for the **junior companies**, the exploration costs were not renounced by the mining company under the Taxation Act (Québec). As a result, eligible exploration expenditures for the purposes of the RTCR are \$1,000.

Only **\$400** of all exploration costs were renounced by the mining company under the Income Tax Act (Federal). Therefore, the eligible expenditures for the Federal are **\$600 (\$1,000 - \$400)**.

For the purposes of the Mining Tax Act, \$600 are eligible (\$1,000 - \$400). See *Refundable duties credit for losses*.

- (9) Based on our interpretation of the legislation, the portion of the RTCR that is not taxable under the Mining Tax Act represents the proportion that is \$400 out of \$1,000 because of the renunciation, for federal purposes, of \$400 of exploration expenditures and the fact that the calculation of the provincial RTCR is based on 100% of the exploration costs (\$1,000). Four tenths of the RTCR corresponds to the unclaimed costs for the purposes of the Mining Tax Act, so this proportion of the RTCR should not be taken into account.

Hence, the portion of the RTCR that is not taxable is: $\$450 \times \$400 / \$1,000 = \180