

Flow-Through Share Regime

Net cost of \$1,000 invested by an individual in a company undergoing exploration in Canada

	On April 30, 2025	On April 30, 2025
	For specified critical minerals	For minerals OTHER than specified critical minerals
Exploration expenditures	1,000	1,000
Deductions in Québec		
Basic deduction of 100% (25.75% x \$1,000)	258	258
Québec tax savings for an individual	258	258
Federal deduction and credit		
Mineral exploration tax credit ¹ of 30% or 15% (30% x \$1,000) ou (15% x \$1,000)	300	150
Basic deduction of 100% (33% x (100% - 16,5%) x \$1,000)	275	275
Tax on the credit of 30 or 15% (33% x (100% - 16.5%) x \$300) or (33% x (100% - 16.5%) x \$150)	(83)	(41)
Federal tax savings for the individual	492	384
Amount assumed by governments	750	642
Net cost for an individual	250	358
After-tax profit threshold	340	488

(1) Mineral exploration tax credit of 15% or 30% if the expenditures renounced will be incurred as part of an exploration project that targets at least one of the 15 eligible critical minerals (scheduled until March 31, 2027). According to the 2022 Federal Budget Speech, specified critical minerals are: copper, nickel, lithium, cobalt, graphite, rare earth elements, scandium, titanium, gallium, vanadium, tellurium, magnesium, zinc, platinum group metals and uranium.

Explanation:

The company’s \$1,000 exploration expenditures were renounced to the investor.

The exploration work is carried out in Canada.

Maximum tax rate for an individual:

Federal	33.00%
Québec	25.75%

The 16.5% represents the abatement provided to Québec residents and applied against the basic federal tax rate.

Profit threshold calculation:

Federal and provincial taxable capital gain (TCG) = (selling price x 50%)

Federal tax on TCG = TCG x 33% x (100% - 16.5 %) = 13.78% of selling price

Provincial tax on TCG = TCG x 25,75 % = 12,88 % of selling price

Thus, the after-tax profit threshold:

- For the exploration expenditures targeting specified critical minerals (note 1)
 $\$250 / (100\% - 13.78\% - 12.88\%) = \340 (minimum selling price)

Total taxes on the TCG = (13.78% + 12.88 %) x \$340 = \$90

- For the exploration expenditures targeting minerals OTHER than specified critical minerals
 $\$358 / (100\% - 13.78\% - 12.88\%) = \488 (minimum selling price)

Total taxes on the TCG = (13.78% + 12.88 %) x \$488 = \$130

Proof – Net cost of the investment by an individual, for specified critical minerals or others:

Minimum selling price to recover its net investment	\$340	\$488
Less: Federal and provincial taxes on taxable capital gain	\$90	\$130
Net cost of the investment by an individual	\$250	\$358