

Net cost of \$1,000 spent on mineral exploration in Québec for a company

Major companies (At profit – Near and Far North)	On January 31, 2025	Junior companies (Near and Far North)	On January 31, 2025
Exploration expenditures ¹	1,000	Exploration expenditures ²	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 (18.75% x \$1,000)	188	Refundable tax credit for resources (38.75% x \$1,000)	388
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 \$130)	(15)	Decrease of tax deduction (no mining tax payable by these companies)	0
Decrease of tax deduction (credit for resources) ³ (11.50% x \$188)	(22)	Decrease of tax deduction (credit for resources) ³ (11.50% x \$388)	(45)
Under the Mining Tax Act :		Under the Mining Tax Act :	
Mining tax savings (16% x (\$1,000 - \$188)) ⁵	130	Refundable duties credit for losses (16% x (50% x (\$1,000 - \$400 - (\$388 - \$155 ⁴))))	29
Company's Québec tax savings	396	Company's Québec tax savings	487
Federal deductions		Federal deductions	
Tax deduction (15% x \$1,000)	150	Tax deduction ² (15% x \$600)	90
Decrease of tax deduction (for mining tax) (15% x \$130)	(20)	Decrease of tax deduction (no mining tax payable by these companies)	0
Decrease of tax deduction (credit for resources) ³ (15% x \$188)	(28)	Decrease of tax deduction (credit for resources) ³ (15% x \$388)	(58)
Company's Federal tax savings	102	Company's Federal tax savings	32
Amount assumed by the governments	498	Amount assumed by the governments	519
Net cost for the company	(\$)502	Net cost for the company (\$)	481

- (1) 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).
- (2) 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 *Refundable tax credit for resources* (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*.
- (3) The RTCR reduces the amount of eligible exploration expenditures.
- (4) 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: $\$388 \times \$400 / \$1,000 = \155
- (5) The exploration allowance is limited to 10% of the annual profit.