

NOTE: AME BC opposes or endorses government policies based on an independent review of individual policies. There has been considerable concern raised with how the Harmonized Sales Tax (HST) was presented, particularly with regard to the recent election. AME BC does not take these factors into account when considering the benefits or costs of a particular policy to our industry, nor does it consider the impact of policies on AME BC Members as residents of the Province. Each policy initiative must stand on its own.

Background

Goods used in extracting minerals from ore and explosives used in mining are exempt from the PST. What this actually means is subject to a long list of allowed exempt items and an equally long list of items that are not exempt. An explanatory bulletin on the current PST regulations governing mining and mineral exploration can be found at:

www.sbr.gov.bc.ca/documents_library/bulletins/sst_081.pdf

The list of current items exempt from the PST can be found here:

www.sbr.gov.bc.ca/industry_specific/mining/nontax_list.htm

A list of the items upon which mining or mineral exploration companies currently paying PST can be found here:

www.sbr.gov.bc.ca/industry_specific/mining/tax_list.htm

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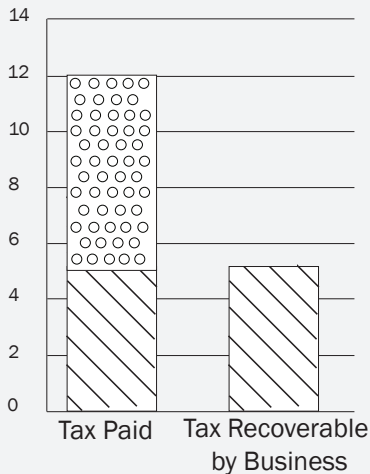
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AME BC generally supports the Harmonized Sales Tax (HST) and its implementation. Mineral exploration companies and prospectors will benefit from the elimination of embedded Provincial Sales Tax (PST) in the products they purchase including heavy equipment and services. British Columbia is a world centre for mineral exploration and mining – home to over 1,200 mineral exploration companies in and thousands of other firms involved in providing services to those companies. We must stay competitive with similar mining jurisdictions around the world such as Ontario and Western Australia, both of which now have a HST style tax.

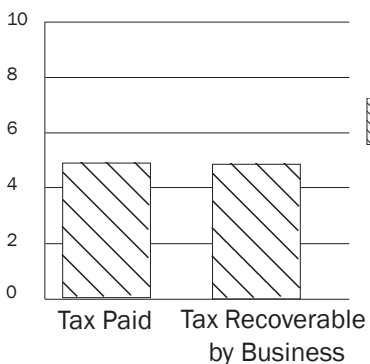
Benefits of HST for Mineral Exploration Sector

- All sales taxes, federal and provincial, now qualify for input tax credits—companies and sole proprietors can get tax credits for all or most sales tax paid. Currently mineral exploration companies and prospectors cannot do this for PST paid.
- Only one tax paid ending need to calculate two different taxes saving on accounting and auditing costs.
- End of huge range of PST exempt and PST non-exempt items. These lists were subject to change and interpretation and often unclear.
- The end of PST auditing, which often appears punitive, arbitrary and subject to interpretation.



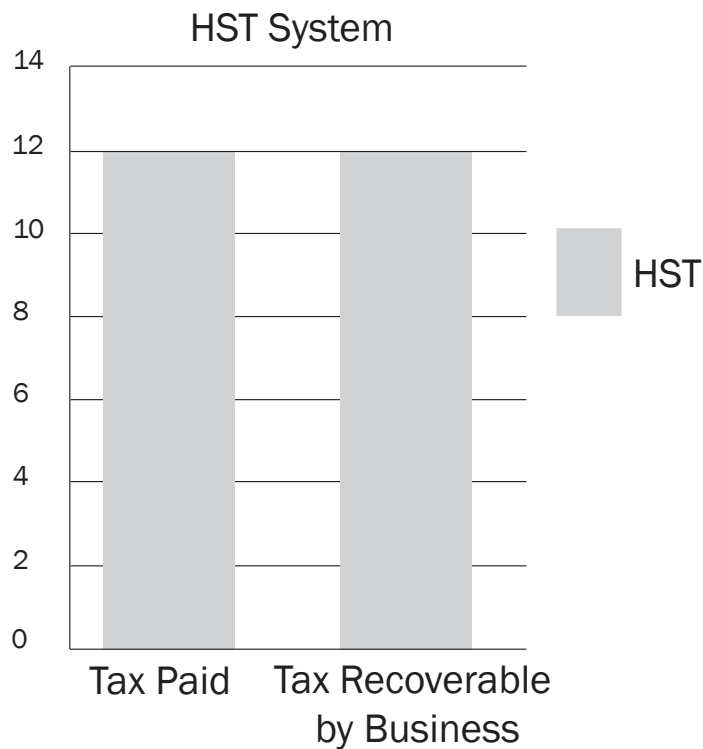
Current GST/PST Taxation

Currently GST paid is recoverable by businesses. PST paid is not recoverable and so must be imbedded in sales prices. Without product to sell, mineral exploration companies and prospectors must absorb PST costs.



Current System for PST Exempt Items

On PST exempt items, businesses can recover most or all GST paid.



Tax Paid and Recovered Under HST
 Under the new system, all HST paid can be recovered through input tax credits—as is currently possible under the GST.

Discussion

As it presently stands, a mineral exploration company or prospector pays GST on all items purchased and pays PST on some items purchased. All GST is presently subject to ITCS (or input tax credits). This means businesses can claim back GST paid on a quarterly or annual basis. The result is that mineral exploration companies are, for all intents and purposes, not paying GST.

On the other hand mineral exploration companies and prospectors are presently paying PST on items including such things as non-turbine aircraft, all-terrain vehicles, any heavy equipment which spends more than 10% of its time on non-mining construction (road work for example), camp equipment, office equipment, satellite phones, two way radios etc. Mineral exploration companies and prospectors currently pay PST on these items and cannot recover that tax. Moreover, as mineral exploration companies and prospectors do not have a product to sell per se (with the eventual exception of their property) they cannot pass the PST onto a further customer by embedding it in the price. Under the current PST system, mineral exploration companies and prospectors are disadvantaged compared to most other businesses, despite a wide range of exemptions.

Under the proposed HST, all provincial and federal sales taxes would be treated as the GST currently is. Therefore mineral exploration companies and prospectors will be able to claim back all paid PST and GST as input tax credits—meaning all sales tax paid is recovered.

Based on this reality, AME BC has chosen to endorse the introduction of the HST.

Recommendations to Members

- Make sure you have a GST number (Business Number) from the federal government, even if you are below the required \$30,000 threshold—you cannot get credits back if you are don't have a number.
- Keep all your receipts. All HST paid for inputs purchased can be claimed back.
- Use the quick method of filing HST forms on an annual basis if you are a small operator.