

Maintain Ontario Mining Tax rates

Submitted by the Timmins Chamber of Commerce

Co-sponsored by the Thunder Bay Chamber of Commerce, Greater Sudbury Chamber of Commerce, and the Sault Ste. Marie Chamber of Commerce

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Issue:

In the lead-up to the 2018 provincial election, the Ontario government continues to face pressure to review the provincial mining tax system in order to increase tax rates for operating mines. This would threaten the viability of Ontario's mining sector and discourage further investment in resource development.

Background:

The Ontario mining industry is a significant contributor to the provincial economy, producing approximately \$10.6 billion in non-fuel minerals, accounting for more than a quarter of Canada's total value of mineral production. Roughly \$371 million is also spent on exploration projects in Ontario every year, ranging from prospecting to advanced exploration. Moreover, mining is the largest private-sector employer of Aboriginal Canadians, who account for 11% of all mining jobs in Ontario.¹

Despite these contributions, the Ontario government has continued to see pressure to increase the mining sector's tax burden as a means of addressing the provincial debt. This would mean revisiting Ontario's Mining Tax Act, which dictates a 5% tax rate on profits from remote mines, and a 10% tax rate on profits from non-remote mines.² The province's sole diamond mine – the De Beers Victor Mine, set to close in 2019 – is subject to a separate 13% rate through the Ontario Diamonds Royalty, which is contained within the Ontario Mining Act.

Although the Ontario government has opted to maintain rates in recent years, it continues to be pressured by various entities, both internal and external, to change the status quo. A December 2015 report by Ontario's auditor general criticized the province's Ministry of Northern Development and Mines for its lack of effective encouragement of timely mining development in Ontario³, inferring the need for higher rates. This has fueled discussion from special interest groups such as MiningWatch Canada that the government needs to raise tax rates for Ontario's remote, non-remote and diamond mines.

With much rhetoric about "business paying its fair share" dominating discussions in the lead-up to the 2018 provincial election, it is imperative that Ontario's existing conditions remain unchanged, as outlined in Ontario's Mining Act. A heavier tax burden would only threaten the vitality of Ontario's mining sector -- which routinely identifies rising costs as a major challenge -- and exacerbate the industry's existing regional challenges.

¹ Mining Association of Canada, "Facts and Figures of the Canadian Mining Industry 2016", <http://mining.ca/sites/default/files/documents/Facts-and-Figures-2016.pdf>

² Ontario Ministry of Finance, "Ontario Mining Tax", <https://www.fin.gov.on.ca/en/tax/mining/index.html>

³ Office of the Auditor General of Ontario, 2015 Annual Report, <http://www.auditor.on.ca/en/content/annualreports/arbyyear/ar2015.html>

This kind of regulatory uncertainty, combined with soaring energy rates, has already damaged Ontario's competitiveness: Ontario has slipped out of the top 15 mining jurisdictions in the world within the Fraser Institute's Annual Survey of Mining Companies, slipping to 18th in 2016.⁴

Recommendations:

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Maintain the current mining tax rates for remote, non-remote, and diamond mining operations.

⁴ Fraser Institute, "Fraser Institute Annual Survey of Mining Companies, 2016", Feb. 28 2017