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Federal Government to Extend 15% Mineral Exploration Tax Credit

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As the federal government gets ready to table the federal budget, which will be released on April 16, 2024 (Budget Day), and the tax community weighs in on the tax measures expected to be unveiled, the Department of Finance announced, on March 28, 2024, that the federal government will extend the 15% mineral exploration tax credit (METC) for investors in flow-through shares for an additional year, until March 31, 2025. This announcement resolves some Budget Day uncertainty and is welcome (and relieving) news for mining companies who finance “grass-roots” exploration projects by issuing flow-through shares.

The METC, which was scheduled to expire on March 31, 2024, offers individual investors a 15% tax credit to invest in early-stage mineral exploration companies using flow-through shares. The METC is an additional incentive under the federal flow-through share rules contained in the *Income Tax Act* (Canada), which already provide for qualifying resource expenses to be renounced to a flow-through share investor.

Similar to the METC, in 2022, the federal government introduced the 30% critical mineral exploration tax credit (CMETC) in respect of certain mineral exploration expenses incurred in Canada and renounced to flow-through share investors. Unlike the METC, an investor may only claim the CMETC in respect of certain specified minerals defined as “critical minerals” — namely copper, nickel, lithium, cobalt, graphite, rare earth elements, scandium, titanium, gallium, vanadium, tellurium, magnesium, zinc, platinum group metals, and uranium. The 30% CMETC will be available until March 31, 2027. The 30% CMETC cannot be claimed in addition to the 15% METC.

If you have any questions about the METC or the CMETC, please contact any member of the Cassels Taxation Group.
