

Maintaining Ontario mining tax rates

Submitted by the Timmins Chamber of Commerce and
Co-sponsored by Greater Sudbury Chamber of Commerce, Thunder Bay Chamber of
Commerce, North Bay & District Chamber of Commerce
Adopted by the Ontario Chamber of Commerce – May 2015

Issue:

The Ontario government is facing 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, investing approximately \$4 billion every year in exploration, construction, equipment and R&D. Roughly 256,000 people are employed in Ontario's mineral cluster, generating \$500 million annually in personal income taxes. Moreover, mining is the largest private-sector employer of Aboriginal Canadians, who account for 9.7% of all mining jobs in Ontario.

Despite these contributions, the Ontario government has recently expressed an interest in increasing the mining sector's tax burden as a means of addressing the provincial debt. In its 2012 and 2013 budgets, the provincial government indicated its intent to re-examine the mining tax regime, suggesting it would seek "fair compensation for its non-renewable resources." 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. The province's sole diamond mine – the De Beers Victor Mine – is subject to a separate 13% rate through the Ontario Diamonds Royalty, which is contained within the Ontario Mining Act.

While this idea was dropped from the 2014 budget, special interest groups such as MiningWatch Canada continue to press both the provincial government and the auditor general for a review in order to raise tax rates for Ontario's remote, non-remote and diamond mines. Other groups, such as the Canadian Centre for Policy Alternatives and the School of Public Policy at the University of Calgary, have since echoed the call and continue to apply public pressure.

However, 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. Soaring energy rates and regulatory uncertainty resulting from legislation like the Far North Act have already damaged Ontario's competitiveness: ranked among the top 10 mining jurisdictions in the world by the Fraser Institute's 2006 Annual Survey of Mining Companies, Ontario sunk to 23rd in the 2015 rankings as mining firms react to government policies that impede investment and development.

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.