

BC Mining Flow-Through Share Tax Credit

Income Tax Act (British Columbia)

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated July 2015. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin explains the BC mining flow-through share (BC MFTS) tax credit available for individuals who invest in flow-through shares offered by a corporation conducting mining exploration in BC.

The expiry date for the BC MFTS tax credit is December 31, 2016.

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Flow-Through Shares

A flow-through share is a share, or the right to buy a share, of the stock of a mineral resource company. A flow-through share is issued under a written agreement between a corporation and an individual. Under the agreement, the individual agrees to pay for the shares, and the corporation agrees to transfer certain mining expenditures to the individual.

A flow-through share may allow the individual investor to qualify for the BC MFTS tax credit.

Due to the complex nature of the income tax rules that govern the BC MFTS tax credit, you should seek qualified professional advice before entering into flow-through share agreements.

The Credit

If you are an individual who invests in flow-through shares offered by a corporation conducting mining exploration in BC, you may qualify to claim a non-refundable BC income tax credit equal to 20% of the BC flow-through mining expenditures that are transferred to you in a given year.

Only **individuals** can claim the BC MFTS tax credit. An individual is a person other than a corporation and does not include an estate or a trust.

The BC MFTS tax credit is only available for BC flow-through mining expenditures.

You cannot claim a BC MFTS tax credit for more than your BC income tax payable for the year. However, at the end of the tax year, you can carry any unused credit forward 10 years, or back 3 years. You can choose which option you want on the *British Columbia Mining Flow-Through Share Tax Credit* application (**T1231**).

Applying for the Credit

When you enter into a flow-through share agreement with a corporation, you will receive either a *Statement of Resource Expenses* information slip (**T101**) or a *Statement of Partnership Income* information slip (**T5013**) showing the expenditures that were transferred to you for the tax year. You use this information to fill out your application for the BC MFTS tax credit.

To claim the credit, you complete your **T1231** tax credit application and send it to the Canada Revenue Agency (CRA), along with your information slip and **T1 Individual Income Tax Return** for the same tax year in which the expenditures are transferred to you.

Note: You need to file your **T1231** tax credit application within one year of your income tax filing due date for the tax year in which the expenditures are transferred to you. You need to file the application within this period even if you do not deduct the credit in the current year.

For example, if expenditures are transferred to you in 2014 and the filing due date for your 2014 income tax return is April 30, 2015, the CRA must receive your tax credit application by April 30, 2016.

You generally file your **T1231** tax credit application along with your **T101** (Box 141) or **T5013** (Box 197) information slip and your T1 individual tax return. However, you may file the tax credit application separately from your income tax return within the time limit specified above.

Partnerships

Partnerships may also invest in flow-through shares. However, only partners who are individuals are eligible to claim the BC MFTS tax credit.

If a corporation has transferred BC flow-through mining expenditures to your partnership, and individuals in the partnership want to claim the BC MFTS tax credit, you need to report each individual's share of the expenditures on a **T5013** information slip.

Relationship to Other Credits

Except for the small business venture capital tax credit, you need to make all other allowable adjustments to your BC income taxes due before you can claim the BC MFTS tax credit.

Role of the Canada Revenue Agency

The CRA reviews and audits the BC MFTS tax credit claims.

If you disagree with the amount of tax credit assessed by the CRA, you need to file an *Objection – Income Tax Act* (**T400A**) with the CRA within 90 days of the date on the Notice of Assessment.

Need more info?

Online: gov.bc.ca/personalincometaxes

Toll-free: 1 877 387-3332

Fax: 250 356-9243

Email: ITBTaxQuestions@gov.bc.ca

Canada Revenue Agency

Toll-free in Canada: 1 800 959-8281

Business Enquiries: 1 800 959-5525

Online: cra-arc.gc.ca/formspubs/tpcs/fts-paa-eng.html

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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

Latest Revision

June 2016

- Extended the expiry date for the BC MFTS tax credit to December 31, 2016.
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References: *Income Tax Act* (British Columbia), Section 4.721; *Income Tax Act* (Canada), Sections 66 (12), 66(12.66), 66(15) and 127(9).