

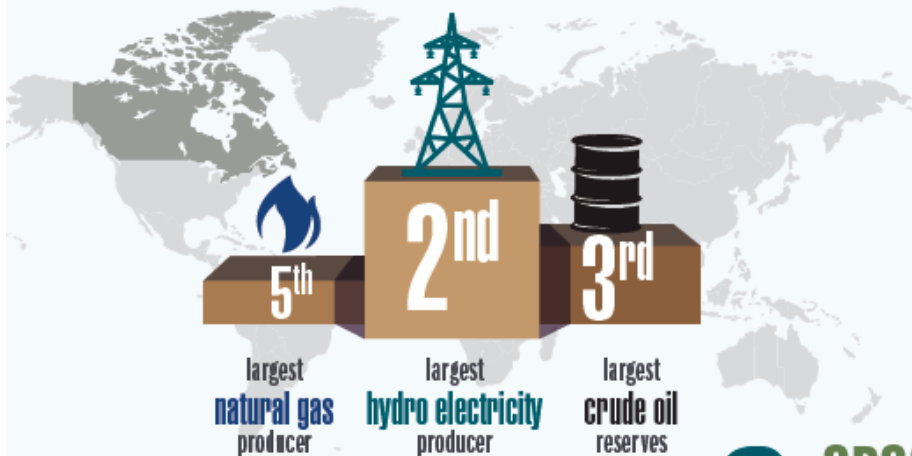
Canada's taxation of natural resources

Economic and Social Council
Special Meeting on International Cooperation in Tax Matters
(7 April 2017)



Key facts on Canada's energy sector

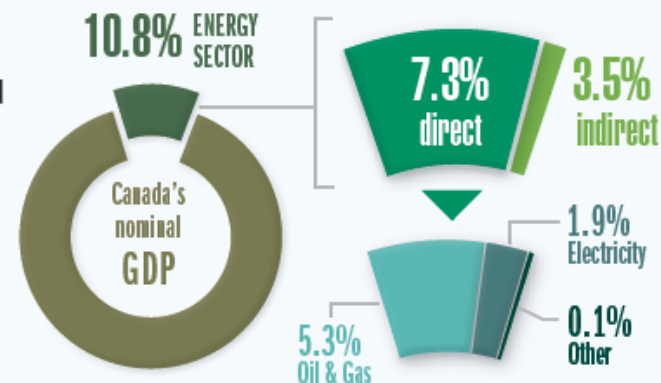
1 CANADA'S POSITION IN THE WORLD



Sources: International Energy Agency and Oil and Gas Journal.

2 GROSS DOMESTIC PRODUCT

In 2015, the energy sector directly and indirectly contributed 10.8% to Canada's nominal GDP.



Source: Natural Resources Canada estimates based on Statistics Canada data (National Accounts).

Revenues to governments from energy industries

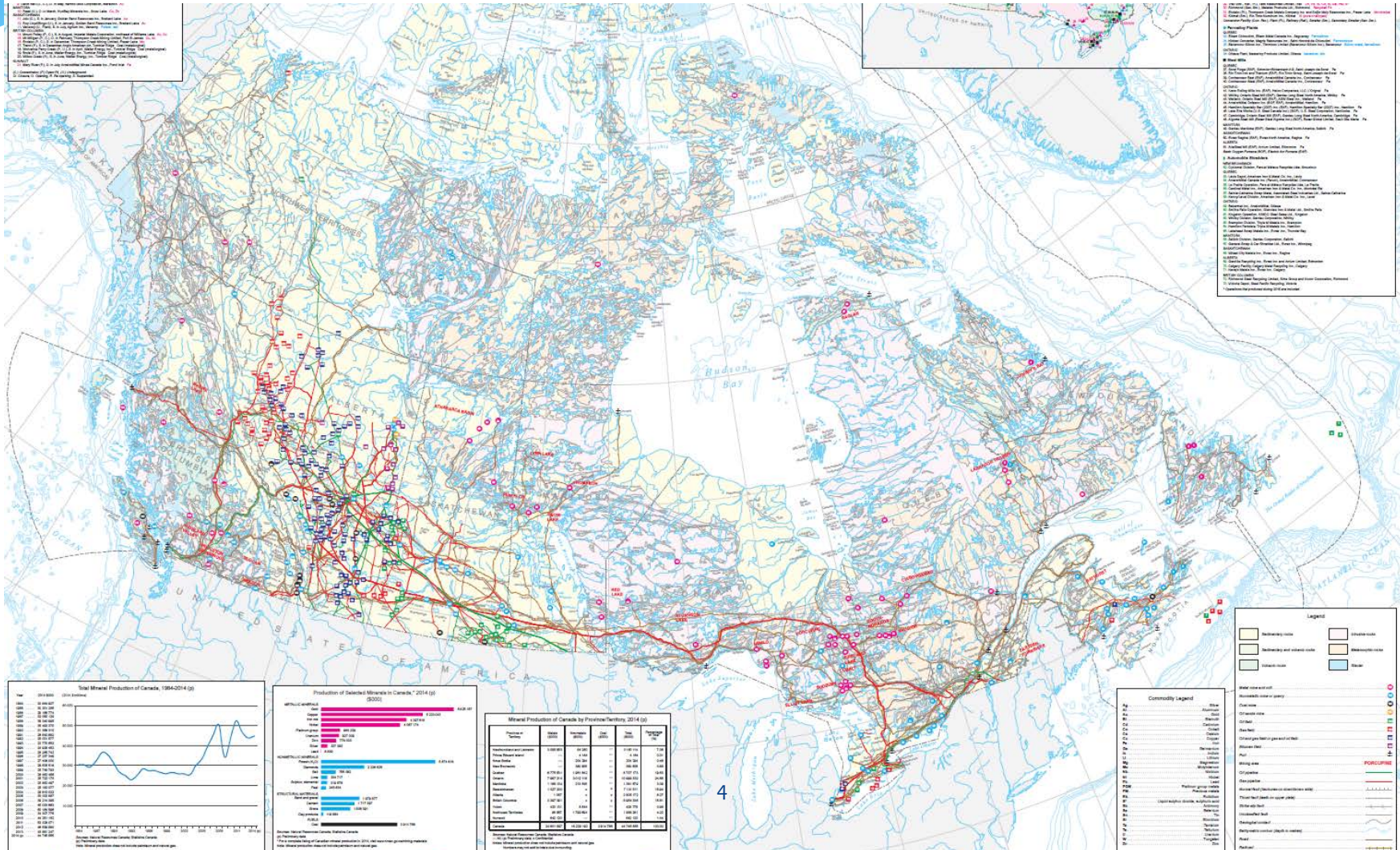
- Federal and provincial/territorial governments in Canada receive direct revenues from energy industries through :
 - Corporate income taxes
 - Indirect taxes (such as sales and payroll taxes)
 - Crown royalties (share of the value of oil and gas extracted paid to the Crown as the resource owner)
 - Crown land sales (paid to the Crown to acquire the resource use for specific properties)

Source	2010–2014 average (\$ billions)
Income tax	4.9
Indirect taxes	2.2
Royalties	12.3
Land sales	2.8
Total	22.2

* Source: Natural Resources Canada, *Energy Fact Book 2016–2017*

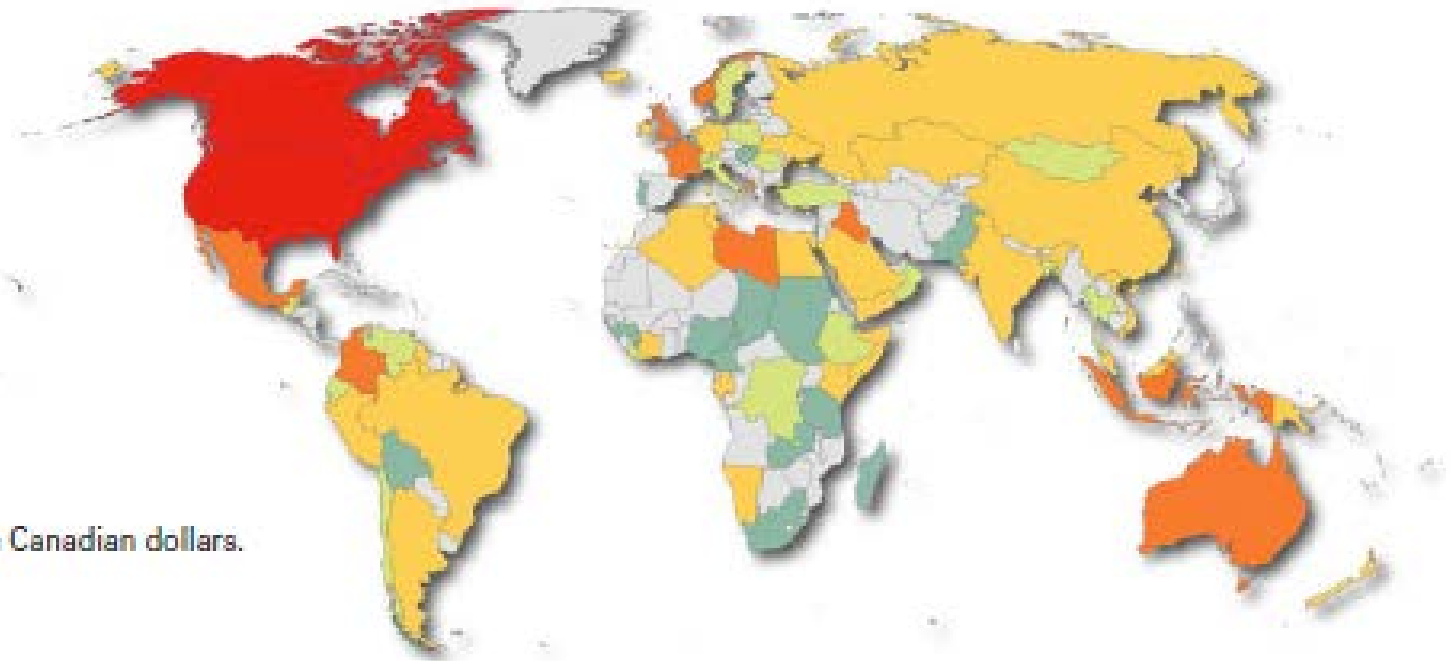
Principal mineral areas, producing mines, and oil and gas fields in Canada

<http://geogratis.gc.ca/api/en/nrcan-rncan/ess-sst/69f2674a-e1b7-42a4-ba27-c53035e1ead1.html#distribution>



Geographical Distribution of Canadian Energy Assets in 2014

Energy Asset Value



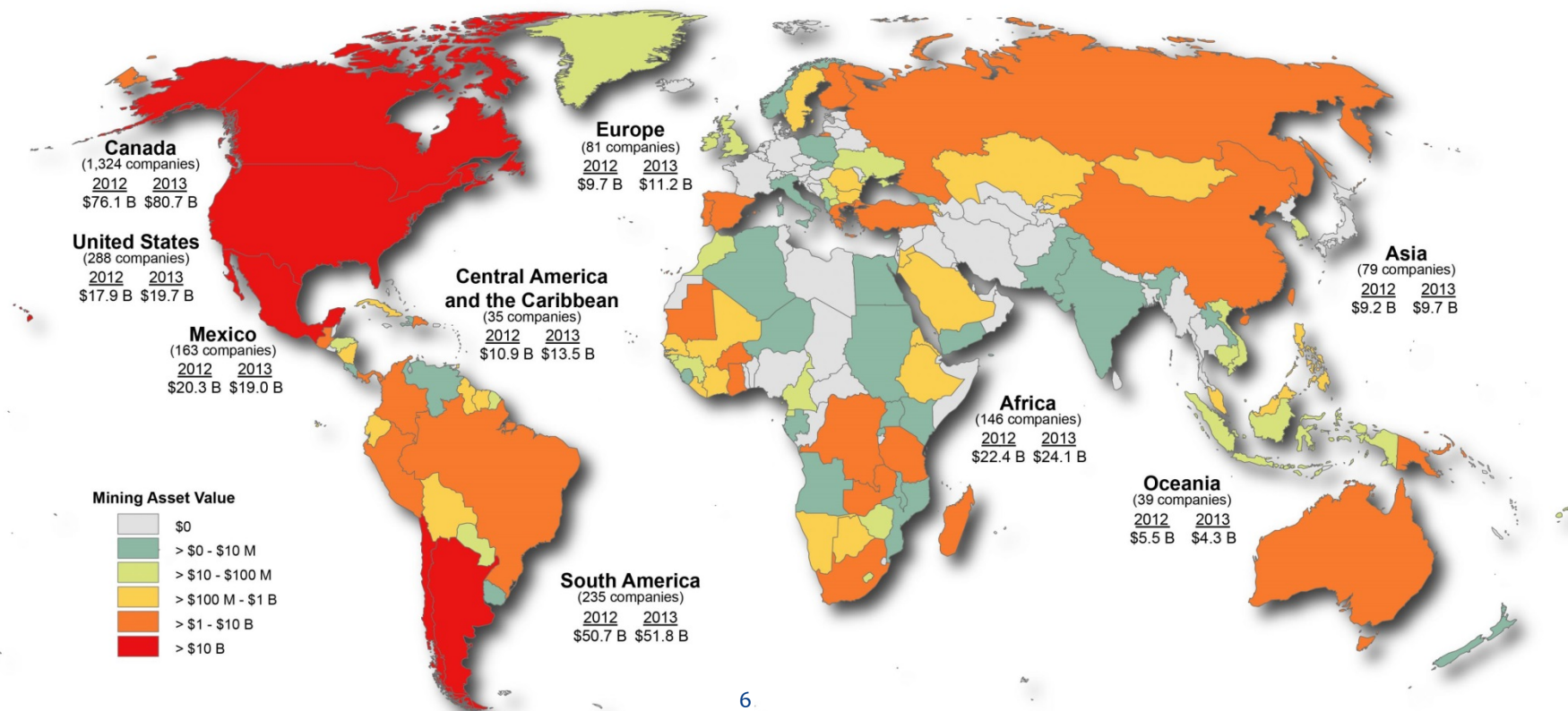
M = Million; B = Billion;

Source: NRCan

Notes: All amounts are in Canadian dollars.


* In 2014, 435 Canadian energy companies (publicly traded and headquartered in Canada) were identified as having energy assets around the globe totalling \$543.9 billion (the majority located in North America).

Geographical Distribution of Canadian Mining Assets in 2013



Protecting the competitiveness and integrity of the tax system in the natural resource sector

✓ Tax policy considerations

- Capital-intensive industry
- Price volatility and cyclical nature
- Neutrality – encourage investment where most productive
- Pressure to develop the renewable energy sector 
- Improve the integrity and fairness / closing loopholes
- Tax treaties
 - Protect taxation of indirect transfer of natural resources, including rights
 - Anti-treaty abuse rule
 - Permanent establishment (offshore provision)

✓ Tax Administration

- Reduce compliance burden
- Train industry specialist auditors

Canada's tax system

Perceived Strengths

Capital-intensive sector

- ✓ allows for recovery of much of capital investment before paying taxes

Price volatility and cyclical industry

- ✓ rules to carry back and carry forward capital and non-capital losses

Non-profitable taxation years

- ✓ taxes and royalties based on net production profits, rather than gross revenue

Long life of extraction sites

- ✓ stable taxation regime

Canada's tax system

Reported Complexities

Other sources of government revenues are not profit based (payroll taxes, property taxes, sale taxes, capital taxes, etc.)

Natural resource (mining) taxation regime is complex

Provinces and territories have jurisdiction over natural resource rights on surface land and underground resources – they have their own sets of regulations

Each province and territory has its own mining and resource tax and royalty regime

