Date XX, 2024

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| Hon. Chrystia Freeland,  **Deputy Prime Minister and Minister of Finance**  House of Commons  Ottawa, Ontario, K1A 0A6 | Hon. Jonathan Wilkinson,  **Minister of Energy and Natural Resources**  House of Commons  Ottawa, Ontario, K1A 0A6 |

Dear Deputy Prime Minister Freeland and Minister Wilkinson,

**Reference: AMT Changes will Significantly Hurt Critical Mineral Exploration and Slow Canada’s Transition to a Low Carbon Economy**

My name is name and I am the title of company. *Explain your project, where it is based, what mineral you are working with, and some information about the number/ demographics of the people that you employ, including partnerships with Indigenous Nations. (2-3 sentences)*

The changes to the Alternative Minimum Tax (AMT) are said to target fewer than 25,000 highest earning taxpayers. Unfortunately, it is this same group who fund 90% of all resource exploration under the flow-through share (FTS) regime. It is entirely foreseeable that implementation of the AMT will reduce resource exploration investment by approximately $300,000,000 annually. A simple carve out will preserve the effectiveness of the flow-through share tax incentive while ensuring that all taxpayers pay their fair share of tax.

The anticipated changes to the AMT are already having significant negative impact on my Company’s ability to raise funds, to keep our employees working, and to our relationship with our local Indigenous partners.

Resource exploration requires highly speculative venture capital and for more than fifty years, the FTS regime has been key in raising exploration capital. It allows companies to raise funds through the issuance of common shares designated as FTS as defined in the Income Tax Act. The use of funds is limited to direct exploration activities, largely labour.

Fewer than 14,500 high income Canadian taxpayers, all subject to AMT, fund almost 90% of all flow-through share investment annually, according to data published by the Canada Revenue Agency. FTS are a uniquely Canadian competitive advantage and relied upon by the sector.

FTS are issued at premiums to market reflecting the fair market value of the shares plus the value of the FTS tax incentives. If the tax incentives are not accessible or severely limited due to AMT, no one is going to pay a premium or even choose to make an investment in what is venture capital at its riskiest.

Each year, approximately $1B is spent on mineral exploration across the country. More than 80% ($970M in 2023) of that is raised through the issuance of flow-through shares, and more than 85% of FTS capital is raised through what is now referred to as the ‘charity flow-through’ approach (~$865M in 2023). In the charity flow-through structure, Canadian taxpayers buy the FTS which are then donated and sold to global institutions at discounted prices stripped of tax value. Over 90% of all Charity flow-through shares are bought by non-Canadian global investors while simultaneously enabling expanded philanthropy and assisting in meeting our ESG goals. The new AMT rules target both FTS and charitable giving, limiting both sectors ability to make positive impacts for all Canadians.

The success of the Critical Mineral Exploration Tax Credit – CMETC – provides one of the best examples of the effectiveness of tax incentives and how FTS financings will be affected by AMT. In the CMETC’s first year after introduction in March 2022, more than $350 million in accretive investment was raised for 38 critical mineral projects. If the new AMT rules had been in effect during that time, the $350 million invested would have been reduced to $225 million, since all taxpayers at this level invest up to their AMT limitation – no one pays for tax incentives if not deductible. That translates to job loss associated with direct northern investment of $125 million and less likelihood of finding viable critical mineral deposits. It also equates to a significant loss in charitable giving.

In 2024, we can expect that exploration expenditures will decline nationally by at least a third from about $1 billion to around $700,000 if these new rules are enacted. Canada is already losing its forward momentum in it’s global share of exploration spend to other countries including the US and Australia, and its reputation as the global centre of excellence in exploration and mining.

*Please discuss how AMT and decreased access to funds will impact your project, your company and the local communities you work with. Possible items to consider: size of your project, number of rural and remotes jobs created by your project, local contractors you work with, dollars spent in the local community, the role of the mineral/metal you are exploring for has in the low carbon future. Include how you think the proposed changes to AMT will impact your ability to finance future exploration and development needs, please reach out to Kendra Johnston at* [*kendra.johnston@peartreecanada.com*](mailto:kendra.johnston@peartreecanada.com) *if you wish to discuss what to include here.*

To maintain the success of the CMETC and the continued growth of the mineral exploration and mining sector, and to reach our shared goals of finding new mineral and metal resources that Canada desperately needs to achieve a green economy, I recommend:

* Amending the AMT calculation such that the capital gain on flow-through shares calculated from a deemed nil cost up to the purchase price not be included in the AMT;
* Retaining the current 0% inclusion rate for capital gains on donations of publicly listed securities;
* Eliminating any inclusion of the charitable donation tax credit in the calculation of the AMT

If you have any questions, or wish to have further discussion, I can be reached at XXX-XXX-XXXX or by email at xxxxxx@xxxxx.xx.

Sincerely,

Name

Title

Company

cc: MP of your head office location

MP of your project(s) location