

Prorogation And The Mineral Exploration Tax Credit: A Warning



The mineral exploration tax credit (“**METC**”) is a 15% non-refundable investment tax credit for junior mining company investors who subscribe for flow-through shares. For over 20 years, this credit has further incentivized investment in the Canadian mining industry by supplementing the deductions available in respect of such flow-through share investments.

The METC is currently set to expire on March 31, 2025. However, on March 3, 2025, the current federal government [announced](#) that it proposes to extend the METC for an additional two years, until March 31, 2027.

This announcement is welcome news in light of ongoing political uncertainty (*i.e.*, the prorogation of Parliament on January 6, 2025 and the potential for a federal election in the coming months) as to whether the METC – which has continuously been extended since its original 2003 expiry date by different federal governments with varying economic philosophies – would be renewed once more in a manner that promotes mining industry stability.

Typically, the incumbent federal government announces the extension of the METC shortly before both the expiration of the program and the introduction of the federal budget with the federal budget containing the formal extension proposal

and draft legislation. For example, the March 28, 2024 announcement that the METC would be extended for an additional year to March 31, 2025 was followed by the April 16, 2024 release of the 2024 Federal Budget containing both a formal proposal and draft legislation. Together with a stable federal government, these announcements have historically provided taxpayers with assurance that the METC would be renewed such that taxpayers could plan their affairs appropriately, notwithstanding enacted legislation did not exist at the time of such announcements.

Despite the announcement of the proposed renewal of the METC, business uncertainty does, unfortunately, remain. Specifically, a new Liberal Party Leader will need to accept the extension as government policy. In addition, legislation authorizing the extension will need to be enacted, but a federal election will likely occur before that happens. This, in turn, creates the very real possibility that a new party will form government which would once again require adoption of the extension as formal government policy.

Since the METC has been renewed for over two decades under both Liberal and Conservative federal governments, there is no indication that it will not eventually be renewed again. However, given the current political circumstances, the possibility still exists that the METC may not be renewed, notwithstanding the March 3, 2025 announcement. At the very least, similar to the proposed capital gain changes introduced in the 2024 Federal Budget, mining industry participants may have to operate in a period in which official (and unofficial) guidance is less definitive. Moreover, formal legislation may not be forthcoming for a period much longer than what has been the historical norm. Consequently, junior mineral exploration companies should be mindful of this political uncertainty in considering strategies to raise capital in the coming months.

Importantly, the political uncertainty associated with the proposed extension of the METC does not affect the 30%

critical minerals exploration tax credit (“**CMETC**”), which is currently set to expire on March 31, 2027.

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The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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