

# Ontario alters plan to tax diamond mines

ANDY HOFFMAN  
MINING REPORTER  
JULY 6, 2007

The Ontario government has scaled back plans to impose a royalty on diamond mine profits after aboriginal leaders, municipal politicians and mining companies slammed the proposed levy.

Finance Minister Greg Sorbara said yesterday that Ontario's new diamond royalty system will now include deductions for expenditures made under agreements with first nations communities. As well, the province will allow for a deduction of 15 per cent of costs to establish and operate new mines, to a maximum of 20 per cent of annual profits.

"We are making specific provisions for native communities, we are making specific provisions for Northern Ontario," Mr. Sorbara said on a conference call. He said the royalty will align Ontario diamond mining taxes with other gem-producing jurisdictions in Canada such as the Northwest Territories. "From the get-go, we anticipated creating Ontario-specific deductions that reflected our particular needs," Mr. Sorbara said.

The original diamond royalty unveiled in Liberal Premier Dalton McGuinty's March, 2007, budget would have imposed a tax of up to 13 per cent on profits generated by Ontario diamond mines. The changes announced yesterday will reduce the levy to a maximum of 10.4 per cent of profits, and could fall further depending on miners' agreements to share profits with local aboriginal communities.

Print Edition - Section Front



Enlarge Image

More Report on Business Stories

- Competition, trends claim fashion victims
- Paramount units plunge after cut in payout
- Oil executives sound alarm about fuel use
- Who watches ads? TiVo knows
- A new challenge for 'the Terminator'
- Go to the Report on Business section



The budget measure prompted sharp criticism from aboriginal leaders who said it would reduce their share of mine profits. Mayors from northern municipalities such as Timmins slammed the levy, saying it would discourage resource investment. Provincial Conservative Leader John Tory has said his party would roll back the diamond royalty if elected.

"They decided to make it a political issue. To us, it was a matter of finalizing the details of the royalty," Mr. Sorbara said.

**De Beers Canada Inc.** president and CEO Jim Gowans said he was somewhat encouraged that the government had at least listened to the industry's concerns. De Beers is building the \$1-billion Victor project in Northern Ontario, the province's first major diamond mine, which is expected to start production in 2008. Under previous legislation its profits would have been subject to a 5-per-cent provincial tax. "We will always have a concern as long as diamond mining is treated differently. Mining is mining," Mr. Gowans said.

The diamond royalty also drew scorn from the head of the Attawapiskat First Nation, which is located about 90 kilometres east of the Victor project. In a letter sent to the Premier in April, Chief Mike Carpenter called the measure a "tax grab" by the government "that will not benefit our first nation or others."

© Copyright 2007 CTVglobemedia Publishing Inc. All Rights Reserved.

CTVglobemedia

globeandmail.com and The Globe and Mail are divisions of CTVglobemedia Publishing Inc., 444 Front St. W., Toronto, ON Canada M5V 2S9  
Phillip Crawley, Publisher

