

- *For corporations, the depletion allowance for domestic exploration expenditures will be earned at 33 1/3 per cent of qualifying expenditures, net of any incentive payments and other Government assistance, incurred in 1981.*
- *Thereafter, the depletion allowance for domestic exploration expenditures outside the Canada Lands will be phased out. The rate will be reduced to 20 per cent in 1982, 10 per cent in 1983, and to zero in 1984.*
- *The depletion allowance for expenditures on conventional oil and gas development will be eliminated.*
- *The depletion allowance for approved expenditures on integrated oil sands projects, enhanced recovery projects, and heavy crude oil upgraders, will be earned at 33 1/3 per cent of qualifying expenditures net of any incentive payments and other Government assistance, incurred in 1981 and thereafter.*
- *Qualifying expenditures will be defined to exclude certain administrative and overhead costs.*
- *In all cases, earned depletion will be deductible up to a ceiling of 25 per cent of resource income.*
- *The depletion allowance will not be claimable by individuals.*

#### **THE PETROLEUM INCENTIVES PROGRAM**

These new incentives are designed to stimulate oil and gas exploration investment, with preferences to Canadian firms and individuals. In many cases, these incentives will more than offset the reduction of earned depletion allowances.

Under the Petroleum Incentives Program, incentive payments will be available on this basis:

- *For oil and gas exploration anywhere in Canada, enterprises that are at least 50 per cent owned by Canadians, and are Canadian-controlled, will qualify for an incentive payment equal to 10 per cent of approved costs incurred in 1982 and 1983, and 15 per cent thereafter.*

Enterprises that are at least 75 per cent Canadian owned and Canadian controlled, will qualify for a 35 per cent incentive payment for approved costs incurred in 1981 and thereafter.

- *For oil and gas development anywhere in Canada, and approved capital expenditures for integrated oil sands projects, tertiary recovery projects, and heavy crude oil upgraders, enterprises that are at least 50 per cent Canadian owned, and are Canadian controlled, will qualify for an incentive payment of 10 per cent of approved costs incurred in 1982 and thereafter.*

Enterprises that are at least 75 per cent Canadian owned and Canadian controlled, will qualify for a 20 per cent incentive payment for approved costs incurred in 1981 and thereafter.

- *For exploration on the Canada Lands, in addition to the payments for exploration anywhere in Canada, all enterprises will qualify for an incentive payment of 25 per cent of approved costs incurred in 1981 and thereafter.*

Enterprises that are at least 50 per cent owned by Canadians, and are Canadian controlled, will qualify for a further *additional incentive payment* equal to 10 per cent of approved costs incurred in 1981 and thereafter.

For enterprises that are at least 75 per cent Canadian owned and Canadian controlled, the *additional incentive payment* will be equal to 20 per cent of approved costs incurred in 1981 and thereafter.

- *In all cases, Canadian individuals will be entitled to the same incentive payments as enterprises that are at least 75 per cent Canadian owned and Canadian controlled.*

The phase-in of the incentive program for firms that are between 50 and 75 per cent Canadian owned reflects the fact that the earned depletion allowance for exploration will not be changed until 1982. Many firms which now enjoy the benefits of earned depletion would not, because of low Canadian ownership levels, qualify at present for the new incentives. The continuation of earned depletion in its present form for one year provides time for these firms to increase their level of