

Table 1

Brenda Mines Limited Tax Comparison — Recent Conditions

Thousands of Dollars	In B.C. (A)	In Ont. (B)	In Nevada (B)
Earnings before Taxes	\$5,818	\$5,818	\$5,818
Provincial/State Taxes	2,645	1,389	291
Federal Taxes	1,455	1,455	1,327
Earnings After Taxes	\$1,718	\$2,974	\$4,200
Effective Tax Rate	71%	49%	28%

(A) Results shown are actual results for 1975.

(B) Assumes that, if the mine happened to be in Ontario or Nevada, exactly the same revenues and costs would apply.

Table 2

Brenda Mines Limited Tax Comparison — Prices Doubled

Thousands of Dollars	In B.C. (A)	In Ontario. (B)	In Nevada (B)
Earnings before Taxes	\$45,789	\$45,789	\$45,789
Provincial/State Taxes	26,687	14,220	2,289
Federal Taxes	11,447	11,447	14,596
Earnings After Taxes	\$ 7,655	\$20,121	\$28,904
Effective Tax Rate	83%	56%	37%

(A) Assumes that costs are at the same level as in 1975 but that prices of copper and molybdenum are doubled.

(B) Assumes that, if the mine happened to be in Ontario or Nevada, exactly the same revenues and costs would apply.

It is the Committee's opinion that the Canadian resource industry, particularly the non-fuel mineral industry and the forest industry have suffered in recent years from over-taxation relative to the United States, mainly as a result of federal and provincial jurisdictional disputes. This is in the two industries which are the greatest "net" earners of foreign exchange for Canada. The non-fuel mining industries face enough serious challenges from slumping prices, large inventories and precarious markets without punitive taxes. The same is true in the forest industry which is being faced with serious competition from the fast-growing tree plantations in the southern United States. When asked how the federal-provincial resource tax conflict could be resolved, Mr. Powis said:

"a nice simple solution would be for various governments to decide that 50 per cent is a high enough tax rate and maybe they should split that 50-50." (I, 36:13)

(iv) Indirect Taxation

Perhaps the most important difference in the structure of Canadian and U.S. taxes on business relates to taxes other than corporate income taxes, in particular to the much heavier indirect taxes in Canada. Mr. R. D. Brown, a tax expert, explained that these hidden taxes—sales taxes on equipment and supplies, capital taxes, business and franchise taxes—were applied to business whether they had profits or not. The general manufacturing sales tax of 12 per cent had no equivalent south of the border.