



Placer Revenue Intentions Paper

Introduction

Placer mining, particularly for gold, has a long history in British Columbia and continues to have a presence across the province. However, the scope and scale of this sector has led to environmental impacts on the land base and potential impacts to Aboriginal Rights and Title. The challenges of regulating and mitigating the impacts of placer mining are compounded by the high number of applications and operations requiring compliance verification and the remote nature of placer operations, all of which place a strain on government resources.

Regulating the placer industry requires a high level of resources with little direct return to the Province. It costs the Ministry of Energy, Mines and Low Carbon Innovation (the Ministry) approximately \$2 million per year to regulate the placer industry and only a small portion is recovered through the current permit fee and mineral tax regime. In 2020, the Ministry generated \$13,000 in permit fee revenue and \$58,436 in tax revenue, despite having 206 placer gold permit applications and 139 active authorizations. This is substantially lower than mineral taxes at major mines (\$48,354,000 generated in mineral taxes, \$201,652,000 generated from coal taxes) or aggregate rent and royalties (\$2,447,625).

Engagement Process

In 2019, the Province passed the [Declaration on the Rights of Indigenous Peoples Act](#) to implement the [United Nations Declaration on the Rights of Indigenous Peoples](#) (UN Declaration) as the framework for reconciliation in British Columbia. The Declaration Act commits the Province to ensure First Nations are fully engaged in processes of consultation and co-operation on matters that impact or are of interest to them, and to take all measures necessary to ensure the laws of British Columbia are consistent with the Declaration.

The Ministry has received input from First Nations throughout the placer revenue review. The Ministry delivered two virtual engagement sessions with First Nations across the province on placer mining, where the placer revenue model was a primary topic of discussion. This virtual engagement process involved a total of 142 registered participants across the two sessions.

The Ministry also engaged with placer miners, First Nations and the public through the [Placer Revenue Discussion Paper](#). This paper was open for public feedback from May 28, 2021, to September 28, 2021. Over this engagement period, the Ministry received 85 survey responses and 15 written responses. The Ministry emailed placer miners and First Nations directly, asking for feedback and providing a link to the govTogether BC page and a dedicated placer revenue feedback email. Ministry staff also engaged



directly with placer mining associations, and with First Nations who requested one-to-one meetings on the placer revenue review.

Following the Placer Revenue Discussion Paper, the Ministry released a [What We Heard Report](#) on November 26, 2021. The What We Heard Report summarized the feedback from the Discussion Paper and outlined the preferred revenue option of respondents. Overall, the majority of respondents self-identified as working in the placer mining sector, and most opposed changes to the existing revenue model. This was contrary to feedback from First Nations, who supported an increase in fees and raised the issue of revenue sharing. Of the models proposed, there was support across all respondents for a tiered model, based on area of disturbance. This would ensure that small placer mines are paying a lesser fee, compared to large operations, and provide an incentive to limit disturbance.

Proposed Revenue Model

Permit Fees:

Permit fees and inspection fees for all mining activity in the province is governed by the Mines Fee Regulation.

The current permit fee rate is based on tonnes of pay dirt removed, however, this model is difficult to verify as Inspectors must rely on the operator to self-report. The majority of placer gold mines are also exempt from paying permit fees with the current pay dirt thresholds.

Current Permit Fees – Tonnes of Pay Dirt Removed:

Column 1	Column 2	Column 3
Tonnes proposed to be moved in highest producing year		Permit fee
Placer mine proposed to operate for 5 years or less	Placer mine proposed to operate for more than 5 years	
< 60,000	< 10,000	\$0
60,000 – 125,000	10,000 – 60,000	\$4,000
> 125,000 – 250,000	>60,000 – 125,000	\$8,000
>250,000 – 500,000	>125,000 – 250,000	\$16,000
>500,000	>250,000	\$32,000

The Ministry is proposing to scale permit fees into four disturbance categories, including: small operations (0 – 0.5 hectares of disturbance), small-medium operations (greater than 0.5 hectares to 2 hectares of disturbance), medium-large operations (greater than 2 hectares of disturbance to 5 hectares of disturbance), and large operations (greater than 5 hectares of disturbance). These disturbance categories would be based on proposed disturbance, as outlined in the permit application. In the case of a multi-year permit, the fee amounts would be based on the total proposed disturbance.



Under the current permit fee structure, only three placer gold operations paid permit fees in 2020, resulting in revenues of \$13,000. Under the proposed area of disturbance model, all placer operations would be required to pay a permit fee, ranging from \$1,800 to \$16,000, depending on the scale of operation. This fee increase is being proposed as a cost recovery measure and has been calculated based on the average staff time to process a placer permit application for an operation in each tier.

Inspection Fee:

As outlined in the Placer Revenue Discussion Paper, the placer industry is the only mining sub-sector exempt from paying inspection fees. The Ministry is proposing to introduce an inspection fee for placer gold mining that would align the industry with the fee amounts for pits and quarries. This fee is intended to partially recover the cost of health and safety inspections, and to bring inspection fees for placer mines in-line with all other mining sub-sectors in the province.

Currently, inspection fees for pit and quarries are based on the tonnes of material extracted from the previous year.

Inspection fee for Pit and Quarries:

Tonnes Extracted	Inspection Fee
<10,000	\$150
>10,000 – 25,000	\$450
>25,000 – 50,000	\$900
>50,000 – 100,000	\$1,950
>100,000	\$3,750

The proposed inspection fee for placer mines would be tiered based on an operation’s total area of disturbance. The disturbance categories would align with the proposed permit fees and apply to all placer operations on an annual basis. Placer operations that exceed their permitted disturbance would be subject to enforcement action.

Mineral Tax:

Mineral taxes are regulated by the *Mineral Tax Act*. All gold placer mines are required to pay mineral tax on the transactional value of gold they sell. This tax rate is 0.5% of mineral product sold. For mineral and coal operations, permit holders pay a 2% net current proceeds tax until they have recovered the capital invested in their mine. Thereafter, they are subject to a tax of 13% on their net revenue.

As introducing a net current proceeds tax on placer mining operations could present administration challenges for small placer operators, the Ministry proposes to increase the tax on transactional value of gold sold to bring this percentage closer to tax rates paid by other mining sub sectors. This will create



greater consistency across sectors and better reflect the value of crown resources extracted from the land base.

In addition, the Ministry proposes to remove the provision in the *Mineral Tax Act* that exempts placer miners from filing a tax return if the return is less than \$50,000. This amendment would support the Ministry of Finance with their reporting and auditing functions.

Next Steps:

As a next step, the Ministry will submit a formal proposal to Cabinet that will outline specific changes to the placer gold permit fees, inspection fees, and mineral tax rate. The resulting Cabinet decision will determine the Ministry's next steps on developing amendments to the Mines Fee Regulation and *Mineral Tax Act* to implement the changes discussed above.

The Ministry thanks First Nations, the placer industry, and stakeholders for their continued input throughout this policy review as we work together to ensure the placer industry operates to modern standards for environmental stewardship, supports Indigenous reconciliation and provides economic return to the Province.