

LANGIND E  
DOCNUM 2012-0463471R3  
REFDATE 13XXXX  
SUBJECT Single Reclamation Trust  
SECTION 20(1)(ss); 211.6(1) definition of “qualifying environmental trust”  
and “qualifying site”.

Please note that the following document, although believed to be correct  
at the time of issue, may not represent the current position of the CRA.  
Prenez note que ce document, bien qu'exact au moment émis, peut ne pas  
représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: 1. Whether the proposed Single Reclamation Trust meets  
the definition of a “qualifying environmental trust” in section 211.6 of  
the Act.

2. Whether contributions made by the Corporation to the Single Reclamation  
Trust will be deductible in computing the Corporation’s income pursuant to  
paragraph 20(1)(ss) of the Act.

POSITION: 1. Yes. 2. Yes. Favourable rulings provided.

REASONS: Areas required to be remediated in accordance with provincial  
legislation meet the definition of a "qualifying site" for the purposes of  
the QET rules in section 211.6 of the Act.

XXXXXXXXXXXX

2012-046347

XXXXXXXXXXXX, 2013

Dear XXXXXXXXXXXX:

Re: Advance Income Tax Ruling  
XXXXXXXXXXXX

We are writing in response to your letter of XXXXXXXXXXXX wherein you  
requested an advance income tax ruling on behalf of the above-named  
taxpayer. We also acknowledge the additional information you provided in  
your subsequent email correspondences, the last of which was received on  
XXXXXXXXXXXX.

We understand that, to the best of your knowledge and that of the taxpayer  
named above, none of the issues involved in the ruling request is:

- (i) involved in an earlier return of the taxpayer or a related person;
- (ii) being considered by a tax services office or taxation centre in  
connection with a previously filed tax return of the taxpayer or a related  
person;
- (iii) under objection by the taxpayer or a related person;

(iv) before the courts; or

(v) the subject of a ruling previously issued by the Income Tax Rulings Directorate involving the taxpayer or a related person.

## DEFINITIONS

In this letter, unless otherwise expressly stated, the following terms have the meanings specified:

(a) “Act” means the Income Tax Act (Canada), RSC 1985, c.1 (5th Supp.), as amended to the date of this letter;

(b) “Corporation” means the XXXXXXXXXXXX;

(c) “CRA” means the Canada Revenue Agency;

(d) “Facility” means the mine, mill, brine ponds, tailing management areas and any other fixtures, chattels or improvements located on a particular mine site;

(e) “Mine XXXXXXXXXXXX” means the property described throughout the approved “Decommissioning and Reclamation Plan for XXXXXXXXXXXX” of XXXXXXXXXXXX and specifically referenced in Section XXXXXXXXXXXX of the Plan, located at XXXXXXXXXXXX, including the Facility and any land, water or watercourse used or disturbed by the construction or operation of the site;

(f) “Mine XXXXXXXXXXXX” means the property described throughout the approved “Decommissioning and Reclamation Plan for XXXXXXXXXXXX” of XXXXXXXXXXXX and specifically referenced in Section XXXXXXXXXXXX of the Plan, located at XXXXXXXXXXXX, including the Facility and any land, water or watercourse used or disturbed by the construction or operation of the site;

(g) “Mine XXXXXXXXXXXX” means the property described throughout the approved “Decommissioning and Reclamation Plan for XXXXXXXXXXXX” of XXXXXXXXXXXX and specifically referenced in Section XXXXXXXXXXXX of the Plan, located at XXXXXXXXXXXX, including the Facility and any land, water or watercourse used or disturbed by the construction or operation of the site;

(h) “Mine XXXXXXXXXXXX” means the property described throughout the approved “Decommissioning and Reclamation Plan for XXXXXXXXXXXX” of XXXXXXXXXXXX and specifically referenced in Section XXXXXXXXXXXX of the Plan, located on XXXXXXXXXXXX, including the Facility and any land, water or watercourse used or disturbed by the construction or operation of the site;

(i) “Mine XXXXXXXXXXXX” means the property described throughout the approved “Decommissioning and Reclamation Plan for XXXXXXXXXXXX” of XXXXXXXXXXXX and specifically referenced in Section XXXXXXXXXXXX of the Plan, located at XXXXXXXXXXXX, including the Facility and any land, water or watercourse used or disturbed by the construction or operation of the site;

(j) “Paragraph” refers to a numbered paragraph in this letter;

(k) “proposed transactions” means the transactions described in Paragraphs 4 through 6 below;

(l) “public corporation” has the meaning assigned to that term by subsection 89(1) of the Act;

(m) “qualifying environmental trust” has the meaning assigned to that term by subsection 211.6(1) of the Act;

(n) “qualifying site” has the meaning assigned to that term by subsection 211.6(1) of the Act; and

(o) “taxable Canadian corporation” has the meaning assigned to that term by subsection 89(1) of the Act.

Unless otherwise indicated, all references to monetary amounts are in Canadian dollars.

Our understanding of the facts, proposed transactions and purpose of the proposed transactions is as follows:

## FACTS

1. The Corporation is a public corporation and a taxable Canadian corporation that, together with its subsidiaries, forms XXXXXXXXXXXX. The Corporation owns and operates XXXXXXXXXXXX mining facilities at XXXXXXXXXXXX mines sites in XXXXXXXXXXXX. The Corporation’s fiscal year ends on XXXXXXXXXXXX and its business number is XXXXXXXXXXXX. The head office is located at XXXXXXXXXXXX. The Corporation files its corporate income tax returns at the XXXXXXXXXXXX Taxation Centre and its tax affairs are administered by the XXXXXXXXXXXX Tax Services Office.

2. The Corporation entered into XXXXXXXXXXXX reclamation trust arrangements with the Province of XXXXXXXXXXXX (the “Province”) in XXXXXXXXXXXX. The Corporation made payments totalling \$XXXXXXXXXXXX in XXXXXXXXXXXX, \$XXXXXXXXXXXX in XXXXXXXXXXXX, and \$XXXXXXXXXXXX in XXXXXXXXXXXX pursuant to those trust arrangements. The Corporation deducted the XXXXXXXXXXXX and XXXXXXXXXXXX payments in computing its income pursuant to paragraph 20(1)(ss) of the Act, which allows a deduction for a contribution made to a qualifying environmental trust as defined in subsection 211.6(1). The Corporation will also deduct the XXXXXXXXXXXX payment on its XXXXXXXXXXXX corporation tax return pursuant to paragraph 20(1)(ss). The Corporation does not intend to make any additional contributions to these reclamation trust arrangements.

3. The Corporation’s separate mine sites in the Province are described as Mine XXXXXXXXXXXX, Mine XXXXXXXXXXXX, Mine XXXXXXXXXXXX, Mine XXXXXXXXXXXX and Mine XXXXXXXXXXXX (collectively referred to hereafter as the “XXXXXXXXXX Mining Sites”).

## PROPOSED TRANSACTIONS

4. The Corporation intends to enter into a new trust agreement (hereafter referred to as the “Single Reclamation Trust”) with the Province for the sole purpose of funding the reclamation of the XXXXXXXXXXXX Mining Sites in

XXXXXXXXXXXX. This funding is required pursuant to the XXXXXXXXXXXX (hereafter referred to as the “Environmental Laws”).

It is intended that the XXXXXXXXXXXX existing reclamation trusts will be dissolved and the funds distributed to the Corporation as beneficiary of the trusts.

5. The new Single Reclamation Trust will have the following attributes:

a. The Single Reclamation Trust, established pursuant to and governed by the Environmental Laws, will be maintained for the sole purpose of funding the reclamation of the XXXXXXXXXXXX Mining Sites.

b. The beneficiaries of the Single Reclamation Trust will be the Corporation and the Province. The trustee will be a corporation resident in Canada that is licensed to carry on in Canada the business of offering to the public its services as trustee.

c. The Single Reclamation Trust cannot borrow money and may only acquire property which is described in paragraphs (a), (b), (c), (c.1), (d) and (f) of the definition “qualified investments” in section 204 of the Act, and which are not “prohibited investments” as defined in subsection 211.6(1) of the Act.

d. If the Corporation defaults on its obligations under any of the XXXXXXXXXXXX Mining Site’s plan of reclamation and decommissioning, and does not correct such default after being given a XXXXXXXXXXXX-day notice period, the Minister of the Environment for the Province of XXXXXXXXXXXX (the “Minister”) will be entitled to retain a third party to carry out this work.

e. The Minister will be authorized to direct the trustee to disburse amounts with respect to work completed in the reclamation or decommissioning of any of the XXXXXXXXXXXX Mining Sites to the Minister, the Corporation or any third party as specified by the Minister.

f. If during the time that the Corporation continues to operate a Facility, the Corporation undertakes significant decommissioning, restoration and rehabilitation of any part of the site on which that Facility is located, the Minister may direct the trustee to pay all or a portion of such costs, as the Minister determines, provided such payment will not unduly deplete the Single Reclamation Trust.

g. The Single Reclamation Trust will remain in existence until all reclamation obligations in respect of the XXXXXXXXXXXX Mining Sites have been fulfilled, or otherwise been discharged in whole or in part, in accordance with the trust agreement.

6. The Corporation intends to make payments to the Single Reclamation Trust of approximately \$XXXXXXXXXX in the XXXXXXXXXXXX calendar year.

## PURPOSE OF THE PROPOSED TRANSACTIONS

The proposed transactions are being undertaken for the purpose of setting

up a Single Reclamation Trust to provide, in the most economic manner, the funding for the reclamation of the XXXXXXXXXXXX Mining Sites in XXXXXXXXXXXX, which is required to satisfy the Corporation's obligations under the Province's Environmental Laws.

## RULINGS GIVEN

Provided that the preceding statements constitute a complete and accurate disclosure of all the relevant facts, proposed transactions and purpose of the proposed transactions, and provided further that the proposed transactions are carried out as described above, we confirm the following:

- A. Provided that the Single Reclamation Trust is established and operated in accordance with the proposed terms as set out in Paragraph 5 above for each taxation year, the Single Reclamation Trust will be a "qualifying environmental trust" as defined in subsection 211.6(1) of the Act.
- B. Contributions made in the year by the Corporation to the Single Reclamation Trust will be deductible in computing the Corporation's income for the particular taxation year pursuant to paragraph 20(1)(ss) of the Act.
- C. Upon the dissolution of the XXXXXXXXXXXX existing reclamation trusts as described in Paragraph 4 above, the amounts received in the year by the Corporation will be included in computing the Corporation's income for the particular taxation year pursuant to paragraph 12(1)(z.1) of the Act.

## COMMENTS

Except as expressly stated, the rulings provided do not imply acceptance, approval or confirmation of any income tax implications of the facts or proposed transactions. In particular, nothing in this letter should be interpreted as confirming either expressly or implicitly:

- (i) the reasonableness of any expenditure referred to in this letter;
- (ii) whether the arrangement being entered into with the Province creates a valid trust at law; and
- (iii) any tax consequences relating to the facts and proposed transactions described herein other than those specifically described in the rulings given above.

The above rulings are given subject to the limitations and qualifications set out in Information Circular 70-6R5 dated May 17, 2002, and are binding on the CRA provided that the Corporation has commenced implementing the proposed transactions by XXXXXXXXXXXX.

These rulings are based on the law as it presently reads and do not take into account any proposed amendments to the Act which, if enacted, could have an effect on the rulings provided herein.

Yours truly,

XXXXXXXXXX

- Manager
- Resources Section
- Reorganizations Division
- Income Tax Rulings Directorate
- Legislative Policy and Regulatory Affairs Branch