



Corporate Taxation Summary

Framework

Corporate taxation of oil and gas activities within Nova Scotia (both onshore and offshore) is comprised primarily of the following:

- Federal and Provincial income taxes on a corporation's taxable income (taxable income being determined in identical fashion federally and provincially);
- Federal and Provincial capital taxes on a corporation's taxable capital employed (the definition of taxable capital being harmonized federally and provincially);
- a Federal / Provincial harmonized consumption tax (the Harmonized Sales Tax) on taxable goods and services.

These taxes are administered by a single agency: the Canada Customs and Revenue Agency (CCRA). Click here to access CCRA's web-site → [\[link to CCRA\]](#)

In addition to these forms of taxation, the Province of Nova Scotia collects a royalty on oil or gas production. Click here for an overview of Nova Scotia's offshore royalty regimes → [\[link to royalty document\]](#)

Income Tax

Click here for a general summary of corporate income taxation in Nova Scotia → [\[link to Finance document\]](#)

In addition to this general summary, highlighted below are further details on corporate income taxation of particular relevance to oil and gas producers:

- Federal income tax payable may be reduced by an investment tax credit of 10% earned on qualifying expenditures in Atlantic Canada. Qualifying expenditures include, among other things, the acquisition of buildings, machinery or equipment primarily for use in oil and gas exploration or production. A special concession is made to Canadian controlled private corporations to allow for 40% of the tax credit to be refunded regardless of the amount of federal tax payable.
- Depreciable property used in oil and gas activities is deductible for tax purposes by claiming capital cost allowance (CCA) on a declining balance basis. The CCA rates of relevance to oil and gas producers are as follows:

Class	Expenditures	Rate
41	<ul style="list-style-type: none">• oil and gas well equipment	25%
8	<ul style="list-style-type: none">• other tangible equipment	25%
10	<ul style="list-style-type: none">• computer hardware and system software	30%
1	<ul style="list-style-type: none">• pipelines not part of a gathering system	4%

- Special resource related deductions are available in respect of certain expenditures not qualifying for capital cost allowance. These discretionary deductions are computed on a declining balance basis as follows:

Category	Expenditures	Rate
Canadian Oil and Gas Property Expense (COGPE)	<ul style="list-style-type: none"> • oil and gas rights and royalty interests 	10%
Canadian Exploration Expense (CEE)	<ul style="list-style-type: none"> • geological, geophysical, and geochemical • drilling / completion of dry holes or discovery wells 	100%
Canadian Development Expense (CDE)	<ul style="list-style-type: none"> • drilling / completion not otherwise included as CEE 	30%

- Provincial royalties are not deductible in determining taxable income. Instead a corporation may claim a resource allowance of 25% of its “resource profits” (basically a corporation’s net income from the production of oil and gas before any of the resource-related deductions).
- Special rules have been developed within Federal tax legislation to allow for the transfer of unclaimed resource related expenditure balances to another corporation (the “successor corporation” rules) or to a corporation’s shareholders (using flow-through shares).

Capital Tax

- Click here for a description of Federal and Provincial capital taxes → [\[link to Finance document\]](#)

Harmonized Sales Tax (HST)

- A corporation is required to collect HST at the rate of 15% on all taxable goods and services provided within Nova Scotia. A corporation may offset the HST collected in a reporting period with HST paid on purchases of goods and services in the period. Any excess collected is remitted while any excess paid is refunded. HST paid by a corporation is fully recovered through this process.
- Joint venture partners may elect to have the venture operator administer HST in respect of the venture’s activities.