Tax Planning for Owners of Freehold Mineral Rights









Introductions

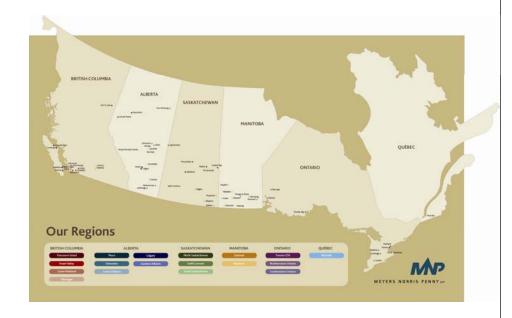


Meyers Norris Penny, LLP

- Chartered Accountants and Business Advisors
- 7th Largest accounting firm in Canada

David Hammermeister, CA

Regional Oilfield services leader for South
 Saskatchewan





What are Freehold Mineral Rights?





 Mineral rights: right to take minerals from the land or the right to receive payment for the extraction of minerals from the land

Saskatchewan's Mineral Rights

- 20% of the mineral rights are owned privately- Freehold Royalties
- 80% are owned by the Saskatchewan government- Crown Royalties



Why do we care?



Valuable

Family owned

Tax consequences on transfers





When does it matter?



- Taxation on royalty income
- Taxation on disposition
- Amount of tax depends on the specific situation





What can we do for you?



- Split income between family members
- Reduce estate taxes
- Retain control of cash flow





How can we do this?



Held Personally

- Outright sale
- Roll into a corporation
- Transfer to a trust or a partnership

Held Corporately

• Share freeze, refreeze or thaw

Held by a trust

- Depends on how the trust was set up
- Proper documentation is required



Planning issues



Valuation

Fair Market
 Value difficult
 to determine

Attribution

 Can't "give" to spouse or minors

Compliance

- Report on the appropriate tax return (T1, T2, T5013, T3)
- Can be costly

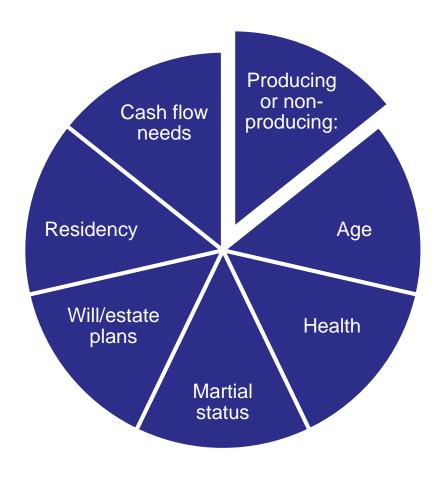
Creditor Protection

Possible exposure to creditors



Factors to consider







Common Plans



Sale at Fair Market Value

Roll into a corporation

Roll into a partnership

Utilize a discretionary family trust



Next Step....



Get Professional help!





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