

ACTS: *The Crown Minerals Act*
 The Mineral Taxation Act, 1983

REGULATIONS: *The Crown Mineral Royalty Regulations*

TOPIC: **SUMMARY OF CROWN ROYALTY FOR
SASKATCHEWAN DIAMONDS**

This summary has been prepared by the Ministry of the Economy to assist users in their understanding of the regulations that govern the calculation of diamond royalties.

The Government of Saskatchewan approved a new diamond royalty system in July 2016. The diamond royalty system is enacted under [The Crown Minerals Act](#) as part of [The Crown Mineral Royalty Regulations](#). In case of conflict between this summary and the provisions of the Regulations, the Regulations will apply.

Diamond Royalty System Overview:

The royalty system is made up of the following main components;

1. A base royalty of one per cent of value of production, after a five year holiday;
2. A stepped royalty on profits according to the following schedule; and

Mine Output (profit)	Royalty rate
Up to \$10,000	0.00%
\$10,000 to \$20 Million	5.0%
\$20 to \$40 Million	7.5%
In excess of \$40 Million	10.0%

3. Recognition of costs at a 100 per cent depreciation rate, as well as a processing allowance of eight per cent of the original cost of processing assets up to 65 per cent of profit.

No profit taxes are paid until all the capital used to bring the mine into production is first deducted. This spending is depreciated at 100% and allows a period of capital recovery before profit-based royalties are paid. There are also allowable deductions for current year exploration and contributions to an Environmental Qualifying Trust, if a company chooses to use this method for reclamation and decommissioning obligations.

The system also incorporates a processing allowance to guarantee a return on processing assets. The processing allowance allows a company to claim eight per cent of the original cost of its processing assets up to 65% of profit and pay profit-based royalties at a lower rate, prior to recovering its capital investment. This ultimately provides earlier cash flow to the government, but reduces the overall tax impact for the life of the mine.

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