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# Potash Production Tax Research and Development Tax Credit

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Potash Information Circular

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Issue Date: April 2021

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Governing Legislation:

Act: *The Mineral Taxation Act, 1983*

Regulation: *The Potash Production Tax Regulations*

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## Introduction

This information circular has been prepared by the Ministry of Energy and Resources (ER) to assist producers in understanding how to apply for the tax credit for potash research and development under clause 19(1)(c) of [The Potash Production Tax Regulations](#) (the Regulations). For additional information regarding potash production taxes, please refer to [The Mineral Taxation Act, 1983](#) (the Act) and the Regulations. In the case of conflict between this circular and the provisions of the Act or Regulations, the Act or Regulations supersede this circular.

## Application Procedure

Research and Development (R&D) projects must be approved by the Ministry of Energy and Resources in order to qualify as approved research and development costs eligible for credit. An application must be submitted to the ER Mineral Policy branch requesting approval of the project for the purposes of the credit and contain:

- (i) a description of the project;
- (ii) a description of how the project is intended to improve production efficiency, mitigate environmental impacts, reduce the risk associated with mining or develop new or improved products;
- (iii) a description of the element of technical innovation contained within the project;
- (iv) the expenditures detailed by type and by year (if it is a multi-year project); and
- (v) the expenditures specifically related to the demonstration of the new technology prior to its commercial application.

Please also include an appropriate contact person with detailed knowledge of the project as part of the application as ER may require additional particulars.

## Eligible Costs

Eligible costs are costs that are incurred in or outside Saskatchewan by a producer and its affiliates during the year respecting approved potash-related R&D projects that are directly attributable to the mine, including expenditures with respect to the demonstration of new technology prior to its commercial application. Costs of capital assets held for use in mine development or in the current or future production of potash are considered commercial application and are not eligible. Similarly, operating costs that a producer incurs to test or implement approved projects in the producer's mine operations are also considered commercial application of new technology, and are not eligible for the credit.

Costs that are specifically listed as non-deductible in the Regulations (by way of example, those listed in subsection 7(8) of the Regulations, and subclauses 2(1)(p)(iii) through (xii) in the definition of "capital costs") are not eligible for the credit.

Costs of an eligible R&D project that have been reimbursed through a subsidy, grant or other reimbursement or recovered through the sale of technology are not eligible to be claimed for the purposes of the credit.

### **Claiming The Credit On A Potash Production Tax Return**

Clause 19(1)(c) of the Regulations provides that producers are able to claim an amount not exceeding 40 per cent of the approved research and development costs eligible for credit that the producer has not deducted in determining its profits for the year. The credit must be applied towards the profit tax otherwise owing in the year. Credits that a producer is unable to claim in the year due to lack of profit tax otherwise owing may be carried forward and deducted by the producer from the amount of the base payment or profit tax that would otherwise be payable by the producer in subsequent years.

If a producer has not reported any costs for a R&D project in any previous year, and subsequently applies for and receives approval of the project for the purposes of the credit, the total of the costs of the project that were incurred in the years before the approval and that are eligible to be claimed are deemed to have been incurred in the year that the project is approved.

**FOR MORE INFORMATION, PLEASE CONTACT:**

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