Freehold Mineral Tax Frequently Asked Questions

What is Freehold Mineral Tax?

Freehold Mineral Tax is an annual tax on petroleum and natural gas mineral rights within provincial boundaries, not owned by the Government of Alberta.

How is the tax calculated?

Freehold Mineral Tax is levied on an annual basis against the mineral certificate of title owners covering a portion of the land in the spacing unit of the production entity (PE). The tax is calculated on calendar year petroleum and/or natural gas production figures filed with the AER in March of the year following the production year.

A normal oil spacing unit of a quarter section, or a smaller special spacing unit as designated by the AER, is used to calculate the percentage taxed for oil on each title-owner's statement. For example, if one quarter section spacing exists for oil and your title covers one legal subdivision, the portion of the spacing for that title will be twenty-five percent.

A normal natural gas spacing unit of one section, or a smaller special spacing unit as designated by the AER, is used to calculate the percentage taxed for natural gas production entities on each title-owner's statement. For example, if one section spacing exists for gas and your title covers one quarter section, the portion of the spacing for that title will be twenty-five percent.

The tax formula used takes into consideration the amount of production, the hours of production, value of each unit of production (Unit Value), the tax rate, the percentages that the owners hold in the title, and the percentages that the title and well(s) hold in the production entities being taxed.

Values per unit of production (Unit Values) are used to determine a fair unique tax assessment for each production entity on each statement. The basic formula is: Revenue less Allowable Costs equals Net Revenue divided by Wellhead Production equals the Unit Value. If companies do not wish to file individual unit values, a default price will be supplied by the Crown. For further information on the calculation of Unit Values refer to Freehold Mineral Tax Unit Value Guides for the appropriate taxation year.

The tax rates are .269 for oil and/or field condensate and .069 for gas and/or solution gas with reductions for low productivity wells. On each gas and oil, the first $1,600 of tax is exempted for each tax statement.

Who pays the freehold mineral tax?

It is the responsibility of the registered freehold owner (on record with Alberta Land Titles) to ensure payment of tax is received by the legislated date of April 25. Most lease agreements between industry and freehold mineral owners contain a payment of tax clause that transfers the tax payment obligations to the lessee of the mineral rights. Each private lease agreement with each freehold owner contains unique clauses. Alberta Energy recommends that owners refer to their current lease agreement to determine payment responsibilities.

In the event that the tax is not paid on or before the due date, Freehold Mineral Tax will first contact the registered lessee(s) regarding payment. If no arrangements are made to pay the tax, Freehold Mineral Tax will then contact the registered freehold owner(s) of the unpaid title(s). If payment in full is not received on or before 90 days after the April 25 due date, an account statement will be mailed to the registered freehold owner.

Why was my tax statement amended?

Where can I get more information?
