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IRS targets uranium producer Cameco as CRA tax dispute intensifies



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ding to the miner’s ever-growing tax woes ahead of a crucial trial expected next year.

The U.S. Internal Revenue Service is demanding The IRS believes the revenue reported by Cameco higher level. The claim is similar to the one mad debilitating collection of back taxes and penaltie

Cameco insists it has done nothing wrong. But tl could amount to as much as \$1.5-billion, with ot

The IRS demand is much smaller, as it seeks to collect US\$32-million from Cameco that it feels it was owed in 2009. It is also auditing tax returns from 2010 to 2012, and Cameco expects the U.S. agency to make similar claims for those years.

While the IRS demands are insignificant compared to those of the CRA, some experts think the IRS move against Cameco could bolster the CRA’s case. At the very least, it gives the company another sizable headache to deal with.

“Clearly there’s another party here that seems to disagree [with Cameco] on this issue,” said Pawel Rajszel, an analyst at Veritas Investment Research. He thinks the CRA has a “strong case.”

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The tax dispute has its roots in 1999, when Cameco Europe was set up in Zug, Switzerland, a very low-tax jurisdiction. The European subsidiary signed a 17-year deal with Cameco in which it would buy uranium from the company’s North American operations at the prevailing price at the time (about US\$10 a pound), and sell it on to customers at the world price.

Since then, the price of uranium has jumped dramatically. It climbed above US\$130 a pound in 2007 and currently sits at US\$38.15.

The tax authorities in Canada and the U.S. believe this set-up allows Cameco to shift profits to Zug, where it pays much lower taxes than it would in North America. The CRA wants to collect back taxes from 2003 to 2009, and Cameco assumes the agency will make similar claims for the 2010 to 2014 tax years as well.

The CRA case was expected to go to trial this year, but Cameco now assumes it will be pushed back to 2016 because the pre-trial process has been very time-consuming.

“I want to emphasize that we do not believe that the ultimate resolution of these matters will be material to our financial position,” Cameco’s chief financial officer Grant Isaac said on a conference call on Monday.

Nonetheless, the dispute is already taking a financial toll on the company.

Canadian income tax rules require large companies to pay 50% of the back taxes and related penalties while disputes are still going on. As a result, Cameco has already paid \$212-million. Those payments could increase as the CRA completes its reassessments of tax years since 2009, but Cameco thinks it might be able to satisfy future payments with letters of credit instead of cash. The company would get all the money back if it wins the case.

Fortunately for Cameco, it is does not have to make similar payments to the IRS before the tax dispute has been resolved.



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