International Comparison - Mining Taxation

The attached table from the International Monetary Fund provides a summary of mineral taxation arrangements in selected developing countries.

Profit-based charging for the extraction of non-renewable resources is increasing in prominence in the resource-rich countries of the developed world.

- Most provinces in Canada, as well as the state of Nevada in the United States, have adopted profit-based charging. These arrangements are generally based on an income tax model but with various allowances and concessions that begin to approximate a tax on rents.
  - The taxes under these arrangements are generally less than 20 per cent of profits. However, these arrangements operate in conjunction with company income taxes at differing rates and in some instances additional royalty charges.
- Norway operates a rent-based tax on the petroleum sector. It is based on the company income tax system, but utilises an uplift on expenditure to exempt the normal return and reimburses the tax value of exploration expenditure for companies in a loss position.
  - The total tax rate on resource rents is 78 per cent, consisting of a 50 per cent rent-based tax rate and company income tax of 28 per cent, with no deduction at the company tax level for the rent-based tax paid.
- The United Kingdom applies a Petroleum Revenue Tax which is levied on super profits. It is applied at a rate of 50 per cent after allowances have been deducted. The UK also applies a Ring Fence Corporation Tax which applies to petroleum projects, and a Supplementary Charge on ring fence trades of 20 per cent.
- Malawi applies at 10 per cent resource rent tax when after tax cumulative cash flows exceed 20 per cent, on top of its standard 3 per cent royalty on most minerals.
- Mongolia applies a 68 per cent taxes when copper exceeds prices of USD$ 2600 per metric tonne and when gold exceeds USD$ 500 per troy ounce, on top of its standard 5 per cent royalty on most minerals.
- Peru has plans for a profits-based tax on copper, zinc and gold to be introduced in 2012.
- Brazil is currently considering an additional 25 per cent tax ‘special participation tax’ on mining.

Treasury 9 November 2011

IMF summary table of mineral taxation arrangements in selected developed countries

Summary of mineral taxation arrangements in selected developed countries

Fiscal Regime	Royalties	Corporate income tax	Additional minerals tax	Import duties	VAT	Withholding taxes		State partici-pation
						Interest	Dividend	
Australia								
Western Australia	• Ores: 7.5% • Concentrates: 5.0% • Metals: 2.5% • Gold: 1.25-2.5% based on price • Export coal: 7.5% • Coal not exported: Specific royalty	Federal tax rate: 30% No separate state income tax.	nil	nil	The standard rate is 10%; exported minerals are GST free.	10% or as specified by tax treaty.	30% on unfranked dividends; varies (usually 15%) if there is a tax treaty. 1/	nil
Queensland	• Coal: 7% • Other minerals: Fixed rate option: 2.7% Variable rate option: 1.5-4.5% based on price							
New South Wales	• Aluminum: AUD 0.35 per ton of bauxite • Industrial minerals: AUD 0.4 or 0.7 per ton • Coal: 4-7% ad valorem • Phosphate: AUD 0.7 per ton • Copper, Gold, Iron, Zinc: 4% of ex-mine value							
Nothern Territory	• 18%, profit-based							
Canada								
British Columbia	• Minimum tax is 2% ad valorem (deductible against profit royalty) • 13% profit royalty • Losses can be carried forward under profit royalty	British Columbia 14.36% on net resource income; the 2% royalty on net proceeds can be deducted.	nil	Most minerals are exempt.	The standard GST rate is 7%; exported minerals are exempt.	25% is withheld on payments made to non-residents.		None in Ontario; n/a for others.
Northwest Territories	• 5-14% profit royalty (sliding scale) • No tax if income below CAN$10,000	Federal 22.12%, which includes the 28% statutory rate, 4% surtax and 7% resource rate reduction. Provincial royalty and mining taxes are nto deductible from federal taxes. 2/						
Ontario	• 10% profit royalty • No tax if income above CAN$500,000 • Tax reductions for mines in remote regions							
Saskatchewan	• 5% profit royalty, 10% after sales reach 1 million • Capital recovery based on 150% of expenditures • Coal: 15% ad valorem less 1% resource credit • Uranium: 5% ad valorem less 1% resources allowance	Saskatchewan 12.75% on net resource income. The resource allowance or royalties (whichever is greater) can be deducted.						
United States								
Arizona	• At least 2% ad valorem • Rate set by commissioner	Federal 15-35% rates. Foreign companies taxed on gross withholding basis. An additional branch profits tax of 30% (or as stated by tax treaty) applies on income of foreign companies from US sources. Arizona 6.968%. Applies to taxable income that is assessed similarly to federal taxable income and adjusted for Arizona tax. Michigan 4.95 3/ Neveda nil	nil	Vary by country and com-modity.	nil	30% to non-treaty countries; 0-15% to treaty countries.	30% to non-treaty countries; 0-15% to treaty countries.	n/a
Michigan	• 2-7% ad valorem (sliding scale)							
Nevada	• 2-5% profit royalty (sliding scale) • 5% if net proceeds above US$4 million							

1/ If dividends paid out of profits have already been taxed at corporate tax rate, the company gets franking credits for the tax paid and may choose to use them.
2/ Allowable deductions are costs directly related to operations, loss carry forwards, development and exploration costs, asset depreciation and accelerated depreciation allowance, resource allowance, reclamation contributions, and depletion allowance.
3/ The New Michigan Bussines Tax. First $45,000 of tax base exempt. Plus, 0.8% of modified gross receipts (receipts less purchases from other firms) on receipts of $350,000 or more. A surcharge of 21.99% applies. (Federation of Tax Administrators)

Summary of mineral taxation arrangements in selected other countries

Fiscal Regime	Royalties	Corporate income tax	Additional minerals tax	Import duties	Withholding taxes		State partici-pation
					Interest	Dividend	
Africa							
Botswana	▪ Most minerals: 3% ▪ Metals: 5% ▪ Precious stones: 10%	Variable rate formula: 70 - 1500/Y where Y is the ratio of taxable income to gross income. 25% minimum tax.	nil	nil	15%	15%	nil
Ghana	▪ All minerals: 3-6% rate graduated on operating profit	25%	nil	nil	8%	8%	Minimum 10%
Malawi	▪ Most minerals: 3% (on gross value minus transport costs)	30%	10% RRT when after-tax cummulative cash flows exceeds 20%	nil	15% (non-resident, no double-tax-ation agree-ment, under which withholding taxes are waived)	10% (No double-taxation agreement)	
Mozambique	▪ Coal and other minerals: 3% ▪ Basic minerals: 5% ▪ Semiprecious stones: 6% ▪ Precious metals: 10% ▪ Diamonds: 10% -12%	32%	nil	5 year exemp-tion	20%	20%	nil
Namibia	▪ Most minerals: 5% maximum ▪ Uncut precious stones: 10%	37.5% non-diamond mining 55% diamond mining	nil	nil	nil	Residents are exempt; 10% for non-residents.	nil
South Africa	▪ Variable rate depending on EBIT ▪ Max rate for refined minerals 5%, for unrefined 7%	28% normal CIT Gold mining companies subject to variable income tax: a) y=34-170/x where company has elected not to pay the secondary tax on companies (STC), or b) y=43-215/x where company pays STC on companies; where x is the ratio of taxable income from gold mining to income from gold mining and y is tax rate.	nil	nil	nil	10% STC to be withdrawn in 2010	nil
Tanzania	▪ Aluminum, copper, gold, iron and industrial minerals: 3% ▪ Diamonds: 5%	30% normal CIT 25% for newly listed companies with at least 35% of shares available to public.	nil	Exempt until the end of the first year of pro-duction, 5% there-after	10%	10% standard rate	nil
Zambia	▪ Base metals, industrial minerals, and energy minerals, including copper: 3% ▪ Precious stones and gemstones: 5%	variable according to the following formula: 30% + 15% x (1 - 8%/Y) whew Y is the ratio of taxable income to gross income	nil (windfall tax introduced in 2008 was repealed in 2009)	nil	15%	Exempt	Varies: 10% is an indicative rate

Asia and Pacific									
China	▪ Aluminum, iron and zinc: Ad valorem + per unit charge ▪ Copper: 2% + 0.4-30 ▪ Gold: 4% + 0.4-30 ▪ Industrial minerals: 2% + 0.5-20 CNY/tonne	25% 1/	nil	nil	Exports are zero rated; imports of mining equipment are exempt.	10%	nil	nil
India	▪ Aluminum: 0.35% ▪ Copper: 3.2% ▪ Gold: 1.5% primary, 2.5% byproduct ▪ Industrial minerals: 45-55 INR/tonne ▪ Iron: 4-27 INR/tonne ▪ Phosphate; 5% apatite, 5-11% rock ▪ Zinc: 6.6%	30% residents 40% foreign 10% surtax residents 10% surcharge non-residents	nil	2-7.5%	Inputs purchased and used in the manufacture of export goods will be refunded; exports are exempt.	20%	17%	Government-owned companies account for 75% of the value of the country's mineral production.
Indonesia	▪ Aluminum, iron and phosphate: Unit based ▪ Copper: 45-55 USD/tonne ▪ Gold: 7.5% from placer, 2.5% otherwise ▪ Industrial minerals: 0.14-0.16 USD/tonne	10% on first IDR 50m, 15% on next IDR 50m and 30% on balance.	nil	nil	Pre-production purchases of machinery and equipment are exempt; exports are zero rated	Residents exempt; 20% non-residents.	15% residents; 20% non-residents.	Nil
Mongolia	▪ Most minerals: 5% ▪ Domestically sold coal and other minerals: 2.5%	10% on taxable income up to MNT 3 billion, 25% on excess.	68% when copper price exceeds USD 2,600 per metric ton and gold exceeds USD 500 per troy ounce. Base is value of production.	5%	10%; exports are zero rated; goods supplied to mining companies are exempt.	20%	20%	Up to 50%
Papua New Guinea	▪ Most minerals: 2%	30% - resident 48% - non-resident	nil	nil	10% GST; exports and goods supplied to mining companies are zero rated.	15%	17%	nil
Philippines	▪ Most minerals: 2%	35%, to be reduced to 30% in 2009	nil	nil	Exports are zero rated; VAT on goods and services are exempt.	10% on residents 35% for non-residents or 15% if the non-resident foreign company's domicile country allows a deemed-paid tax credit of at least 20%.	20%	nil