

# Tax regimes in countries mining cobalt, copper, manganese and nickel.

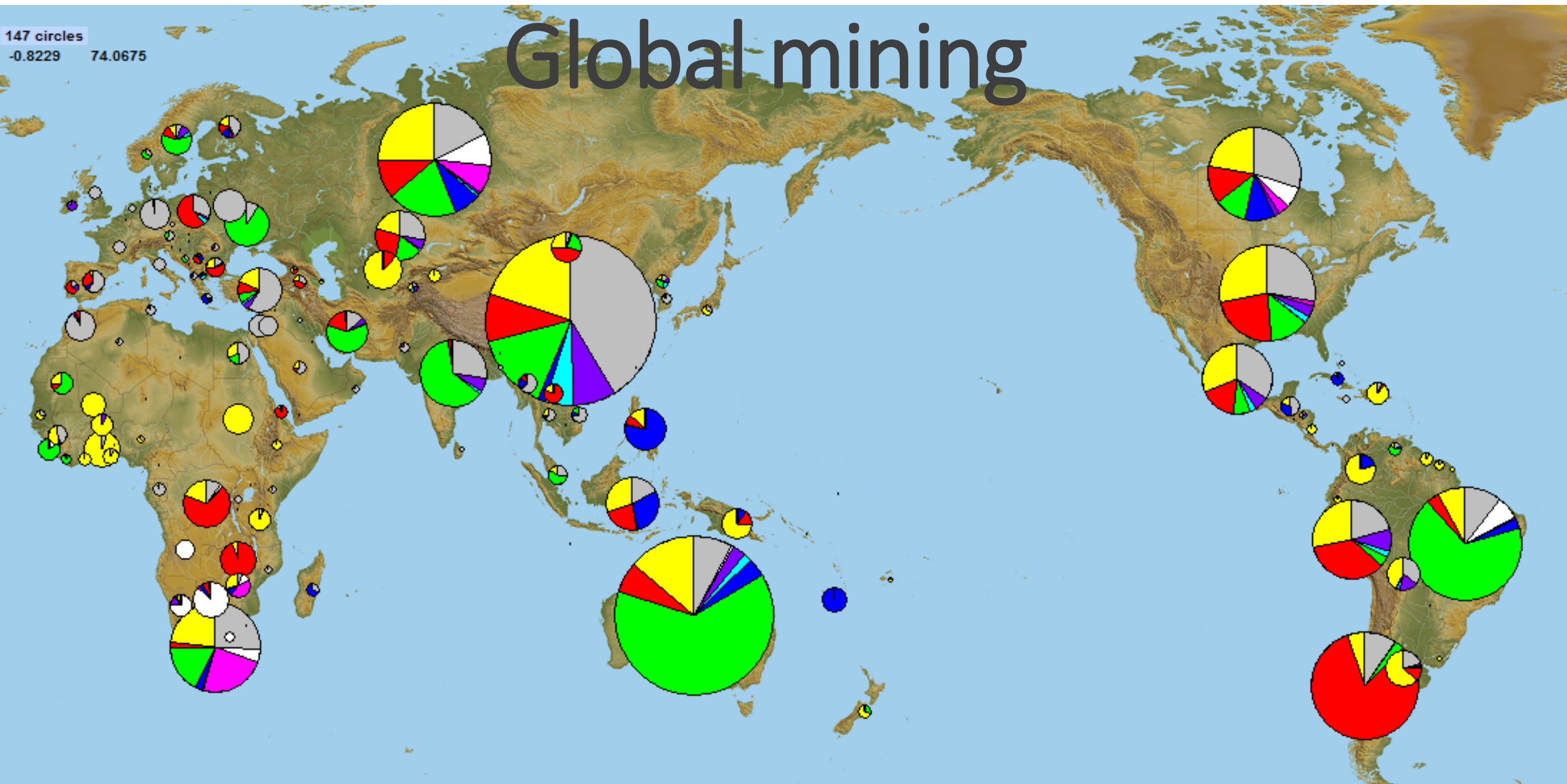
**ISA Information webinar October 28th 2020**

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147 circles  
-0.8229 74.0675

# Global mining

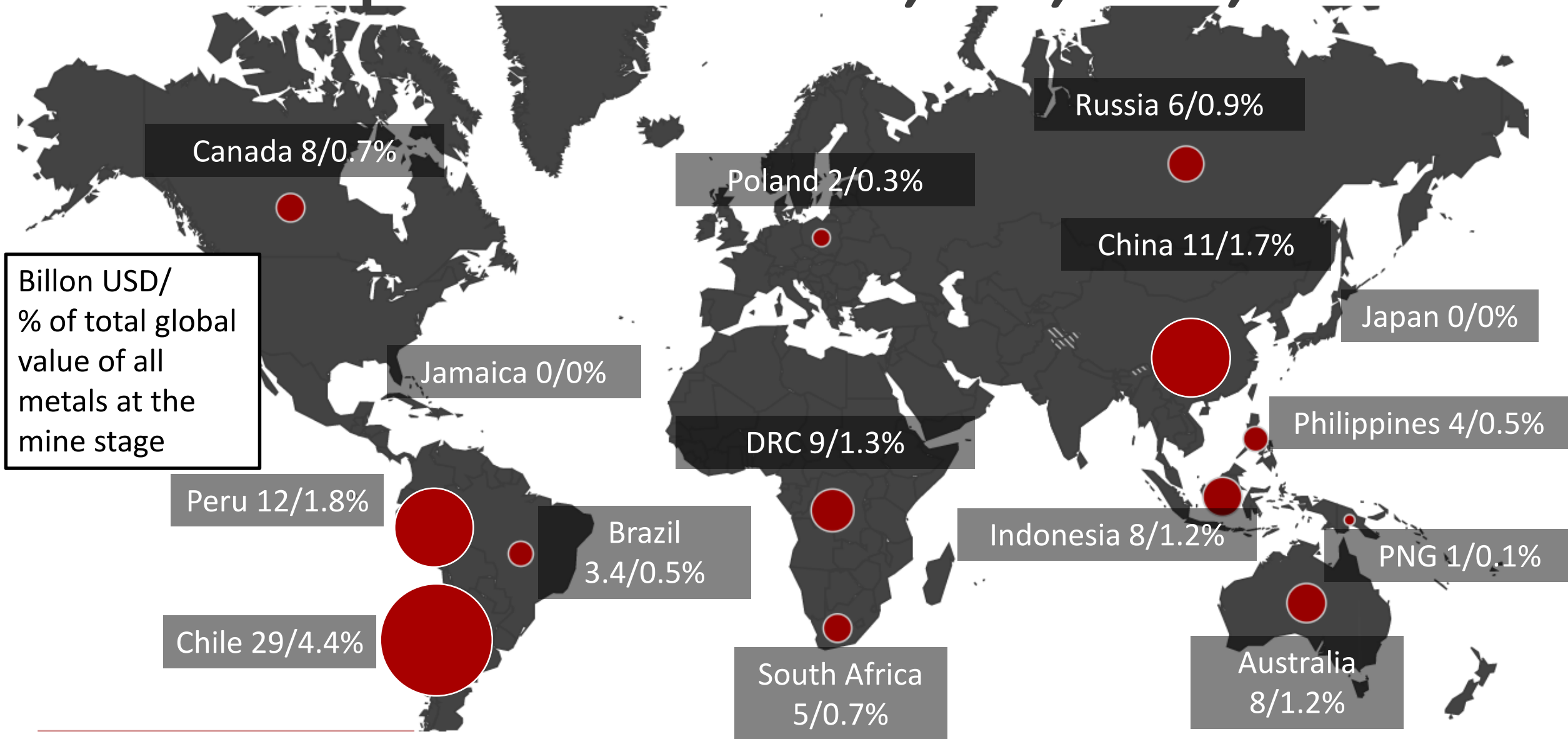


Metal shares of total value   Au   Ag   Cu   Fe   Ni   Pb   Zn   PGMs   diamonds   other

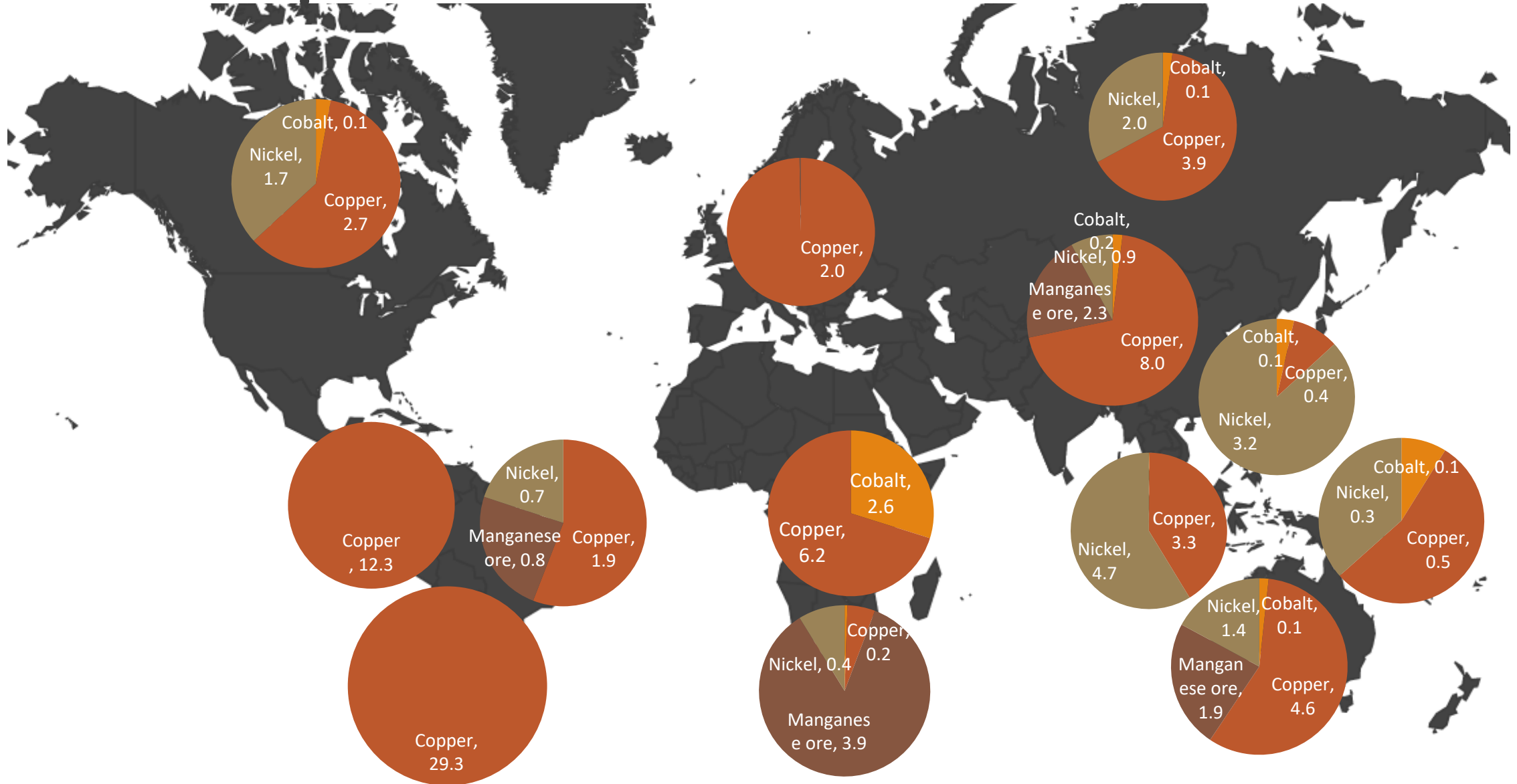
# Background of countries studied

- Production

# Value of production Co, Cu, Mn, Ni



# Value of production (billion USD)



# Mine production 2018

Production 2018								
Country	Cobalt (kt)	Co %	Copper (kt)	Cu %	Manganese ore (Mt)	Mn %	Nickel (kt)	Ni %
Australia	6	3	913	6	7	14	148	7
Brazil	0	0	381	2	3	6	74	3
Canada	5	3	539	3	-	0	180	8
Chile	-	0	5832	35	-	0	-	0
China	9	5	1591	10	9	17	99	4
Congo (Dem Rep)	109	65	1225	7	-	0	-	0
Indonesia	0	0	651	4	0	0	509	23
Jamaica	-	0	-	0	-	0	-	0
Japan	-	0	-	0	-	0	-	0
Papua New Guinea	3	2	96	1	-	0	35	2
Peru	-	0	2437	15	-	0	-	0
Philippines	5	3	70	0	-	0	345	15
Poland	-	0	401	2	1	1	-	0
Russian Federation	5	3	785	5	-	0	218	10
South Africa	1	1	47	0	15	28	43	2
Total 15 countries	145	86	14969	91	35	66	1652	74
<b>Total World</b>	<b>168</b>		<b>16500</b>		<b>53</b>		<b>2233</b>	

# Contribution to humankind

- Metals, indestructable, recyclable
- Mineral rent, can be taxed by royalties and other taxes



# Mineral tax regime

- Administrative fees
- Royalties
- Other mineral taxes

# Administrative fees

## **Purpose**

To make sure exploration and mining is carried out effectively and continuously and to cover administrative and surveillance costs.

## **Exploration / mining permits**

Fees for getting exclusivity during exploration and later priority for exploitation and maintaining mining rights. Normally relatively limited amounts. Fixed and variable part, based on size of area and/or ore production. Increasing with time. Work commitments alternative.

## **Conclusion**

Not a relevant factor in a seabed payments regime.

# Royalties

## **Purpose:**

To compensate host country for depletion of a non-renewable resource.

Levied on production either value or volume. Value most common and calculated based on sales value often with some specified production costs deductible. (2 to 3 % up to 10 to 12 %).

Level depends on a range of political factors: support of certain regions, wish to increase beneficiation and not least market situation.

## **Advantage:**

Relatively easy to administrate.

# Royalty rates

Country				
	Royalty rate copper	Royalty rate cobalt	Royalty rate manganese	Royalty rate nickel
Australia (Queensland)	2.5-5%	2.5-5%	2.70%	2.5-5%
Brazil (Minas Gerais)	2%	2%	3%	2%
Canada (Ontario)	5.0% - 10.0%	5.0% - 10.0%	5.0% - 10.0%	5.0% - 10.0%
Chile	See other mineral taxes	no	no	no
China	2-8%	2-20%	2-20%	2-20%
DRC	3.50%	10%	3.50%	3.50%
Indonesia	4%	n.a.	n.a.	2-10%
Jamaica	5%	5%	5%	5%
Japan	1-1.2%	1-1.2%	1-1.2%	1-1.2%
Peru	1-12%	1-12%	1-12%	1-12%
PNG	2%	2%	2%	2%
Philippines	4-12.5%	4-12.5%	4-12.5%	4-12.5%
Poland	PLN 3.70 (~USD 0.92) per metric ton + Special mining tax	PLN 4.25 (~USD 1.05) per metric ton	PLN 4.25 (~USD 1.05) per metric ton	PLN 4.25 (~USD 1.05) per metric ton
Russian Federation	8.00%	8.00%	4.80%	8.00%
South Africa	0.5 % - 7.0%	0.5 % - 7.0%	0.5 % - 7.0%	0.5 % - 7.0%

# Other mineral taxes

A few countries have introduced an additional tax on mining:

**Chile** does not have a royalty but a special tax on copper production 0.5-4.5 % of sales depending on size of copper production. Sort of royalty.

**DRC** has "super profit" tax depending on actual level of prices compared to levels in the feasibility study.

**PNG** has additional tax of 0.5 % in addition to royalties. In effect a royalty.

**Poland** has a third layer of "royalties" on copper and silver if copper price passes a predefined level in the law.

## Conclusions:

Not a relevant factor in a seabed payments regime.

Administratively difficult, not add to optimal and stable revenue for ISA.

# Environmental levies

Most countries *do not* use environmental levies but prescribe limits of emissions and demand from the companies investments to prevent emissions above the set limits.

Some countries combine both approaches: Queensland (Australia) and Poland.

Some define percentages to be set aside by the mining companies to funds to use for rehabilitation after closure and in case of accidents etc.

## **Conclusion**

There is no direct analog in the case of land-based mining of the environmental compensation fund proposed for the ISA.

# Corporate Income Tax

Corporate income taxes (CIT) are usually a complex area and difficult to describe, analyse and compare between countries, particularly so in mining.

CIT levels are similar in most countries, the top tax level is between 20-30 %, very few above and below this bracket. Effective CIT rate among countries studied around 25 % (OECD).

CIT- and royalty rates are completely unrelated in theory and practice. They are set in separate processes.

## **Conclusion**

CIT should not be a factor of importance when considering a fiscal regime for the ISA.

# Conclusions I

- Comparing mineral tax regimes is complicated, each project is different.
- Mineral tax regimes are converging.
- Regimes are constantly changing to be competitive.
- Administrative fees mostly relatively low - funds spent in the ground.
- Royalties commonly between 2-3 % and 10-12 % of a defined sales value.
- Environmental levies not common – emissions are regulated.
- Corporate income tax top level in most countries 20-30 %, effective rate ~ 25 %.



# Conclusions II

- Administrative fees  
Not a relevant factor in a seabed payments regime.
- Environmental levies  
No direct analog in the case of land-based mining of the environmental compensation fund proposed for the seabed payments regime.
- Corporate Income Tax  
CIT should not be a factor of importance in a seabed fiscal regime.
- Royalties  
Cobalt, copper and nickel ad valorem royalty.  
Manganese, uncertainties of process technology at present volume or value royalty to be determined at a later stage.



**Thank you for your attention.**

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