

RMG Consulting

- Mineral economists, policy analysts.
- Active since mid 1980s.
- Governments, international organisations, NGOs, industry.
- Team for ISA: Magnus Ericsson, Eva Liedholm-Johnson, Anton Löf, Olof Löf, Olle Östensson and our global network.
- Based in Sweden.

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

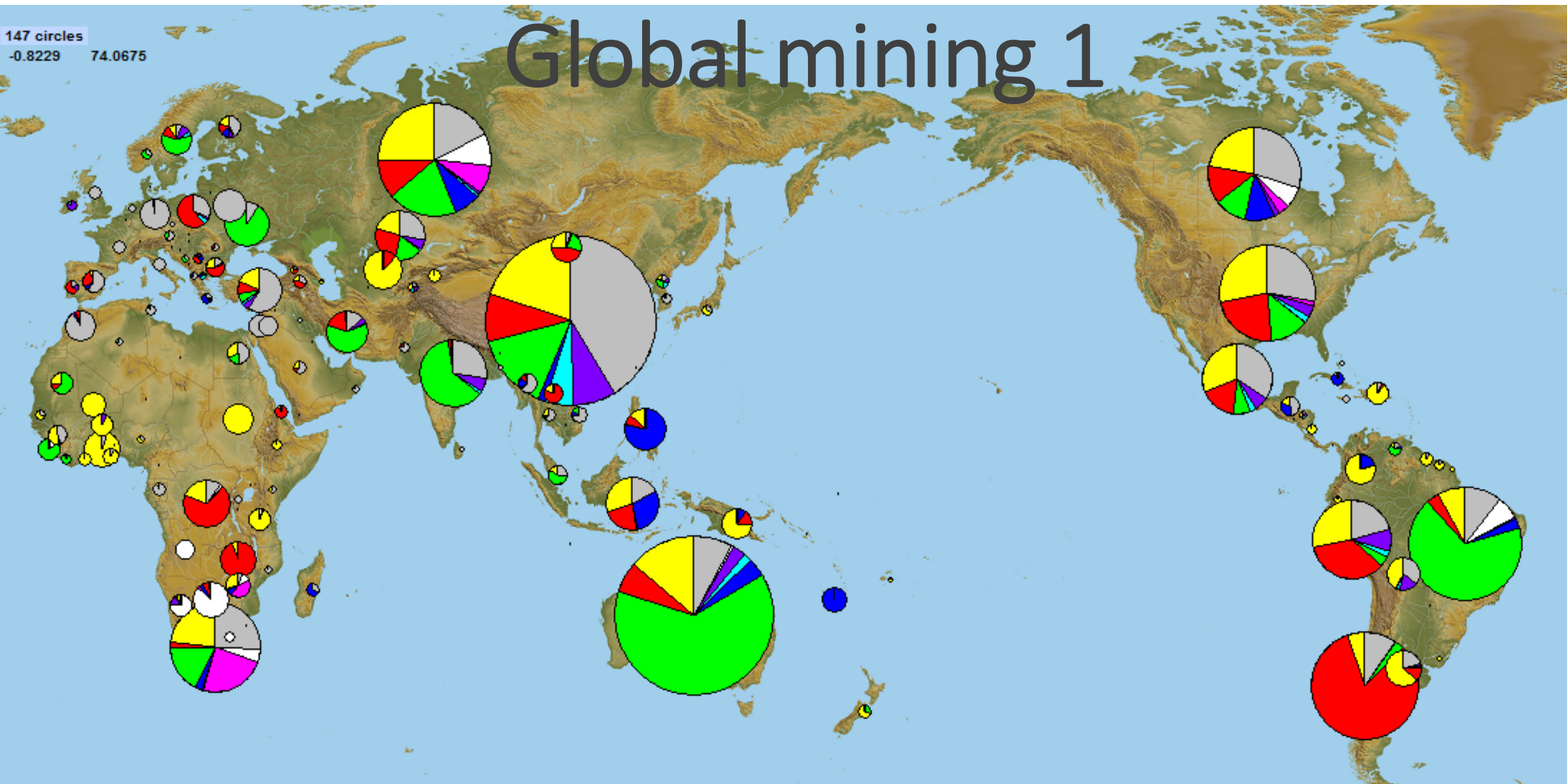
**ISA Information webinar for
Council members and other states of the ISA
12th June 2020**

Contents

- Background of countries studied
 - Production
 - Mining's contribution to their national economies
- Mineral tax regime
 - Administrative fees
 - Royalties
 - Other mineral taxes
- Environmental levies
- Corporate income tax (CIT)

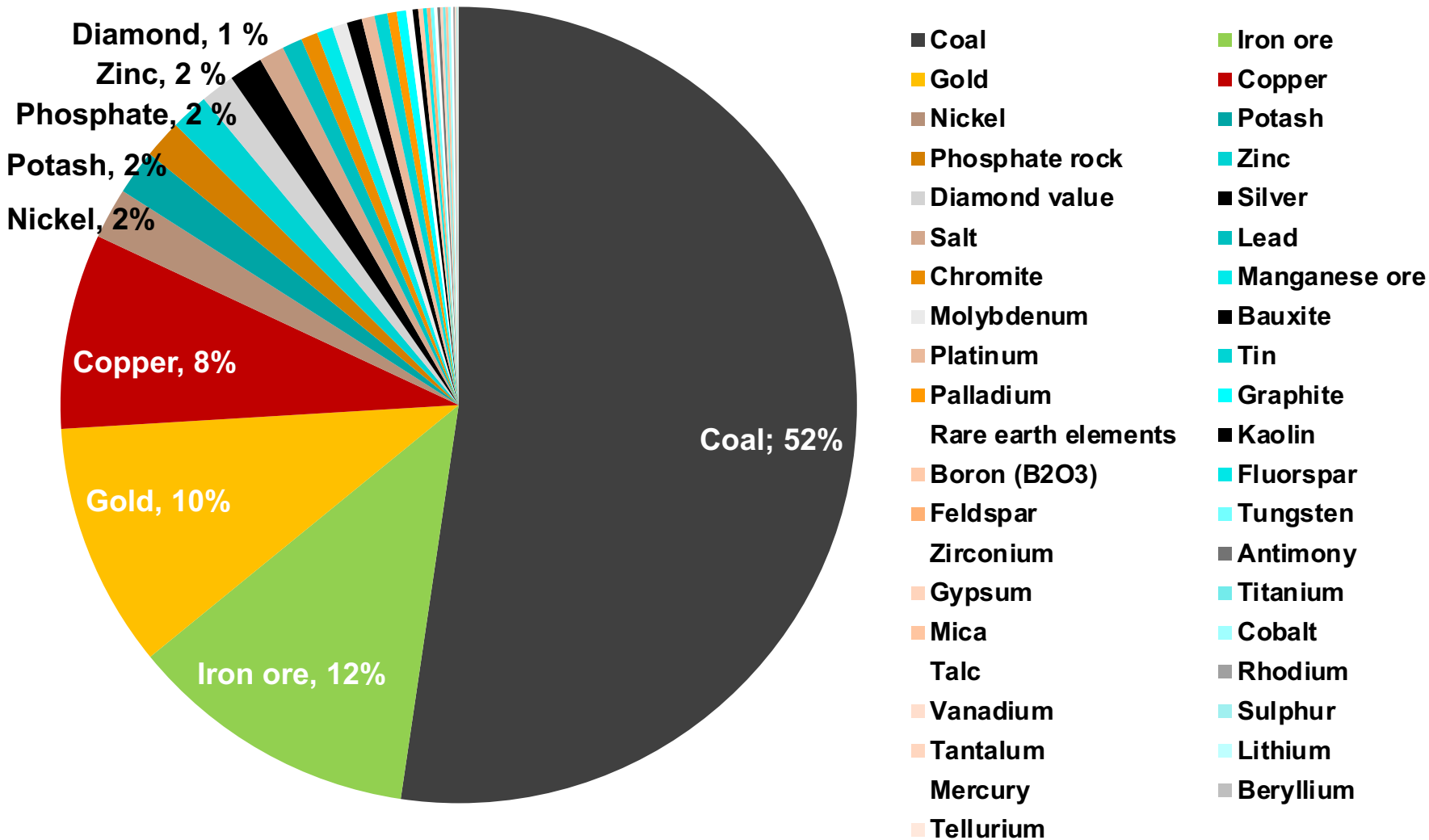
147 circles
-0.8229 74.0675

Global mining 1



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

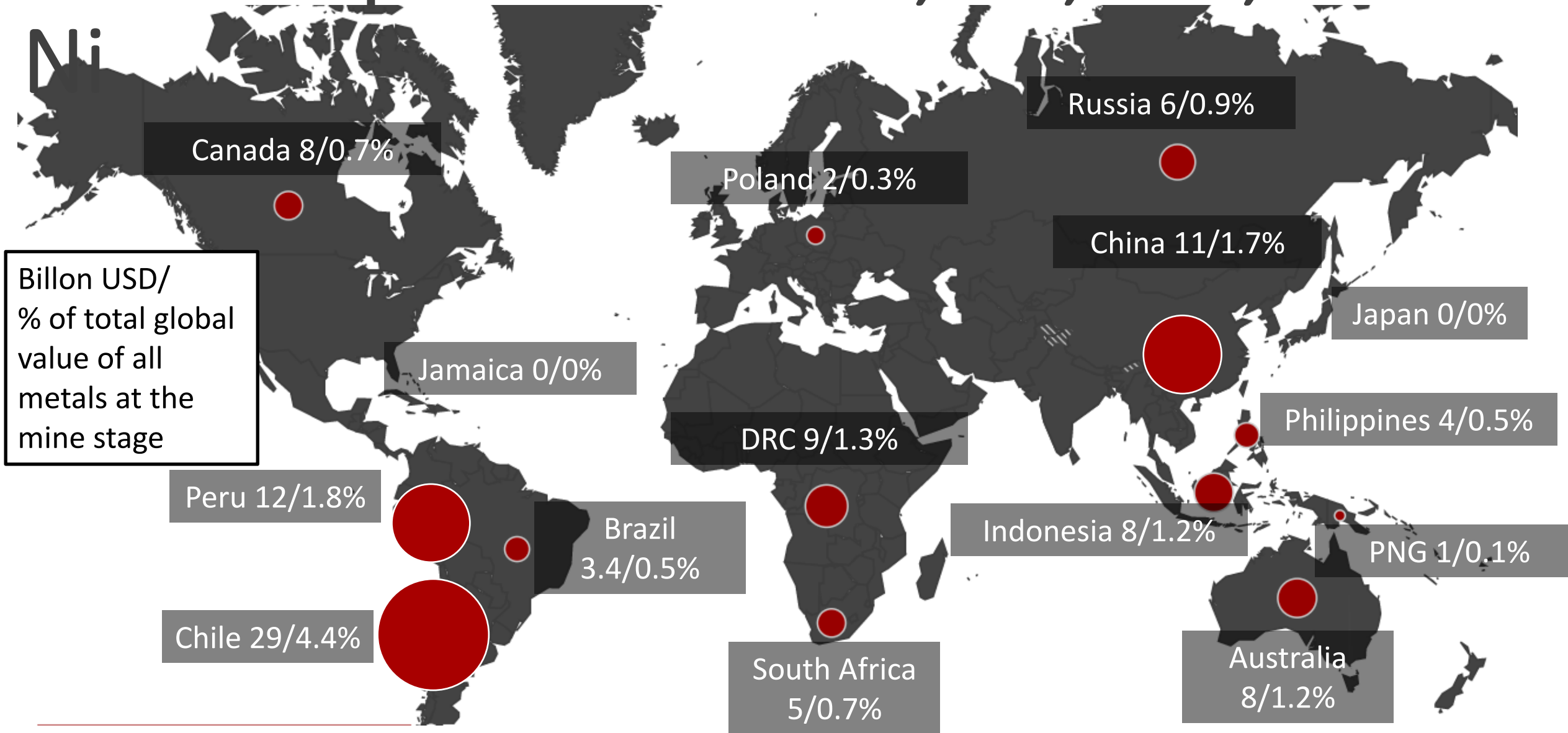
Global mining 2



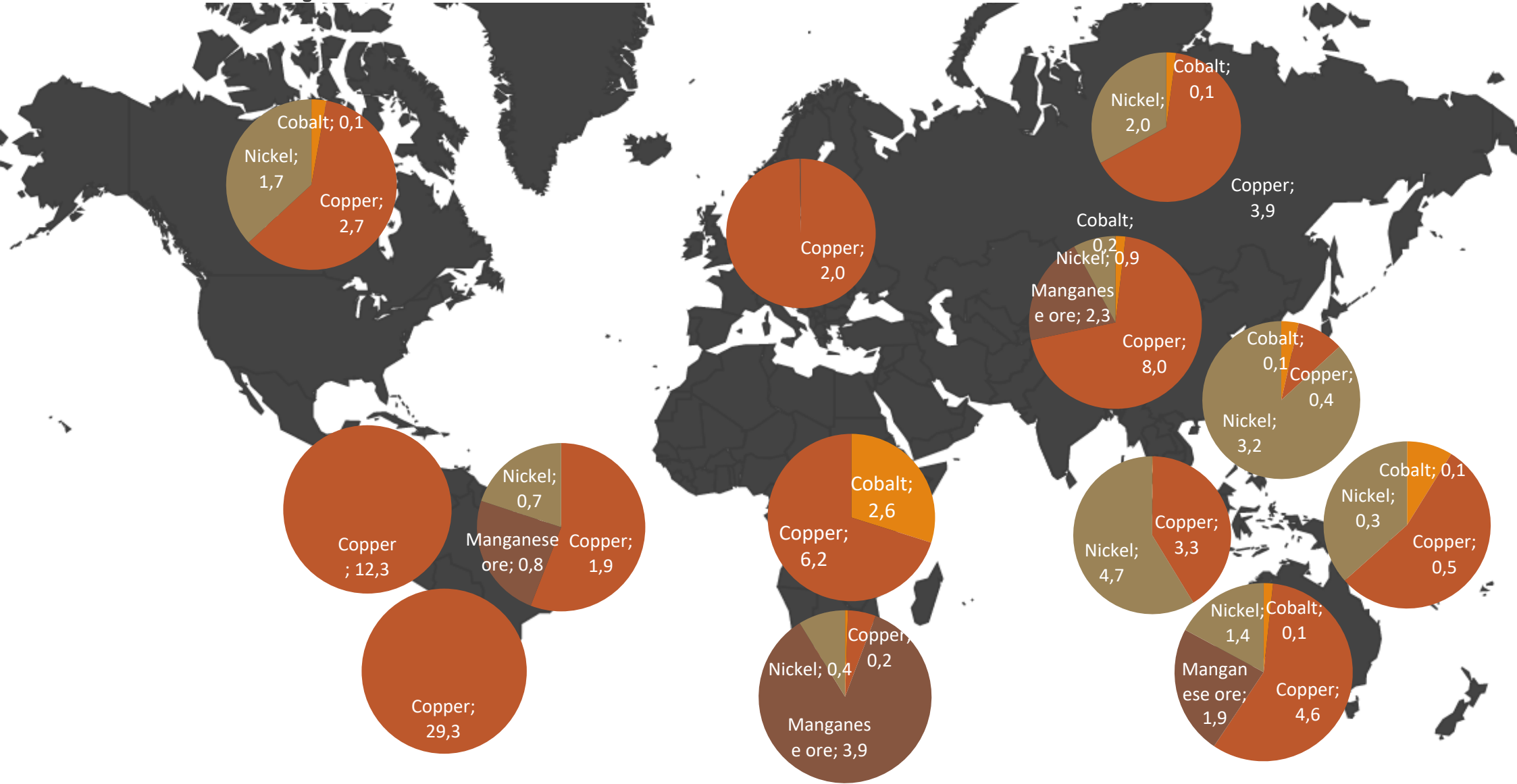
Background of countries studied

- Production
- Mining's contribution to national economies

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 |
| Russia | 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 |
| Total World | 168 | | 16500 | | 53 | | 2233 | |

Mining contribution index



Source: WIDER

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 permit

Fee for getting exclusivity during exploration and later priority.

Normally relatively limited amounts. Fixed and variable part, based on size of area. Increasing with time. (1-5 USD/ha) Work commitments alternative.

Mining permit

Fee for maintaining mining right. Slightly higher amounts. Fixed and variable part, based on area, sometimes ore production. 5-10 times higher than exploration fee, sometimes considerable amounts 100 000 USD/a.

Royalties

Purpose

To compensate host country for the 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 %).

Problem: Increase production costs, diminish the mineral resources (wealth) of a country as they can make marginal deposits unprofitable.

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 | no | 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% |
| Papua New Guinea | 2% | 2% | 2% | 2% |
| Peru | 1-12% | 1-12% | 1-12% | 1-12% |
| 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 |
| Russia | 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. A 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. Could be considered a royalty.

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

Environmental levies

Most countries *do not* use environmental levies but prescribe limits of emissions and demand from the companies that they shall invest in measures 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 and in case of accidents etc, but these funds are not integrated into the state budget. Poland set aside 40 % of the royalty payments into a government controlled environmental fund as another model.

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.

Rules for amortisations and what is deductible, rules for loss carry forward when calculating profits, as well as withholding taxes when transferring profits etc vary considerably.

Some countries can use special, separately negotiated agreements for each mining project as an alternative to application of a "normal" CIT .

Conclusions

- Comparing mineral tax regimes complicated, each project is different.
- Mineral tax regimes are converging.
- Regimes are constantly changing to be competitive.
- Administrative fees mostly relatively low -
funds to be spent into 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 in most countries 20-30 %.



Thank you for your attention.

Questions, comments: Magnus Ericsson/孟瑞松, magnus@gladtjarnen.se

Copyright notice

The information in this document is subject to RMG Consulting's full copyright and entitlements as defined and protected by international law.

All information in this file is owned by RMG Consulting or third-party sources where applicable, and the copying or distribution of this information is strictly prohibited without the prior written permission and consent from RMG Consulting or relevant third-party where applicable.

If you have any questions concerning this information, contact RMG Consulting.

Email: magnus@gladtjarnen.se, anton.lof@rmgconsulting.org

The information obtained in this document has been collected and compiled in good faith from a variety of sources but RMG Consulting makes no warranty as to the accuracy of the information from these sources.