

Personal views on Equalization Measures

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Firstly, I agree with the mechanism of "ETR", but I believe that there is no need for "Equalization Measures". The mechanism design of "Equalization Measures" is redundant and unnecessary, and its implementation effect may be ineffective or negative.

Why should the African Group formulate regulations and provisions for "Equalization Measures"?, I think the purpose is to increase the revenue of the ISA, so that some countries with CIT not reaching 25% contribute (or balance) some mining enterprises' profits to the ISA. But if the ISA has formulated and implemented the provision of "Equalization Measures", let's imagine the response of the sponsor country of mining enterprise to this provision.

Because the sponsor countries of mining enterprise in the international seabed area are all facing a situation that has not been encountered before, that is, the royalty of mining enterprise do not belong to the sponsor country, but belong to the ISA.

If the ISA formulates and implements the "Equalization Measures" provision, the sponsor country of the mining enterprise may establish special CIT rate for special enterprise such as international seabed mining enterprise.

For example, before the implementation of the "Equalization Measures" provision, mining enterprises from 10 sponsor countries had a CIT of 25% in 7 of them, two sponsor countries of mining enterprise with CIT of 20%, and one sponsor country of mining enterprise with CIT of 30%.

If the ISA implements the provision of "Equalization Measures", the CIT of two sponsor countries of mining enterprise (with CIT of 20%) may be revised to 25%. Make the "Equalization Measures" provision of the ISA invalid.

For the sake of fairness, mining enterprises with a CIT of 30% should pay an additional fee to the ISA, as this is within the scope of the sovereign tax law. The "Equalization Measures" provision cannot force mining enterprises with a CIT of 30% to pay an additional fee, so the "Equalization Measures" provision is invalid for CIT greater than 25%.

If there are no "Equalization Measures" provisions by ISA, the sponsor country of mining enterprises may establish provision for reducing CIT rate for special enterprises such as international seabed mining enterprises. These incentive

mechanisms will be conducive to the exploitation of seafloor mining enterprises, achieving commercial mining as soon as possible, and paying royalty to the ISA as soon as possible.

Since the current CIT of most countries has reached 25%, and it can be foreseen that the implementation of "Equalization Measures" provision will not increase the revenue of the ISA. I believe it is unnecessary for the ISA to formulate a "Equalization Measures" mechanism provision without a positive guiding effect.