

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

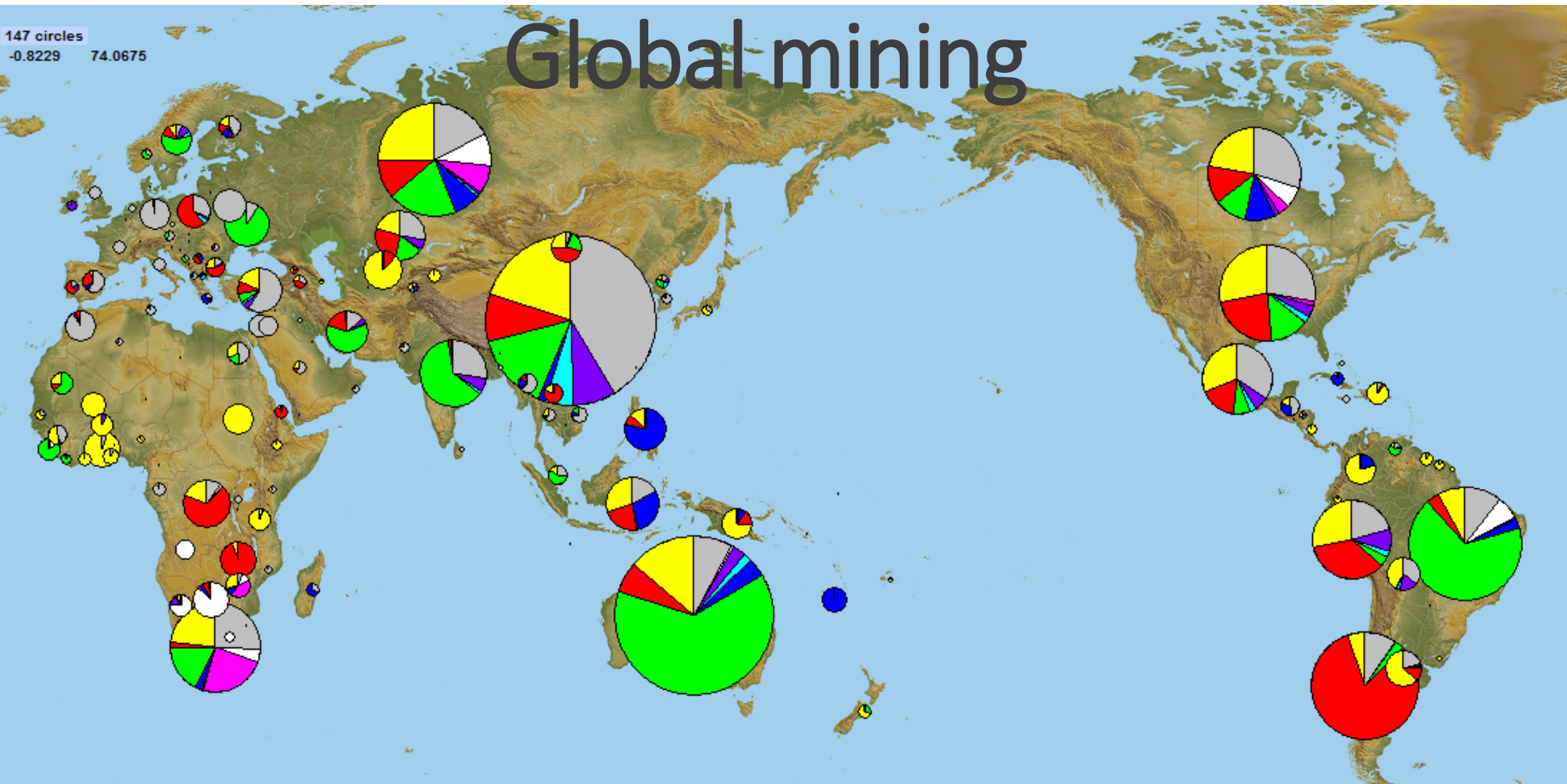
ISA Information webinar October 28th 2020

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147 circles
-0.8229 74.0675

Global mining

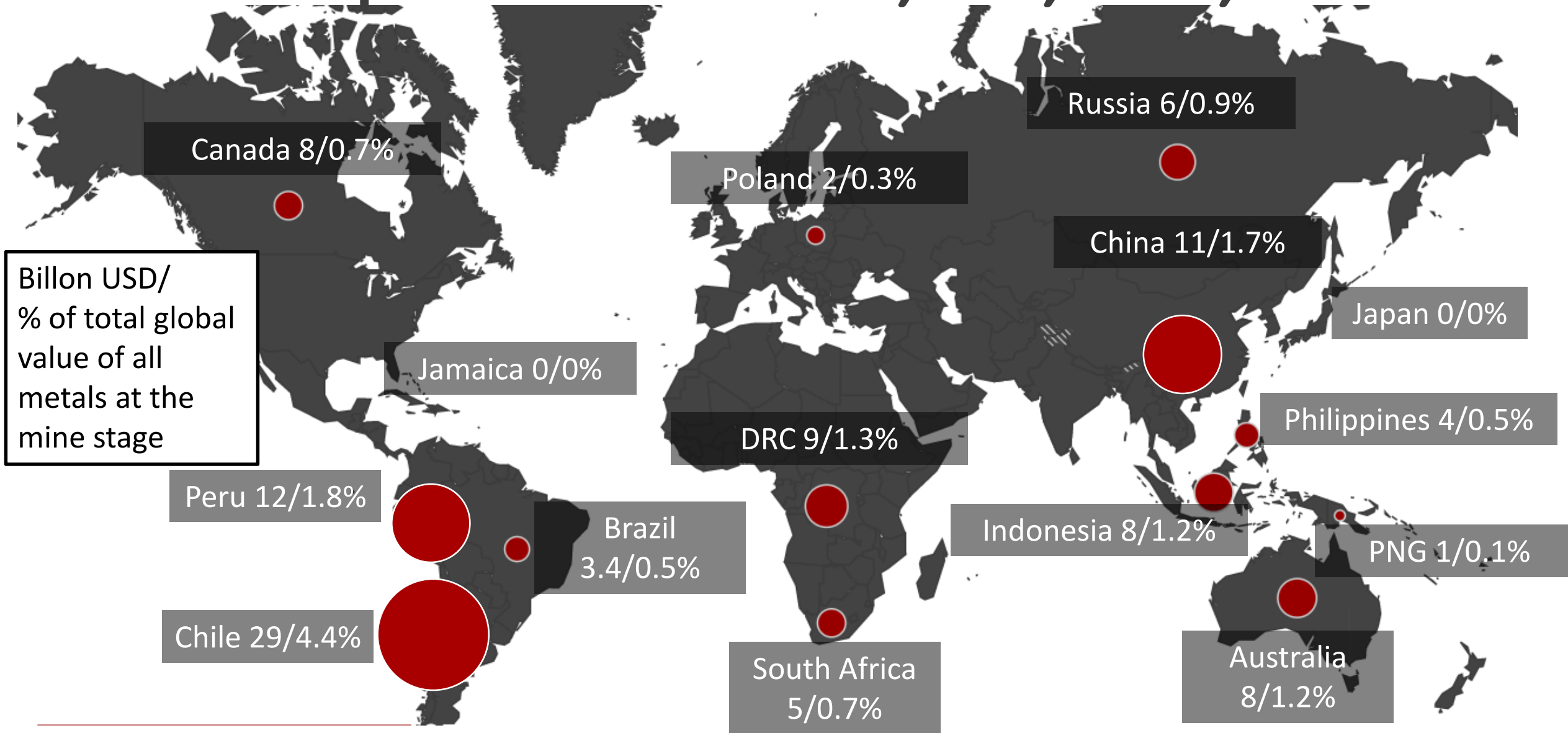


Metal shares of total value Au Ag Cu Fe Ni Pb Zn PGMs diamonds other

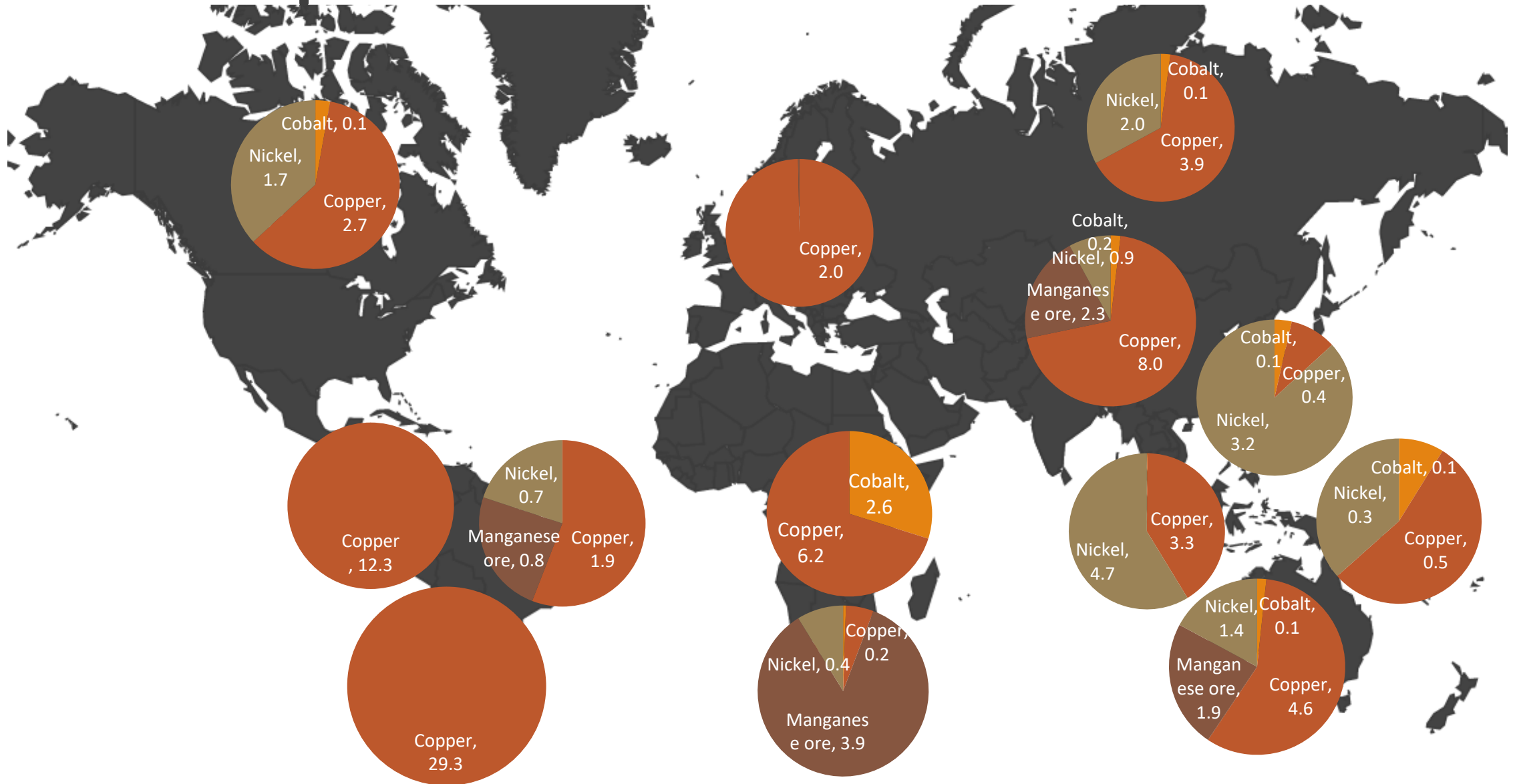
Background of countries studied

- 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
Total World	168		16500		53		2233	

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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