



# Official evidence on mining taxes: 2015 update

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**BACKGROUND PAPER**

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The Minerals Council of Australia represents Australia's exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable economic and social development.

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## Introduction

Company taxation has been very topical in recent months. In particular there have been concerns about widespread tax avoidance and company tax base erosion. In addition to some US high technology firms, the Australian mining industry has been singled out for specific criticism.

The former Treasurer, Wayne Swan, has been especially vocal in the twitter-sphere, claiming that miners have persistently misled the Australian people about the tax they pay and citing a figure of 15% as the industry's effective tax rate.<sup>1</sup>

These sorts of claims rely on the fact that taxation is not well-understood and knowledge of the facts of taxation is generally quite poor in the community. For example, it is not well-known that the mining industry, comprising just 5,710 companies out of some 854,745 companies liable for the company tax (less than 1%), paid over 21% of net company income tax. That comes to \$13.6 billion. To provide some context, that is much more than the \$9 billion that personal income tax raised in South Australia, or the \$2.3 billion in net personal income tax paid by Tasmanians.

So what does the latest official data, just published by the Australian Taxation Office (ATO), tell us?<sup>2</sup> In this paper I update some facts and figures first presented in my 2012 MCA Backgrounder, *Mining taxes and subsidies: Official evidence*.

The most recent figures are for 2012-13, the last full financial year Mr Swan was Treasurer. As before, I find that the Australian mining industry pays very large amounts of money in corporate tax and does so at high effective tax rates. As an industry mining makes the second largest contribution to the company tax after the financial industry.

## How much tax do miners pay?

In 2012-13 the mining industry paid \$13.6 billion in net company tax down from some \$15.14 billion the year before. That excludes other contributions that the mining industry makes to the public purse, such as royalty payments. Since 2000-01 net company tax receipts from the mining industry have increased 7.8 times while overall net company tax receipts have only increased 2.4 times. The mining industry's share of net company tax has increased from 6.7% in 2000-01 to 21.1% in 2012-13 (Figure 1).

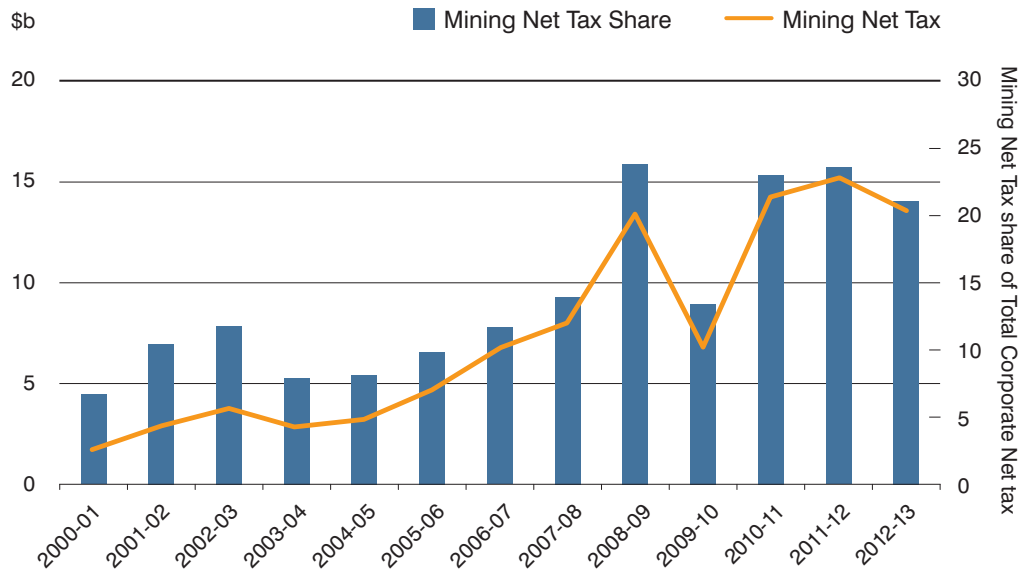
In addition to paying corporate tax, miners also pay royalties to state and territory governments for the right to mine natural resources.<sup>3</sup> Strictly speaking a royalty is not a tax – nonetheless royalty payments contribute to the revenue base that allows for public expenditure. In addition, those royalty payments are substantial.

Mining royalty data are not easily available from a single source. Figure 2 combines data from various sources (the Australian Bureau of Statistics, the ATO and the Commonwealth Grants Commission) to estimate mining royalties.

While royalty payments have not grown as rapidly as company tax – being based on production value rather than on company profit, nonetheless it is clear that the mining industry contribution to the public purse is very substantial.

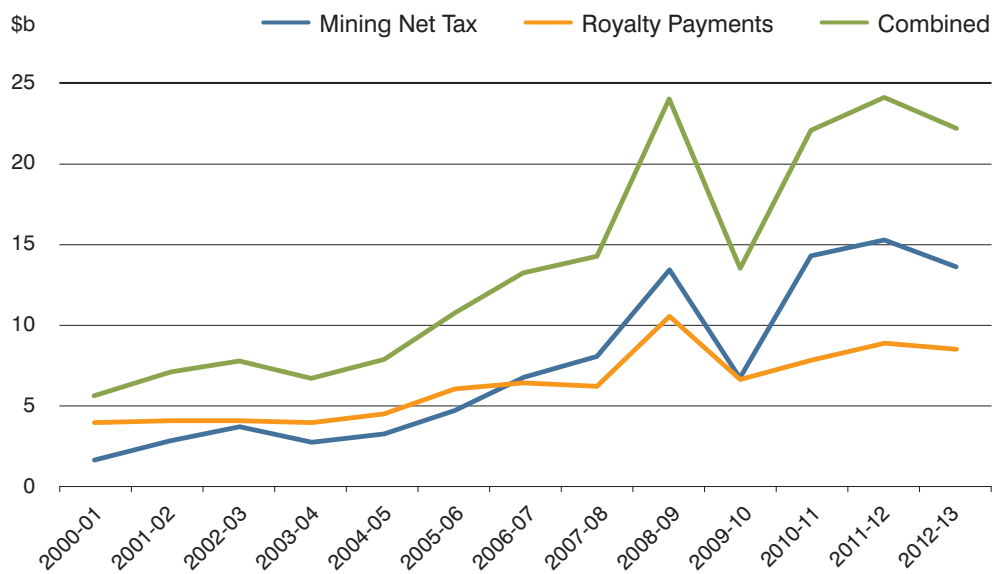
The dollar value of mining net company tax is high – as is the effective company tax rate that the mining industry pays. In order to gain some appreciation for how the average effective tax rate for mining has varied over time, I calculated the average effective tax rates for all industries and the corporate sector as a whole. The data are calculated from various issues of ATO taxation statistics for each industry, and each year from 2000-01.

Figure 1 **How much money the mining industry pays in corporate income tax**



Source: ATO Taxation Statistics (various issues). Author's calculations.

Figure 2 **Natural resource royalties and mining net tax**



Source: ATO Taxation Statistics (various issues) and ABS Cat. 1301, Cat 8410.0 and unpublished ABS figures and estimates from the Commonwealth Grants Commission.

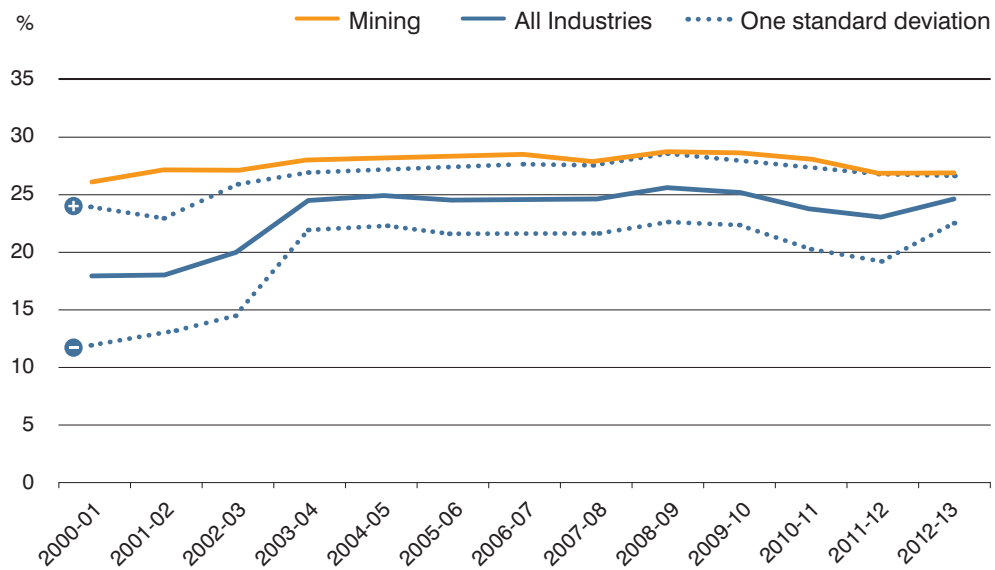
I then calculated the standard deviation of average effective tax rates across the industries.<sup>4</sup> The average effective tax rate for All Industries is graphed and plus and minus one standard deviation from the average is graphed too. Results are shown in Figure 3. Also included is the average effective tax rate for the mining industry.

As can be seen, the mining industry has a higher average effective tax rate than the Australian average. Indeed, it has always been above the average plus one standard deviation of All industries. The argument that mining tax rates are lower than that of most (or even many) other industries is simply not true.

Finally in Figure 4 I show the share of taxable income earned and net tax paid by the mining industry in comparison to the financial industry (finance and insurance) and manufacturing for 2012-13. Over the past ten years the mining industry has replaced manufacturing as the second largest contributor to net company tax receipts.

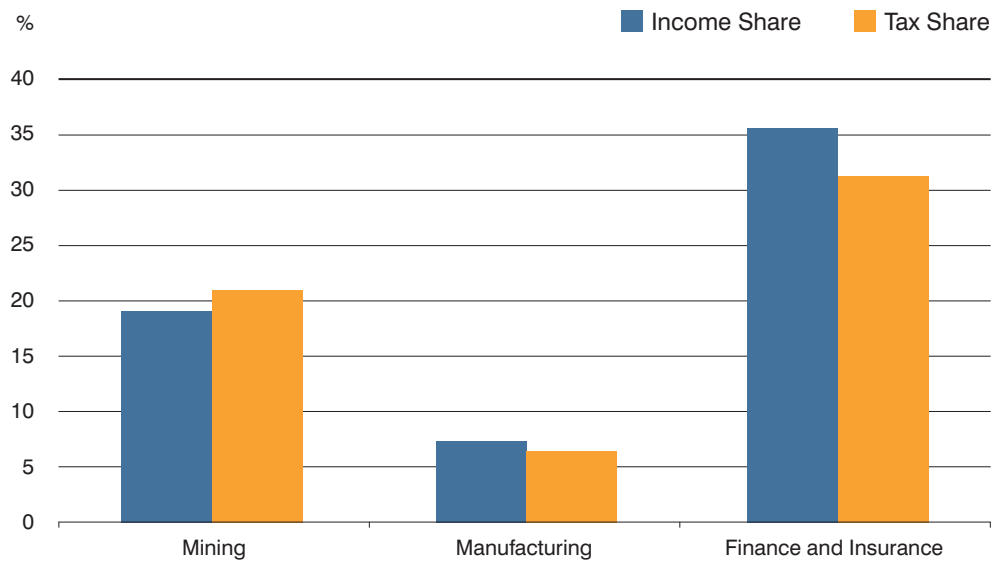
In 2012-13 mining earned 19.2% of taxable income but paid a 21.1% share of the net company tax. By contrast the manufacturing sector earned 7.3% of taxable income and paid 6.45% of net company tax. Similarly, the financial sector earned 35.7% of taxable income and paid 31.4% of net company tax.

**Figure 3 Average effective tax rates for all industries and mining**  
(Net tax as percentage of taxable income)



Source: ATO Taxation Statistics (various issues). Author's calculations.

Figure 4 **Share of taxable income and net tax paid (select industries)**



Source: ATO Taxation Statistics (various issues). Author's calculations.

## Conclusion

The mining industry pays a lot of tax and pays close to the statutory rate of 30% of its taxable income in corporate income tax. The view that the mining industry is under-taxed is not supported by data published by the ATO – the government agency that administers the tax system and actually collects the tax revenue. Nor is it true that the tax paid by the mining industry is a trivial sum of money. It is more than some States and Territories contribute to personal income tax.

## Endotes

- <sup>1</sup> @SwannyQLD 2015, More tax propaganda from mining industry. 13-14 Budget miners paid an effective tax rate of just 15% not 30%, 25 March, Twitter post, viewed 4 May 2015, <https://twitter.com/SwannyQLD/status/580875293436456961>
- <sup>2</sup> Australian Taxation Office, Taxation Statistics 2012-13, <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Tax-statistics/Taxation-statistics-2012-13/>
- <sup>3</sup> Royalties are paid to the Commonwealth for offshore gas and petroleum extraction.
- <sup>4</sup> Unfortunately the number of industries has not remained constant over time introducing a slight bias in the early years – the standard deviation for those years is likely to be slightly larger.



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