



TAX



FACTS

PRODUCED BY THE MINERALS COUNCIL OF AUSTRALIA

1 THE MINERALS INDUSTRY'S REVENUE CONTRIBUTION TO AUSTRALIAN GOVERNMENTS IS ABOUT FOUR TIMES WHAT IT WAS BEFORE THE MINING BOOM.

The minerals industry pays a wide variety of taxes, charges and levies to governments in Australia. Mining companies have been our largest corporate taxpayers in recent years.

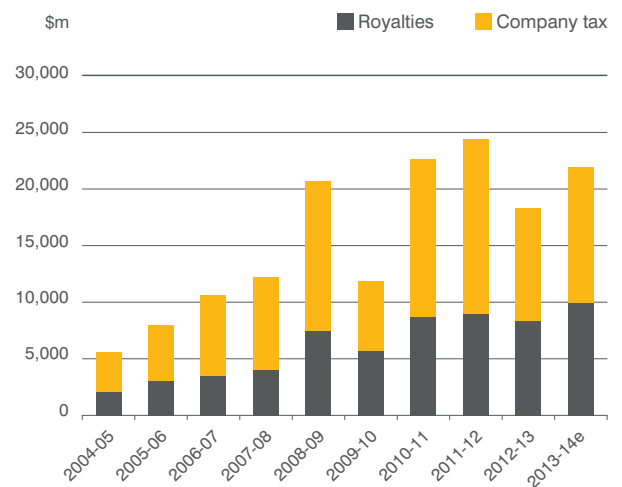
The industry paid an estimated \$156 billion in federal company tax and state royalties alone between 2004-05 and 2013-14.¹ That's roughly equivalent to Commonwealth spending on child care payments, carers and the Pharmaceutical Benefits Scheme over this period. The annual contribution to government revenues from the minerals industry is roughly four times what it was before the mining boom.

2 MORE THAN HALF OF EVERY DOLLAR OF PROFIT MADE BY THE MINERALS INDUSTRY GOES IN COMPANY TAX AND ROYALTIES.

The industry's combined tax and royalty ratio in 2012-13 was 53 per cent according to estimates from Deloitte Access Economics.² In other words, more than half of every dollar of profit made was paid to government via company tax and royalties.

The industry tax and royalty ratio has risen significantly since 2010-11 due to higher royalties and lower commodity prices. Industry tax ratios are now at or above their longer run average. Prominent economist Chris Richardson points out that, contrary to public perception: 'Not only did those tax ratios never fall far [during the boom], they've actually headed up over recent years'.³

MINERALS INDUSTRY COMPANY TAX AND ROYALTIES



Source: Deloitte Access Economics

3 MINING HAS PAID AROUND ONE QUARTER OF COMPANY TAX IN RECENT YEARS.

Mining comprises about 10 per cent of Australia's economy, but pays a much higher share of company tax. Assistant Treasurer Josh Frydenberg noted in March 2015 that 'over the last few years, the resources sector paid around one quarter of company tax, up from around 8 per cent in 2004-05'.⁴

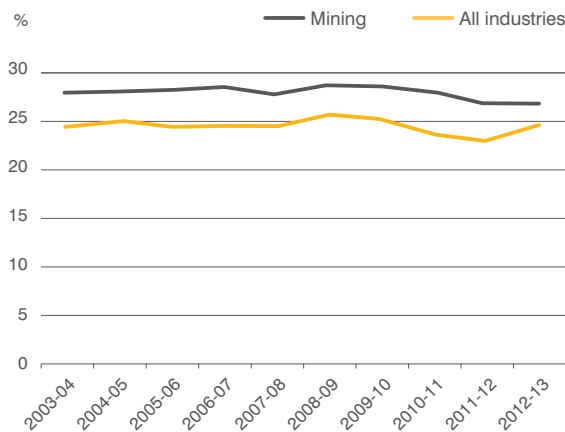
Analysis by Professor Sinclair Davidson has shown that the effective company tax rate on mining (net corporate tax after refunds and credits as a percentage of taxable income) has remained well above the average of 'all industries'. In the words of Professor Davidson, 'the mining industry pays a substantial sum of money in corporate tax and pays at a rate of close to 30 per cent of its taxable income'.⁵

Taxes from mining fund schools, hospitals, public transport, roads and social services across Australia.

TAX FACTS

TAX RATES FOR ALL INDUSTRIES AND MINING

(AVG. EFFECTIVE NET TAX AS PERCENTAGE OF TAXABLE INCOME)



Source: ATO Taxation Statistics (various); Sinclair Davidson calculations

4 AUSTRALIA IS A RELATIVELY HIGH TAX MINING JURISDICTION.

International benchmarking shows Australia is a relatively high tax mining jurisdiction. In 2013, Goldman Sachs estimated the tax take from mining in Australia at 44 per cent compared with a global average of around 39 per cent.⁶

Major resource exporters like Brazil, Indonesia, Canada, Peru and South Africa – as well as large producers such as China and the United States – all have lower tax rates on mining.

5 MINING COMPANIES ARE LEADERS ON TAX TRANSPARENCY.

The Assistant Treasurer in the Gillard Government, David Bradbury (now Head of Tax Policy at the OECD) recognised in 2013 that Australia's largest mining companies disclose 'a vast array of information about the tax they pay and their tax affairs'.⁷

And new transparency initiatives are underway, many on a voluntary basis. Transparency International consistently ranks BHP Billiton and Rio Tinto near the top of its worldwide ranking of companies in its *Transparency in Corporate Reporting* analysis.⁸

The Australian minerals industry supports the Extractive Industries Transparency Initiative (EITI), a global initiative that aims to reconcile payments by resource companies with those received by governments. The Multi-Stakeholder Group report on Australia's EITI pilot confirmed a high degree of accuracy and integrity in company reporting and governance systems.⁹ Many Australian mining companies already participate in EITI-compliant reporting processes around the world.

6 AUSTRALIA'S CORPORATE TAX SYSTEM IS INCREASINGLY UNCOMPETITIVE.

Australia relies more heavily on corporate income tax than other countries. The statutory rate of 30 per cent compares with an OECD average of 25 per cent.¹⁰ The average across the Asia-Pacific region is lower still.

Australia's business tax system has few exemptions which means *effective* company tax rates are also much higher than the OECD average. Australia's marginal effective tax rate is several points higher than estimated rates for the UK, Canada and New Zealand and much higher than regional competitors for capital investment such as Singapore, Malaysia, Hong Kong and Taiwan.¹¹

As other economies lower corporate taxes, Australia's tax system is becoming less competitive. Treasury analysis shows that in an open economy heavily reliant on foreign capital, the final burden of company tax in Australia is borne largely by workers.¹²

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ENDNOTES

¹ Deloitte Access Economics, *Estimated company tax, MRRT, carbon tax and royalties expenses for the minerals sector*, Report prepared for the Minerals Council of Australia, July 2014.

² Chris Richardson, *Mining Tax Ratios Revisited*, A public policy analysis produced for the Minerals Council of Australia, No. 8, March 2015, p. 38.

³ *Ibid.*, p.7.

⁴ This is based on the definition of resources or mining (including oil and gas) used in most official statistics. The Hon Josh Frydenberg MP, Assistant Treasurer, *Address to the Minerals Council of Australia Biennial Tax Conference*, 27 March 2015.

⁵ Professor Sinclair Davidson, *Official Evidence on Mining Taxes: 2015 update*, Background paper produced for the Minerals Council, May 2015.

⁶ Goldman Sachs, *Resource Nationalism Poses Big Threat to Miners*, Equity Research Paper, January 2013.

⁷ David Bradbury, *Address to the Minerals Council of Australia's Biennial Tax Conference*, 16 April 2013.

⁸ Transparency International, *Transparency in Corporate Reporting: Assessing the World's Largest Companies*, November 2014.

⁹ Australian Government, *Extractive Industries Transparency Initiative – Multi-Stakeholder Group Report to Government*, May 2015.

¹⁰ KPMG, Corporate Tax Rates Table, <http://www.home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>

¹¹ Miranda Stewart, Andre Moore, Peter Whiteford and R. Quentin Grafton, *A Stocktake of Tax System and Directions for Reform: Five years after the Henry review*, Tax and Transfer Policy Institute, Crawford School of Public Policy, ANU College of Asia and the Pacific, February 2015.

¹² Xavier Rimmer, Jazmine Smith and Sebastian Wende, 'The incidence of company tax in Australia', *Treasury Economic RoundUp*, Issue 1, 2014.