



**Estimates of royalties and
company tax accrued in 2016-17**
Minerals Council of Australia

4 April 2018

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Dear James

2016-17 royalties and company tax estimates

Please find attached our royalties and company tax estimates for the 2016-17 financial year. This is an updated version of the work previously provided to the MCA in 2017.

Yours sincerely,



Stephen Smith
Partner

Deloitte Access Economics

Contents

1	Royalties and company tax estimates	4
1.1	Royalties	4
1.2	Company tax	5
1.3	Summary	8
	Limitation of our work	9
	General use restriction	9

1 Royalties and company tax estimates

Deloitte Access Economics (DAE) was commissioned by the Minerals Council of Australia (MCA) to provide estimates of the company tax and royalties payments borne by the minerals sector.

Table 1.1 provides a summary of our estimates.

It draws on a combination of official figures (such as data from the Australian Taxation Office (ATO) and various State treasuries), as well as on Deloitte Access Economics' own estimates.

Table 1.1: Estimated royalties and company tax payments, minerals sector

\$ million	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total (FY06-17)
Royalties	3,160	3,583	4,054	7,471	5,742	8,644	9,090	8,338	10,370	8,512	8,050	11,222	88,236
Company tax	4,824	7,053	8,120	13,205	6,135	14,005	15,380	11,589	11,427	7,887	3,650	12,091	115,366
Total	7,984	10,637	12,174	20,676	11,878	22,648	24,471	19,926	21,797	16,399	11,700	23,312	203,602

Note that all the estimates in this report are on an accrual basis.

In brief, Deloitte Access Economics estimates the total royalties plus company tax burden on the minerals sector at over \$24 billion in the 2016-17 financial year. The estimated increase in tax paid on recent years reflects production increases and higher commodity prices due to improved global growth.

1.1 Royalties

The royalty data shown in the table below essentially reflect collections from State and Territory Governments.

Table 1.2: Estimated royalties

\$ million	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
This year's estimates	3,160	3,583	4,054	7,471	5,742	8,644	9,090	8,338	10,370	8,512	8,050	11,222
Last year's estimates	3,160	3,583	4,054	7,471	5,742	8,644	9,090	8,338	10,355	8,512	7,455	-

Table 1.3: Estimated royalties, by state

\$ million	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
WA	1,195	1,495	1,704	2,327	2,299	4,193	4,325	4,407	6,014	4,593	4,121	5,258
Qld	1,234	1,296	1,308	3,410	2,101	2,816	2,881	2,243	2,468	2,172	2,248	3,908
NSW	513	504	595	1,279	985	1,240	1,464	1,318	1,338	1,254	1,189	1,558
Other States	218	289	447	455	357	395	420	370	550	493	492	498

All the data included in the above table are from published State and Territory Treasury sources, except where gaps have been filled by estimates made by Deloitte Access Economics:

- For **Western Australia** for the years to 2016-17, data are as reported in the 2017-18 Budget Paper No.3 (BP3).
- For **Queensland** for the years to 2016-17, data are as reported in the 2017-18 Budget Paper No.2 (BP2).
- For **NSW** for the years to 2016-17, royalties are reported in aggregate in 2017-18 Budget Paper No.1 (BP1).
- The data for **Tasmania** for 2016-17 were sourced from the 2017-18 Budget Paper No.1 (BP1).
- For the **"other" States**, the data for **Victoria**, **South Australia** and the **Northern Territory** for 2016-17 are as reported in the respective 2017-18 Budget Papers.

Overall, mineral royalties paid were estimated to be \$8,050m in 2015-16 and \$11,222m in 2016-17.

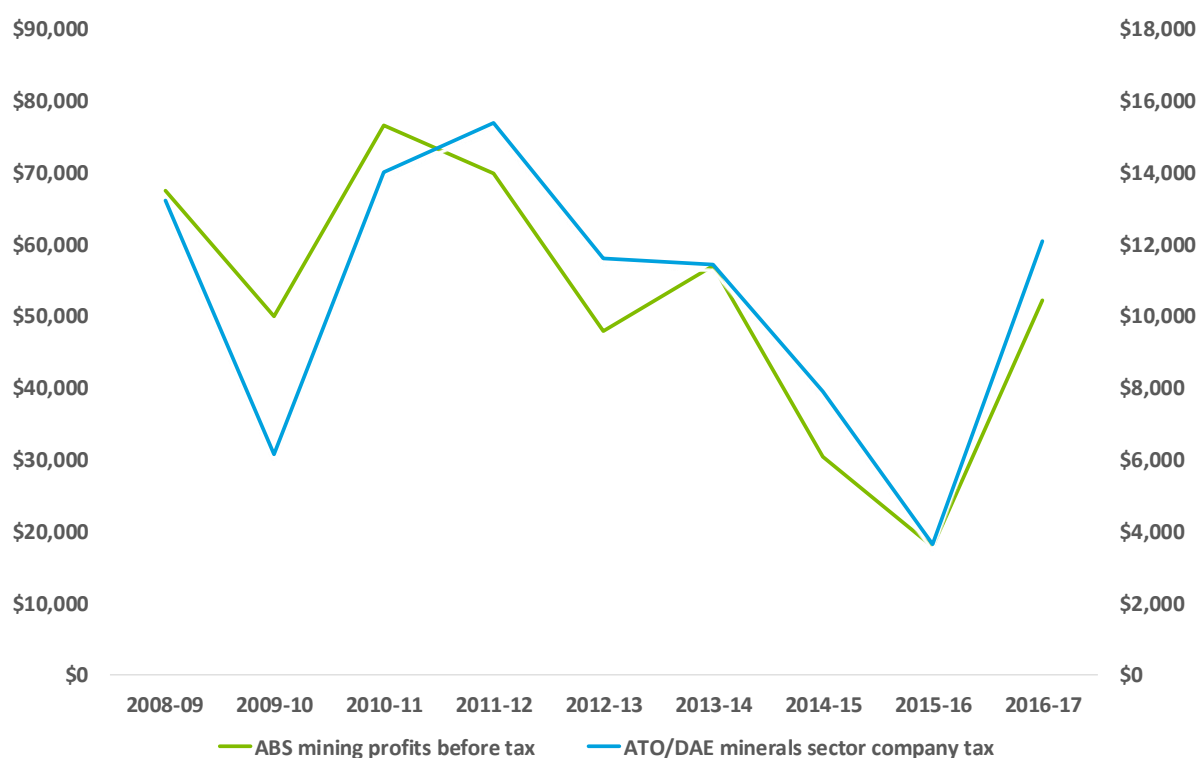
1.2 Company tax

The company tax figures in this report reflect Australian Taxation Office data available through to 2014-15. Figures for 2015-16 and 2016-17 are Deloitte Access Economics estimates based on ABS estimates for profits before income tax.

The most recent available profits data before tax from the official sector is from the Australian Bureau of Statistics' (ABS) *Business Indicators* publication (cat. 5676.0). This provides quarterly profits for the mining industry through to the December quarter of 2017.

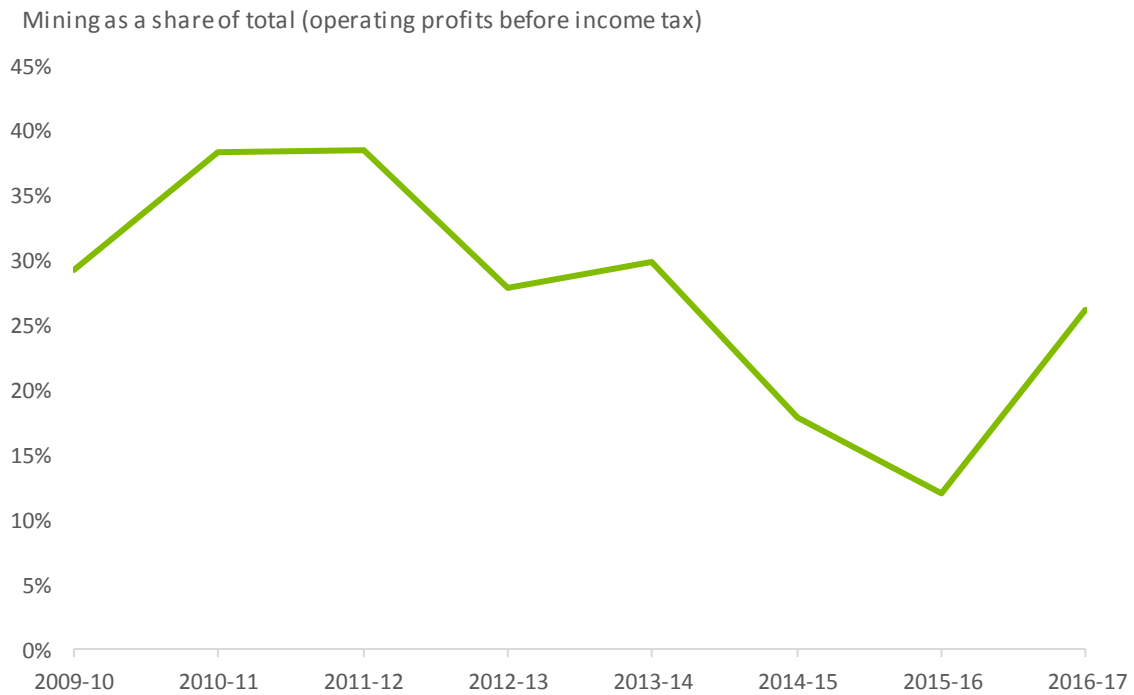
Taxable income data for the two 'missing' years – that is, for 2015-16 and 2016-17 – are derived by applying an estimated adjustment factor between accounting profits (which are available from the ABS) and taxable income. This adjustment factor accounts for the various addition and subtraction items which make taxable income rise and fall relative to accounting profits.

Chart 1.1: ABS mining profits before tax (\$m, LHS), ATO/DAE minerals co tax accrued (\$m, RHS)



As the above chart shows, the dominant driver of company tax remains profits – an unsurprising result, given that company tax is a profits tax. Note that the ABS measure used in the above chart covers the mining sector as a whole. Chart 1.2 shows mining operating profits before income tax as a share of total operating profits before income tax in the economy. Unsurprisingly, this share fell with commodity prices, before staging a sharp rebound in 2016-17.

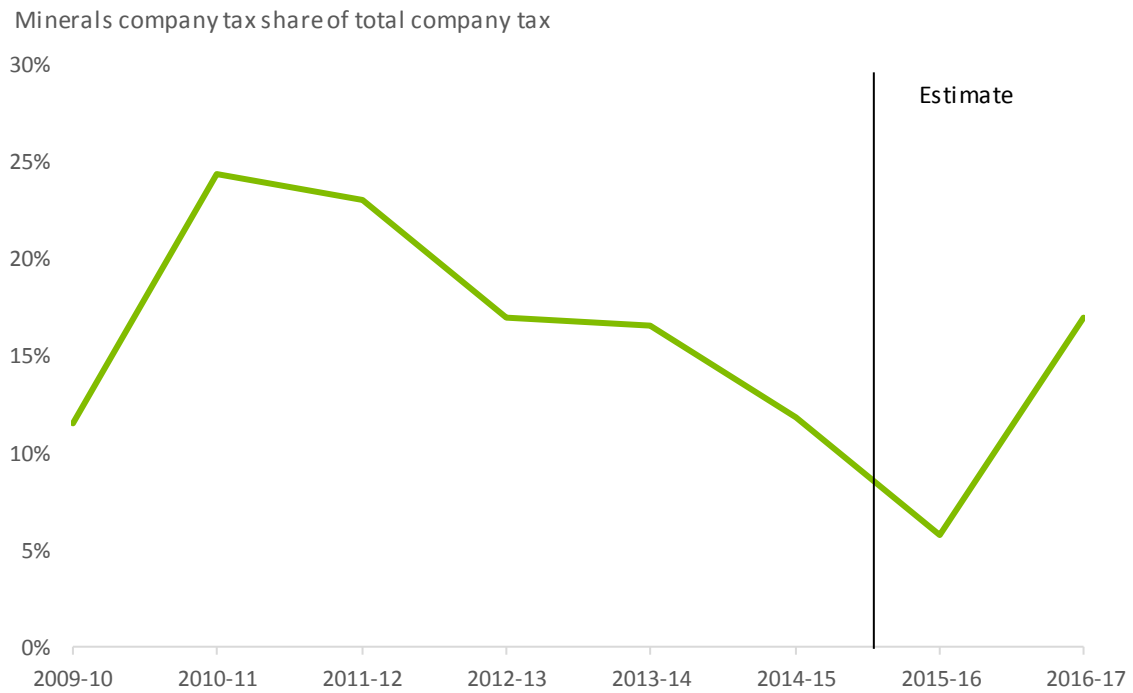
Chart 1.2: Mining operating profits as a share of total



Source: Australian Bureau of Statistics and Deloitte Access Economics

Chart 1.3 shows company tax paid by minerals companies as a share of total company tax received by the Australian Government, with the last two financial years being Deloitte Access Economics' estimates. This chart shows a similar trajectory as Chart 1.2, with company tax paid by miners as a share of total company tax falling amid the challenge of lower commodity prices before subsequently rebounding in 2016-17.

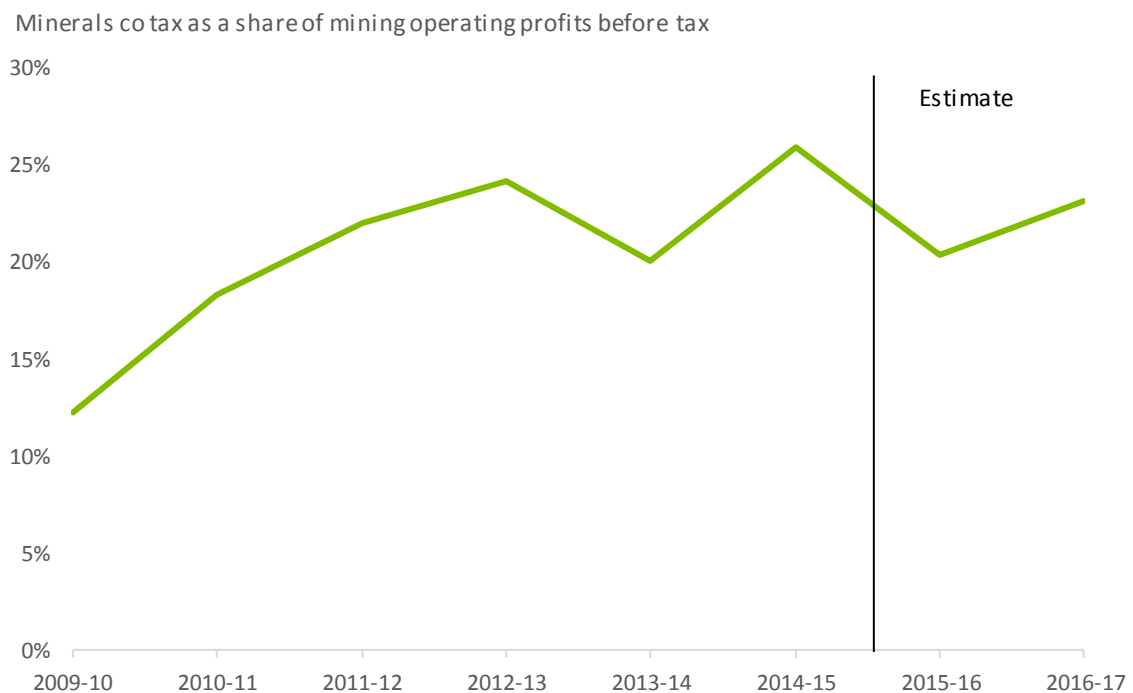
Chart 1.3: Minerals company tax paid as a share of total company tax



Source: Federal Treasury and Deloitte Access Economics

Chart 1.4 shows Deloitte Access Economics' estimate of company tax paid by minerals companies as a share of mining operating profits before income tax. The series is forecast to have fallen in 2015-16 amid weak commodity prices before rebounding somewhat in 2016-17.

Chart 1.4: Minerals company tax paid as a share of total mining operating profits before tax



Source: Australian Bureau of Statistics and Deloitte Access Economics

Table 1.4 sets out our estimates and provides a comparison with our equivalent estimates made in the matching report last year. Company tax payments for the minerals sector are expected to rebound substantially from \$3,650m in 2015-16 to \$12,091m in 2016-17.

Table 1.4: Estimated company tax payments

\$ million	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
This year's estimates	4,824	7,053	8,120	13,205	6,135	14,005	15,380	11,589	11,427	7,887	3,650	12,091
Last year's estimates	4,824	7,053	8,120	13,205	6,135	14,005	15,380	11,589	15,314	8,363	4,084	-

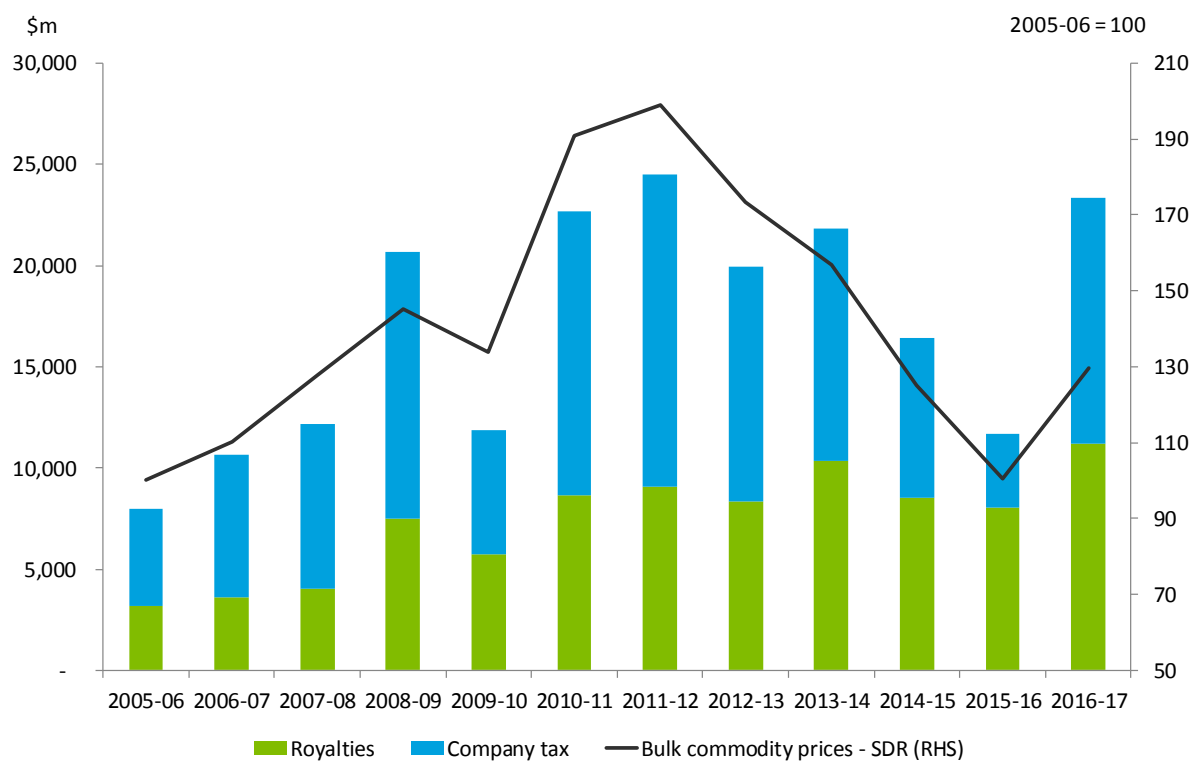
The company tax estimates here are also broadly consistent with those released by the Australian Taxation Office on 7 December 2017 in its 2015-16 *Report of Entity Tax Information* (found at: <https://data.gov.au/dataset/corporate-transparency>).

Note that some major miners are involved in oil and gas operations as well as in the minerals sector. The estimates in this report relate solely to the latter.

1.3 Summary

Chart 1.5 summarises company tax and royalties paid by the minerals sector and the relation to commodity prices. As shown, 2016-17 shows a reversal in the prior declining trend in both commodity prices and taxes paid. The forecast rebound in 2016-17 is expected to come more from an increase in company taxes than royalties paid, reflecting the more volatile base that company income tax is levied on compared to mineral royalties.

Chart 1.5: Minerals industry company tax and royalties, bulk commodity prices



Source: Reserve Bank of Australia and Deloitte Access Economics

Limitation of our work

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