



***Income Taxes,  
Mining Taxes and  
Mining Royalties***  
A Summary of Selected  
Countries

*PwC Global Mining Group*

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Dear colleagues in the global mining industry:

There is considerable interest today regarding income tax rates, mining tax rates and mining royalty rates levied on mining companies in various countries where significant mining occurs. This interest has been heightened as the global economy slowly emerges from the recession and mining companies lead the way by providing the raw materials and energy for manufacturing and other activities. This interest is even greater in countries where mining is a significant portion of GDP and, therefore, a potentially significant source of revenue for the government.

In general, mining tax policy discussions likely include the following thoughts:

- Federal and local governments probably calculate what income taxes, mining taxes and royalties can be levied without driving mining companies currently operating in their country away or discouraging future exploration in their country. They temper that sentiment with the desire to actually incentivize mining activity in their country in order to attract the relatively high paying jobs mining creates as well as provide the raw materials needed to support downstream manufacturing.
- Management of mining companies explore, develop and operate within the laws in such a way to maximize shareholder return. That means paying appropriate taxes and royalties as the laws are currently written, but no more than is required. This effort is often tempered by the view that “paying your fair share of taxes” is typically viewed today as part of the definition of sustainability. This may mean actually foregoing tax deductions or positions which could legally reduce taxes because claiming the deductions might reduce taxes “too much” in the world of public opinion.

Our hope is that this Summary can help in an analysis of taxes in an included country by focusing on the income taxes, mining taxes and royalties applicable in that country. It is, however, only a starting point. Any analysis of fairness with regard to whether a mining company is paying its fair share should include not only income taxes, mining taxes or royalties but should arguably also include all taxes and payments to government by a mining company. This Summary of income and mining taxes and mining royalties does not include property taxes, VAT and other taxes broadly applicable to all businesses. See our publication Total Tax Contribution - A study of the economic contribution mining companies make to public finances at [pwc.com/mining](http://pwc.com/mining).

This Summary of income taxes, mining taxes and mining royalties should allow the reader to roughly compare investments in various countries. There is some detail as to various rates applicable to different minerals. That detail should be enough to notify the reader to realize there is a need for additional research.

The included footnotes provide information on various mining deductions and credits. All of these items should be considered in a comprehensive analysis.

We hope you find this compilation useful. It is a document which will be expanded and updated periodically. Please ensure you are using the most recent version by checking at [pwc.com/mining](http://pwc.com/mining).

Contact your local PwC mining tax professional, one of our mining territory leaders (listed in the back of this publication) or me if you have questions or comments regarding this summary or if you would like assistance in preparing an in-depth analysis of these rates or a project.

Regards,

A handwritten signature in black ink, appearing to read "Steve Ralbovsky", written in a cursive style.

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## Income taxes, mining taxes and royalty by country

	Corporate Tax	Remittance Tax	Specific Mining Tax	Fiscal Stability Regimes and Fiscal Incentives
<b>Argentina</b>	35% (worldwide income regime)	0% on dividends <sup>1</sup> 15.05% on interest <sup>2</sup> 21% and 28% on technical assistance <sup>3</sup>		The Mining Investment Law provides benefits for those who are registered in the Mining Investments Registry kept by the Department of Mining of Argentina. <sup>4</sup>
<b>Australia</b>	30% <sup>1</sup> (worldwide income regime)	0% on franked dividends <sup>2</sup> 30% on unfranked dividends <sup>2</sup> 10% on interest <sup>2</sup> 30% for royalties <sup>2</sup>	Not applicable <sup>3</sup>	Fiscal Stability Regime: Not applicable Fiscal Incentives: Specific concessions apply to the mining industry (for example an immediate tax deduction is allowable for exploration expenditure and assets first used in exploration). <sup>4</sup>
<b>Bolivia</b>	25% <sup>1</sup> (territorial regime)	12.5% effective rate <sup>2</sup>	Additional tax of 25% <sup>3</sup> Complimentary Mining Tax (ICM) <sup>4</sup>	Fiscal Stability Regime: not applicable Double tax deduction for exploration costs <sup>5</sup> Accelerated depreciation of fixed assets <sup>6</sup>
<b>Brazil</b>	15% + 10% <sup>1</sup> Social contribution of 9% based on net profit <sup>2</sup> (worldwide income regime)	0% on dividends <sup>3</sup> 15% on royalties and technical service <sup>4</sup> 25% on others <sup>5</sup> 25% on services with no transfer of technology <sup>11</sup>	The rate varies according to the type of mineral, from 0.2% to 3% <sup>6</sup>	Fiscal Stability Regime: not applicable Depreciation: the general rule is straight line basis <sup>7</sup> Specific depreciation rules for mining exploration activities <sup>8</sup>
<b>Canada</b>	Federal Tax: 18% in 2010 decreasing to 15% by 2012. Provincial Tax: between 10%–16%	No withholding tax on loans from unrelated parties.  25% on dividends, interest paid to related parties, rent, royalties, management fees rendered in Canada unless reduced by tax treaties in force.	Each province imposes its own mining tax under systems that vary significantly. Applicable tax rates vary between 10% to 16%. <sup>1</sup> Mining tax base is typically revenue less most expenses except financing and property acquisition costs.	Fiscal Stability Regime: not applicable Fiscal Incentives: Investment Tax Credits <sup>2</sup> , accelerated depreciation for pre-production mining assets <sup>3</sup> , some mining tax holidays.
<b>Chile</b>	17% (Worldwide income regime) Increased to 20% for profits accrued or received in 2011; to 18,5% profits accrued or received in 2012; and back to 17% from 2013 onwards.	35% on dividends (less corporate tax credit) <sup>1</sup> 30% on royalties 15% on technical assistance increased to 20% for services rendered to related parties or if beneficiary is domiciled in tax havens. For other items the rate ranges from 1.75%–35%.	- Annual sales of less than 12.000 metric tones of fine copper are exempted from Mining Industry Tax; - Annual sales ranging between 12.000 and 50.000 metric tones of fine copper, a marginal rate ranging from 0,5% to 4,5% is applied over the taxable operational mining income (equivalent to an effective tax burden of 0,04% to 1,93%); - Annual sales over 50.000 metric tones of fine copper are subject to an effective tax burden ranging from 5% and 14% over the taxable operational mining income <sup>2</sup>	Decree Law 600, which sets down certain rights and benefits for foreign investors, including tax invariability.

Tax Loss Carryforward	Governmental Mining Royalties	Other Comments
5 years	There is a provincial royalty. The rate varies depending on the province where the mine is located.	
No time limitations, however utilisation of carried forward losses is subject to meeting specific requirements. There is no carry-back of losses. <sup>5</sup>	State royalties apply. <sup>6</sup>	Various tax concessions and incentives are available for entities who are inbound and/or outbound investors into/from Australia (subject to meeting eligibility requirements). <sup>7</sup>
No limitations		
No limitations <sup>9</sup>		Deduction of interest from equity <sup>10</sup>
Operating Losses: 20 years Capital Losses: Indefinite carryforward No loss carryovers for mining tax purposes.	Not applicable.	Canada has a flow-through share regime whereby a corporation that issues flow-through shares can “renounce” exploration and development expenses incurred to its flow-through shareholders who can then deduct those expenses as if they incurred those expenses directly.
Must first be used to offset undistributed after-tax retained earnings The excess can be carried forward indefinitely.		Changes on Specific Tax on Mining were introduced by Law Number 20.469 published in the Official Gazette in October 21st 2010 under which annual sales over 50,000 metric tons of fine copper are subject to an effective tax burden between 5% and 14% linked to the Mining Operational Margin but applicable over taxable operational mining income.

## Income taxes, mining taxes and royalty by country

	Corporate Tax	Remittance Tax	Specific Mining Tax	Fiscal Stability Regimes and Fiscal Incentives
<b>China</b>	25% (worldwide income regime)	10% on passive income derived in China (such as dividends, interest, rental, royalties).	Resource Tax ("RT") <sup>1</sup> ; Compensation Fees for Mineral Resource ("CFMR") <sup>2</sup> .	Certain incentives could be granted to foreign investors and mining activities in Western China region <sup>4</sup> .
<b>Colombia</b>	33% (worldwide income regime—only colombian source for branches of not resident companies)	No tax on dividends paid out of taxable earnings. Otherwise a 33% withholding tax applies (treaty relief available). No branch profits or remittance tax.	Certain specific taxes such as royalties from 4% to 6%.	Fiscal and Legal stability regime available subject to an investment commitment and payment of a fee
<b>Germany</b>	Effective income tax rate around 30% 15,825 % (15 % plus 5.5% solidarity surcharge thereon) 14 % to 17 % trade tax, which is since 2008 no longer an expense for corporate tax	25 % (plus 5,5 % solidarity surcharge thereon) on dividends. <sup>1 and 2</sup> 25% (plus 5,5 % solidarity surcharge thereon) on interest for public traded debt, interest received through a German payment agent, convertible bonds and certain profit participating loans where a German resident company is the debtor. <sup>1</sup> 15% (plus 5,5 % solidarity surcharge thereon) on Royalty and lease payments on movable property paid to nonresident corporations. <sup>1</sup> 30% (plus 5,5 % solidarity surcharge thereon) on Royalty and lease payments on movable property paid to person other than corporations. <sup>1</sup>	Special energy taxation rules exist in Germany.	Some energy branches are subsidized, the rules are quit complicated.
<b>India</b>	Indian Company: 33.22% <sup>1</sup> Foreign Company: 42.23% <sup>2</sup>	0% on dividends <sup>3</sup> 21.115% on interest <sup>4</sup> 10.5575% on Royalty and Fee for Technical Services <sup>5</sup> 42.23% on other income <sup>6</sup>	The value varies according to the type of mineral, from 0.2% to 20% <sup>7</sup>	Fiscal Incentives: 1)Tax holiday on mining in Special Economic Zones <sup>8</sup> 2)Special deduction on prospecting of minerals under Income Tax <sup>9</sup> 3)Concessional import duty rates on coal mining projects <sup>10</sup> Fiscal Stability: 1)Limitation on enhancement of royalty and dead rent rates <sup>11</sup>
<b>Kazakhstan</b>	20% (worldwide income regime) <sup>1</sup>	15% on dividends 15% on capital gains 15% on interest 15% on royalties 20% on payments to entities registered in black-listed countries <sup>2</sup> 5%–20% on other income	Signature bonus Commercial discovery bonus Mineral Extraction Tax Excess Profit Tax <sup>3</sup>	No concept of stability as of 2009 Tax incentive: Assets can be depreciated over 3 years

Tax Loss Carryforward	Governmental Mining Royalties	Other Comments
5 years	Fee for Exploration Right and Mining Right <sup>3</sup> . There are also minimum working capital requirement at exploration phase.	In general, sales of mineral in China is subject of Value Added Tax ("VAT") at 17% for general VAT payer, or 3% for small-scale VAT payer.
Tax loss carryforward with no time or offset capacity limitation (for NOL's incurred beginning 2007)	Certain specific taxes such as royalties from 4% to 6%.	No presumptive income tax for mining industry
The loss carry back is limited to € 511,500 for corporate income tax purposes. No carry back is possible for trade tax purposes. No restrictions are imposed on the utilization of loss carry forwards of up to €1 million; however the utilization of loss carry forwards exceeding €1 million is capped at 60% of income. Therefor the remaining 40% of income will be taxed at the general rates ("minimum taxation"). The "minimum taxation" also applies for trade tax purposes.		For fiscal years beginning after May 25, 2007 and not ending for January 1, 2008 new rules affecting all interest have been implemented. The rule not only applies to loans from shareholders/partner, but also to loans from third parties. The general rule is that the net interest expense (balance of interest income and interest expense) is only deductible for tax purposes if it does not exceed 30% of the taxable EBITDA (only regular depreciation/amortization is allowed; extraordinary write-offs will not be added back) at the end of the preceding fiscal year. The main exemption to the restriction of interest deduction applies when the annual net interest is less than €3,000,000.
8 years <sup>12</sup>		Dividend Distribution tax of 16.995 % in case of Indian companies <sup>13</sup>
10 years as of 2009  Loss accumulated prior to 2009: 3 years	Royalty was replaced by Mineral Extraction Tax (MET) from 2009	Group taxation is not allowed; Thin capitalization rules: debt to equity ratio must not exceed 6:1; For financial institutions debt to equity ratio must not exceed 9:1.

## Income taxes, mining taxes and royalty by country

	Corporate Tax	Remittance Tax	Specific Mining Tax	Fiscal Stability Regimes and Fiscal Incentives
<b>Mexico</b>	30% <sup>1</sup> (worldwide income regime)	0% on dividends 25% on technical assistance 4.9%–30% on others <sup>2</sup>	Flat tax may apply <sup>3</sup>	There are specific fiscal incentives <sup>4</sup>
<b>Peru</b>	30% (worldwide income regime)	4.1% on dividends upon distribution in benefit of domiciled individuals or non-domiciled beneficiaries (either individuals or legal entities), 15% on technical assistance and 4.99%–30% on others.	1-3% <sup>1</sup>	The General Mining Law allows stability agreements to be made that guarantee mining investors stability on the general tax regime. <sup>2</sup>
<b>Russia</b>	20% (worldwide income regime) <sup>1</sup>	15% on dividends 20% on interest 20 % on royalties 20 % on capital gais <sup>2</sup>	Mineral Resources Extraction Tax (MRET) is levied at the rate ranging between 3.8% and 8% <sup>3</sup> (rates depend on the type of mineral) based on the value of extracted mineral.	None for mining companies

Tax Loss Carryforward	Governmental Mining Royalties	Other Comments
10 years		Dividend tax regime <sup>5</sup>
<p>There are two alternatives:</p> <p>a) By offsetting them against net income obtained within the next 4 fiscal years as from the year in which the loss was generated. The amount that is not offset within such period cannot be offset later; or,</p> <p>b) By offsetting them against 50% of the net income obtained in the following fiscal years. Under this system there is no time limit to offset the losses.</p> <p>After choosing one of the aforementioned systems, the taxpayers can not change it until the accumulated tax losses from prior fiscal years are exhausted.</p>	See specific mining tax	<p>Companies holding mining rights have to pay US\$3.00 per hectare, annually. For the minor mining producers the cost of hectare concession is US\$1.00 annually. In case the mining company does not comply with the minimum annual production, it is subject to a penalty (US\$6.00 annually per hectare and for minor mining producers, the penalty will be of US\$1.00 annually per hectare). If the default continues, as from the twelfth year, the penalty will be of US\$20.00 annually, per hectare and for the minor mining producer, the same penalty of US\$5.00 annually per hectare applies.</p> <p>Companies subject to corporate income tax, except those in pre-operative stage, are obliged to pay the temporary net assets tax. The taxable basis is the value of the net assets set forth in the taxpayer's balance sheet as of December 31 of the year prior to the one that corresponds to the tax payment, adjusted with the deductions and amortizations accepted by the PITL. Thus, the amount of the temporary net assets tax is determined by the application of the following rates on the taxable basis:</p> <p>Rates Net Assets  0% Up to S/. 1'000,000  0.4% Excess of S/. 1'000,000</p> <p>Holders of mining concessions have the right to be reimbursed VAT paid in connection to their activities during the exploration stage. For this purposes, concession holders need to enter into an Exploration Investment Contract with the Government, according to a contract model to be approved by a Resolution of the Ministry of Energy and Mines. The reimbursement comprises VAT applicable to all imports or acquisition of goods, services hired or used within national territory and construction contracts linked to mineral exploration activities in the country. The reimbursement may be requested on a monthly basis as from the month following the registration of the mentioned transactions in the purchase ledger of the concession holders.</p>
10 years. Losses should be utilised on FIFO basis. 100% of taxable profit may be used to utilise the losses. Rules exist to limit offset of non-trading losses against trading profits.	One-off and regular payments for subsoil use <sup>4</sup>	<p>Special rights for recognition of expenses on development of natural resources</p> <p>Accelerated depreciation<sup>5</sup></p> <p>Limits for interest expenses deductibility<sup>6</sup></p> <p>Special rules for recognition of expenses on the acquisition of right on land plots</p> <p>Negative net assets risk<sup>7</sup></p> <p>Limitations on access of foreign investors in strategic industries<sup>8</sup></p>

## Income taxes, mining taxes and royalty by country

	Corporate Tax	Remittance Tax	Specific Mining Tax	Fiscal Stability Regimes and Fiscal Incentives
<b>South Africa</b>	28% (worldwide income regime) <sup>1</sup>	0% on dividends <sup>2</sup> 12% on royalties <sup>3</sup> , 7.5% on the disposal by a company of immovable property to non-residents 15% on payments to non-resident entertainers and sportspersons	A standard corporate tax rate of 28% and STC at 10% is levied on mining companies <sup>4</sup>	Mining companies are eligible for an upfront deduction of all capital expenditure incurred. However, the deduction can only be claimed when the company reaches production stage and subject to sufficient mining taxable income.
<b>UK</b>	28% (worldwide income regime) <sup>1</sup>	0% on dividends 20% on interest <sup>2</sup> 20% on royalties <sup>2</sup>	No specific mining tax	None for mining companies
<b>US</b>	35% plus state income tax <sup>1</sup> (worldwide income regime)	30% on dividends, interest royalties, technical assistance rendered in the US unless reduced by tax treaties in force.	States impose severance taxes on extraction of certain minerals which varies by state law.	Fiscal Stability Regime: not applicable Percentage depletion allows a tax deduction based upon "gross income from mining" for federal income tax subject to certain limitations.

Tax Loss Carryforward	Governmental Mining Royalties	Other Comments
Assessed losses may be carried forward indefinitely provided the company carries on a trade.	Royalties are payable on minerals classified as either refined or unrefined <sup>5</sup>	A withholding tax on interest at a rate of 10% will be implemented from 2013.
No limitation <sup>3</sup>		Climate Change Levy <sup>4</sup> Aggregates Levy <sup>5</sup> Mineral Extraction Allowances <sup>6</sup>
20 years forward and 2 years back for federal tax. State tax loss carry-forwards vary from 5 to 20 years.		Limitations on interest expense paid to related no US persons. Suspended interest expense can be carried forward. <sup>2</sup>

## Footnotes

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### Argentina

<sup>1</sup> In exceptional cases, the “equalization tax” is levied at a rate of 35% whenever dividends are paid out exceeding taxable profits.

<sup>2</sup> The general rate of the interest remittance tax is 35%. In special cases, the interest on loans granted by foreign banks is levied by a rate of 15.05%, provided certain requirements are met.

<sup>3</sup> The taxation of technical assistance fees will depend on whether the technology does or does not exist in Argentina. If the technology used in technical assistance is not available in Argentina, the rate is 21%, otherwise the rate is 28%.

<sup>4</sup> Law 24,196 set down a special mining regime for Argentina. Mining projects within the purview of that law have the following rights; (i) double deduction of exploration expenses; (ii) accelerated depreciation of assets; (iii) exemption from import duties; (iv) a limit of 3% on mining royalties; (v) forecast for environmental conservation deductible from income tax; (viii) fiscal stability for a period of 30 years. This latter means that a mining investor will not experience any increase in their total tax burden determined on the date the corresponding feasibility study is presented, for the period of 30 years. There is currently a “presumed minimum gains” tax levied at a rate of 1% on the net value of assets; companies within the purview of Law 24,196 on Mining Investments are exempt from the imposition of this tax.

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### Australia

*The information provided in relation to the Australian income tax system is current as at 3 September 2010. The state of the Australian tax system is currently subject to change given that at the time this document was prepared, the Federal Government election results are outstanding, creating uncertainty as to government and future economic decisions / policies which will be implemented going forward.*

<sup>1</sup> The income tax treatment is dependent on residency status. Australian tax residents are generally taxed on their worldwide income, whereas, non-residents are only taxed on Australian sourced income.

The current Australian Federal Government has, if re-elected, proposed to reduce the corporate tax rate from the current rate of 30% to 29% in the 2013/2014 financial year (or the 2012/2013 financial year for small companies). This proposed change is pending on the result of the election and has not yet been legislated.

<sup>2</sup> The tax rates outlined are the general Australian domestic rates. However, relief may be granted to reduce the applicable withholding tax (partially or in full) by way of an exemption or a Double Taxation Agreement (“DTA”).

<sup>3</sup> The current Australian Federal Government has, if re-elected, proposed to introduce a federal Minerals Resource Rent Tax (“MRRT”) for Australia. As currently proposed, the MRRT would apply to iron ore and coal (bulk commodity) projects in Australia from 1 July 2012 (excluding “small miners” who earn less than AUD 50m of MRRT assessable profits per year). MRRT is proposed to apply at a headline tax rate of 30%, but projects are entitled to an “extraction allowance” of 25%, therefore an effective MRRT rate of 22.5%. Any MRRT paid is deductible for income tax purposes. This proposed tax is pending on the result of the federal election, and is still subject to extensive consultation (if it is to be introduced) and has not yet been legislated.

<sup>4</sup> The current Australian Federal Government has, if re-elected, proposed to introduce further fiscal incentives for the Australian mining industry, for example, the introduction of further exploration incentives for income tax purposes. Any proposed incentives are still pending on the result of the federal election, and are still subject to extensive consultation and have not yet been legislated.

<sup>5</sup> Applicable for both revenue and capital losses. Capital losses can only be used to offset capital gains. The utilisation of losses is subject to integrity measures in the form of loss recoupment tests.

<sup>6</sup> A mining royalty is payable to the Australian state government in which certain minerals are mined. Generally, the applicable mining royalty will be either a set amount or a percentage of the volume of mineral mined or the realised value of the minerals mined.

<sup>7</sup> Subject to meeting the eligibility requirements, significant tax exemptions/concessions are available for inbound/outbound investors as the Australian Government is encouraging investment into/out of Australia, with the view of positioning Australia as an attractive jurisdiction through which to invest. For example, exemptions exist in relation to Australian tax on disposal of shares in an Australian company, the taxation of dividends, the taxation of foreign branch profits, the disposal of shares in a foreign subsidiary, and various other concessions.

Australia also has the concept of consolidation/grouping for income tax purposes which carries a number of benefits (for example aggregation of income and losses between group companies, compliance savings and intra-group transactions being ignored for income tax purposes).

## Footnotes

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- Bolivia**
- <sup>1</sup> The additional 10% tax is levied on income exceeding R\$240,000 (USD 110,000 approx.).
- <sup>2</sup> The taxpayer paying Bolivian-sourced revenue to persons domiciled or resident abroad must withhold the Foreign Beneficiaries Corporate Tax (IUE-BE). The rate is 25% and it is presumed, with no proof otherwise being admissible, that 50% of the remittance corresponds to Bolivian-sourced revenue (such as interest and technical assistance rendered in Bolivia).
- <sup>3</sup> (i) 3% is levied on aluminum, manganese, halite and potassium; (ii) 2% is levied on iron, fertilizers, coal and other mineral substances; and (iii) 1% is levied on gold.
- <sup>4</sup> The definition of mining must be considered in respect of this tax. It is levied on each sale or export and the tax is paid to the government as an “advance on the corporate tax”. Additional aspects of its assessment must be looked at in detail.
- <sup>5</sup> (Incentives measure for the mining sector), dated 31 of January of 2004, allowed the double deduction of exploration costs in order to determine the taxable base of the IUE.
- <sup>6</sup> Article 9° of the Supreme Decree N°27334 mentioned that it will be established, through the issuance of further administrative rules, an accelerated depreciation regime for the mining sector. However, this regime has not been established so far.
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- Brazil**
- <sup>1</sup> The additional 10% tax is levied on income exceeding R\$240,000 (USD 110,000 approx.).
- <sup>2</sup> This contribution is levied on a taxable base similar to the income tax.
- <sup>3</sup> The taxation on dividend payments by companies in Brazil was eliminated in 1996.
- <sup>4</sup> Additionally, any payment, credit or remittance for royalties, technical or administrative services to non residents will have a 10% impact on the economic domain intervention contribution—CIDE, except for dividends payments.
- <sup>5</sup> This 25% rate is levied on payments made to persons resident or domiciled in tax havens.
- <sup>6</sup> (i) 3% is levied on aluminum, manganese, halite and potassium; (ii) 2% is levied on iron, fertilizers, coal and other mineral substances; (iii) 1% is levied on gold and (iv) 0.2% is levied on precious stones, coloured cuttable stones, carbonates and noble metals.
- <sup>7</sup> However, Brazilian tax law allows an accelerated depreciation regime on machines and equipment based on their hours of utilization. In certain cases machines and equipment can be depreciated on duplicate bases.
- <sup>8</sup> Equipment used in exploration activities can be depreciated under two regimes: i) straight-line depreciation based on the term of the concession or exploration agreement; or ii) depreciation based on volume of production in comparison with the mine production capacity.
- <sup>9</sup> Its use is limited to a maximum of 30% of the tax base in subsequent fiscal years.
- <sup>10</sup> Brazilian tax laws allow an interesting tax planning tool in which interest paid to shareholders in the company as a return on invested capital (equity) can be deducted from income tax purposes.
- <sup>11</sup> The 25% WHT rate applies when CIDE at 10% is not levied.
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- Canada**
- <sup>1</sup> The Canadian mining tax rates which vary between 10% to 16% are in addition to the provincial income rates which also vary between 10% to 16%.
- <sup>2</sup> A non-refundable investment tax credit (ITC) of 10% applies to grassroots exploration and mine development costs, but only for base and precious metals and diamonds. It is available only to corporations. ITCs of 20% (35% for certain private corporations) are available for expenditures in qualified scientific research incurred anywhere in Canada. A temporary non-refundable 15% Mineral Exploration Tax Credit is available to individuals who invest in flow-through shares. Certain provinces provide additional credits for flow-through shares.
- <sup>3</sup> Certain buildings, machinery and equipment acquired before the commencement of production or for the purpose of a major expansion may qualify for accelerated tax depreciation at a rate of up to 100%.

## Footnotes

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<b>Chile</b>	<p><sup>1</sup> First Category Tax (or corporate tax) paid by the company on that revenue can be credited.</p> <p><sup>2</sup> New Specific Mining Tax regime may not apply to foreign investors that had signed Foreign Investment contracts with the Chilean Government under Decree Law 600 including a Mining Tax invariability. However, such foreign investors may voluntarily be subject to the new regime being subject during calendar years 2010, 2011 and 2012 to an effective tax burden ranging from 4% and 9% over the Mining Operational Margin.</p> <p>Such taxpayers, from calendar year 2013 onwards (discounting the named calendar years) are able to return to the old mining tax regime until the end of their original Mining tax invariability. As compensation, they will benefit from a new invariability regime of 6 years according to the new Mining Tax regime, starting from the day in which their old stability regime is exhausted.</p>
<b>China</b>	<p><sup>1</sup> Under the prevailing China Resource Tax ("RT") regime, RT rate varies according to the type of mineral, from RMB0.3 to RMB60 per ton/stere on sales volume. However, the pilot program of new RT regime of 5% on sales value is being tested in Xinjiang region and is foreseen to be rolled out nationwide.</p> <p><sup>2</sup> Compensation Fee for Mineral Resource rate is at 0.5% to 4% on sales revenue of mineral * exploitation-recycle ratio.</p> <p><sup>3</sup> Fees for exploration right and mining right are calculated based on mining area (km<sup>2</sup>); Fee for Exploration Right is RMB100/km<sup>2</sup>/annum, increased by RMB100/km<sup>2</sup>/annum from the 4th-year of exploration with a ceiling at RMB500/km<sup>2</sup>/annum; Fee for Mining Right is RMB1000/km<sup>2</sup>/annum. Apart from the fee for exploration and mining right, to obtain such rights, the applicants also need to pay a compensation to the government, which are the cost of exploration and mining rights and should be capitalised as intangible assets of the enterprise and subject to amortisation.</p> <p>In addition, there may also be local surcharge or fees which may be imposed by local government. Such local surcharge or fees vary from location to location. Apart from the mining specific tax, other taxes such as Land Use Tax, Arable Land Use Tax, etc may also apply.</p> <p><sup>4</sup>Incentives relating to Corporate Income Tax, Resource Tax, Compensation Fee for Mineral Resources and Fee for Exploration and Mining Right may be granted for certain mining activities in Western Region.</p>
<b>Germany</b>	<p><sup>1</sup> Can be reduced on application if Double Tax Treaty or EC rules are applicable.</p> <p><sup>2</sup> Dividends within the corporation chain from domestic or foreign corporation are 95% tax-exempt and capital gains from disposal of domestic and foreign shareholdings are 95% tax-exempt for corporate shareholders.</p> <p><sup>3</sup> There are political discussions to limit the possibilities of the deduction of tax losses carry forward. For example, it is under discussion to increase the 40% up to 50% minimum taxation.</p> <p><sup>4</sup> Dividends within the corporation chain from domestic or foreign corporation are 95% tax-exempt and capital gains from disposal of domestic and foreign shareholdings are 95% tax-exempt for corporate shareholders.</p>

## Footnotes

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- India**
- <sup>1</sup> The tax rate is applicable where Taxable Income exceeds INR 10 million otherwise the tax rate is 30.9 %
- <sup>2</sup> The tax rate is applicable where Taxable Income exceeds INR 10 million otherwise the tax rate is 41.2 %
- <sup>3</sup> On Dividend received from an Indian company. Any other dividend would attract a remittance tax of 21.115% (20% basic, 2.5% surcharge on basic, 3% on basic and surcharge)
- <sup>4</sup> 21.115% (20% basic, 2.5% surcharge on basic, 3% on basic and surcharge)
- <sup>5</sup> The rate is subject to the condition that the agreement for Royalty or technical assistance pursuant to which payment has been made by the Indian concern or Government has been entered into on or after June 1, 2005.
- <sup>6</sup> Excluding tax on transfer of assets in India (Capital Gains Tax).
- <sup>7</sup> Royalty payable to the State Government (Central Government in case of Union Territory) depends on the type of mineral. The royalty rates for many minerals are on ad valorem basis (ranges from 0.2% to 20%) whereas for some others, it is fixed on tonnage basis. Dead rents are also payable to the State Government (Central Government in case of Union Territory) and the same depends on the type of mineral and time since lease was granted for mineral extraction.
- <sup>8</sup> Mining carried out in a Special Economic Zone (SEZ) is eligible for tax holiday for certain number of years subject to fulfillment of conditions provided that the minerals etc., so extracted are exported out of India.
- <sup>9</sup> Expenditure on prospecting of minerals incurred by Indian companies even prior to the commencement of commercial production is allowable on amortization basis subject to certain limits.
- <sup>10</sup> Goods required for coal mining projects attract concessional basic customs (import) duty rate of 5% against normal rate of 12.5%.
- <sup>11</sup> The Indian Mining Laws prevent the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years. The Mining Laws also do not mandate that royalty on minerals should be revised after every three years.
- <sup>12</sup> Tax losses can be carried forward up to eight consecutive assessment years immediately succeeding the assessment year for which the loss was first computed.
- <sup>13</sup> Dividends Distribution Tax is to be paid by a Domestic company on any amount declared, distributed or paid as Dividends whether out of current or accumulated profit. Tax Rate: 16.995% (15 % basic, 10% surcharge on basic, and 3% education cess on basic and surcharge).

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- Kazakhstan**
- <sup>1</sup> Corporate Income Tax is levied on worldwide income of Kazakhstan legal entities and income of foreign legal entities attributable to their Kazakhstan permanent establishments. The net after tax profit of branches of foreign legal entities is subject to 15% branch profit tax (reduction or elimination of this tax may be available under the appropriate tax treaty).
- <sup>2</sup> The list of black-listed countries is determined by the Government of the Republic of Kazakhstan.
- <sup>3</sup> Signature bonus: minimum bonus for exploration and production contracts equals approximately USD 27,000 and USD 29,000, respectively; Commercial discovery bonus: 0,1% of the world market value of the volume of the recoverable reserves; Mineral Extraction Tax: levied upon the cost of produced volumes of minerals. The current rates for minerals are fixed depending on the type of a mineral. MET is applied to the value of the produced mineral where value is based on world price of minerals; Excess Profit Tax: portion of net income exceeding 25% of deductions for EPT purposes is subject to EPT at the progressive rate from 0% to 60%.

## Footnotes

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### Mexico

<sup>1</sup> It will drop to 29% in 2013 and 28% in 2014.

<sup>2</sup> 4.9% applicable on financial interest paid to foreign banks resident in a country with which Mexico has a double taxation treaty, provided the documents setting out the financing transaction are registered in the special section of the National Securities and Traders Registry. 10% is levied on foreign banks, Finance Companies, Pension and Retirement Funds and Foreign Investment Funds Registry and they must also provide information to the tax authorities on financing granted to residents in the country. 15% for interest paid to reinsurers. 21% is levied upon foreign banks that grant loans to finance the purchase of property (fixed assets) and generally for the installation and financing or commercialization (certain requirements must be met). 30% is levied on the remaining beneficiaries, other than the foregoing. Payments to tax havens are subject to a 40% withholding tax.

<sup>3</sup> The Flat Tax law started on January 1, 2008 and replaced the Asset Tax law. The Flat Tax applies to Mexican resident taxpayers' income from worldwide sources, as well as to foreign residents with permanent establishments in Mexico, for such income attributed to the establishments. A tax rate of 17.5% is applied to the Flat Tax base. In general, the Flat Tax base is the excess of the income collected relating to: the sale or disposition of property, the provision of independent services, and the granting of the temporary use or enjoyment of assets (i.e. rental income and unrelated party royalty income), over amounts paid for: the acquisition of assets, the receipt of independent services and the temporary use or enjoyment of assets, as well as certain other expenses. The Flat Tax operates as a supplemental tax to the Income Tax, to the extent the computation yields an amount which is higher than the Income Tax for the taxable year.

<sup>4</sup> Namely: a) immediate deduction of fixed assets. If certain requirements are met, machinery and equipment can be deducted immediately. In this case, mining machinery and equipment can be deducted at the rate of 87% in the fiscal year; b) a diesel credit. Taxpayers in the mining sector who purchase diesel for end use, provided such fuel is not for automobiles used to carry persons or effects on highways or roads, receive a fiscal incentive consisting of a credit against the special tax on production and services that Petroleos Mexicanos and its subsidiaries have generated on the sale of this fuel. This credit can be used against the income tax and value-added tax payable or against withholdings for third parties for those taxes as well as against the asset tax.

<sup>5</sup> Legal persons who pay out dividends or profits should calculate and pay the tax on the same at the established ITR rate (29% in 2013 and 28% starting in 2014). For these purposes, the dividends or profits will be added to the income tax payable. This tax will not be obligatory when the dividends or profits come from the balance of the after tax earnings account (profits on which tax was already paid). If dividends are paid and the ITR as a result, that tax may be credited against the ITR for the present and next two fiscal years, according to a procedure in the Law. Dividends cannot be accumulated for tax purposes, except to determine the tax base of employee profit shares.

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### Peru

<sup>1</sup> This royalty has been defined in the law as the administrative charge that mining companies shall pay to the Peruvian State for extracting metallic and non metallic mineral resources from its mining concessions. This royalty is calculated on the basis of the value of the mineral concentrates produced, according to their international market value, and it should be monthly calculated and paid in respect the concentrates effectively sold. The law allows the deduction of certain costs and expenses such as indirect taxes, insurance, freight, among others. Furthermore, the Mining Royalty should be considered for tax purposes as a cost of the mineral that is sold.

<sup>2</sup> The General Mining Law allows stability agreements to be made that guarantee mining investors stability under the general tax regime. These agreements provide guarantees regarding the stabilization of the entire tax system, applicable to the mining company, the free trade of minerals, the free disposal of foreign currency received from exports, the availability of foreign currency for acquisitions or payments abroad as well as the applicable exchange rate.

However, the stabilization has the following limitations:

- The stabilized ITR rate will be the one in force at the time when the contract is subscribed plus, 2%.
- The stability of the value-added tax, excise tax and municipal tax covers only its transferable nature.
- The stabilization agreement on customs duties includes the special regimes regarding the tax reimbursement, temporal admission and similar, as well as the regime applicable to the exports.
- In regard to the exemptions, incentives and other tax benefits related to the stabilized tax regime, the stability will have the term and conditions established by the provision in force at the time when the contract was subscribed.

A stabilization period of 10 years is available for companies receiving minimum investments of US\$ 2,000,000, destined either to starting an operation with production capacity of 350 to 5,000 metric tons/day, or for increasing by 100% the capacity of companies whose production fits the aforementioned range. If the increase in capacity is less than 100% but more than 50%, the guarantee period is reduced proportionately. There is no guarantee if the capacity is increased by less than 50%.

A stabilization period of 15 years is available for companies receiving a minimum investment of US\$ 20,000,000, destined to starting up operations or of US\$ 50,000,000, to expand existing operations. The minimum production level to qualify is 5,000 metric tons/day. Companies that sign these contracts may request permission for their corporate accounting and tax calculations to be done in the same currency in which the investment is made. The company may reconsider the accounting currency every five years.

## Footnotes

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<b>Russia</b>	<p><sup>1</sup> Corporate Income Tax is levied on worldwide income of Russian legal entities and income of foreign legal entities attributable to their Russian permanent establishments. 20 % Corporate Income Tax rate represents 2% payable to the federal budget and 18% payable to the regional budget. The regional portion of tax may be reduced by 4.5 % maximum subject to regional authorities' decision.</p> <p><sup>2</sup> Unless otherwise provided in the applicable double tax treaty: 15 % tax rate applies to dividends received by foreign legal entities from Russian legal entities; 20% tax rate applies to interest paid by Russian legal entity to foreign legal entity; 20% tax rate applies to royalties paid by Russian legal entity to foreign legal entity; 20% tax rate applies to capital gains from the sale of immovable property in the Russian Federation or shares of a Russian legal entity. Capital gains from the disposal of shares of a Russian legal entity are taxable if more than 50% of the Russian legal entity's assets consists of immovable property located in the Russian Federation.</p> <p><sup>3</sup> Mining is subject to Mineral Resources Extraction Tax in Russia. Tax base is calculated on the quantity of the minerals extracted multiplied by their sales price or cost price (provided extracted minerals were not sold out but further processed or used for own needs). Tax rate depends on the type of the mineral extracted and varies from 3.8 % to 8.0 %, for example, - 4.0 % for peat, coal, lignite, anthracite and shale oil, apatite-nepheline, apatite ores, - 4.8 % for conditioned ferrous metal ore, - 5.5 % for bauxites, - 6.0% for concentrates and other intermediate products containing gold, - 6.5 % for concentrates and other intermediate products containing precious metals (except for gold), precious metals which are useful components of multicomponent complex ore (except for gold), - 8.0 % for conditioned non-ferrous metal ores (safe for nephelines and bauxites), rare metals either occurring in their own deposits or presented in ores with other mineral resources, multi-component complex ores, as well as useful components of complex ores, except for precious metals, natural diamonds and other precious and semi-precious stones. In addition to that a 0 % rate is applied to losses of minerals (incurred in the course of extraction) that do not exceed standard losses.</p> <p><sup>4</sup> One-off and regular payments for subsoil use are established by the Law "On subsurface resources" and may depend on economic and geographic conditions of subsoil use, size of the plot, type of mineral extracted and some other factors.</p> <p><sup>5</sup> Fixed assets can be depreciated using linear or non-linear method (with some exceptions). For fixed assets that are depreciated using linear method accelerated depreciation may be applied provided these assets are used in aggressive conditions or above normal work hours. 10% or 30% of the fixed asset value (depending on the type of the fixed asset) may be deducted once the fixed asset is put in use.</p> <p><sup>6</sup> Interest expenses (provided they are economically justified and documentary supported) may be deducted within the limits established by the Russian tax legislation. Furthermore, Russian thin capitalisation rules may apply in case amount of controlled debt (i.e. (1) debt to a foreign legal entity that owns directly or indirectly no less than 20 % share in the charter capital of the company, (2) debt to a Russian legal entity that is affiliated with such foreign legal entity, (3) debt guaranteed by such foreign legal entity) exceeds the amount of the company's own capital more than three times. Interest expenses above the limit can not be recognised for profits tax purposes and should be treated as dividends for tax purposes.</p> <p><sup>7</sup> Generally, at the exploration stage mining companies incur significant expenses, do not generate any income and therefore their net assets may be less than the companies' charter capital ('negative net assets'). In this case, in accordance with existing corporate law practices, starting from the second financial year company may be forced into liquidation if it does not resolve negative net assets issue.</p> <p><sup>8</sup> Geological exploration and development of strategic mining deposits (for example, uranium, diamonds, nickel, cobalt, mine fields with reserves of gold equal to or more than 50 tones, copper 500,000 tones) with a participation of foreign investors requires an approval of the Russian authorities.</p>
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## Footnotes

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### South Africa

<sup>1</sup> In addition to normal tax, companies are also liable for Secondary Tax on Companies (STC) which is a tax of 10% on net dividends distributed. The effective tax rate for companies is therefore a combination of normal tax and STC and is variable depending on the amount of the dividend declared. Capital gains tax is also applicable at an effective rate of 14%.

<sup>2</sup> South Africa does not currently levy a withhold tax on dividends. However plans are well under way to introduce a dividend withholding tax at a rate of 10%. The new dividend withholding tax will also qualify for treaty relief.

<sup>3</sup> The Income Tax Act provides for a 12% withholding tax to be deducted from royalties paid to non-residents. Where South Africa has a double tax agreement with the country in which the recipient resides, the withholding tax on the royalty may be reduced to 0%, 5% or 10% depending on the agreement.

<sup>4</sup> The total effective nominal tax rate on distributed profits is 36,89%. Gold mining company can elect whether or not to pay STC. If they elect to pay STC, then there is a formula for the calculation of the rate at which gold mines must be taxed. In addition mining companies are also liable for VAT, customs and excise and skill development levy.

<sup>5</sup> The payments are calculated in terms of a formula for the respective mineral conditions (unrefined/refined) and will be payable on a company's earnings before interest and tax and will rise with profitability.

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### United Kingdom

<sup>1</sup> Complex area with many variations.

<sup>2</sup> Capital losses carried forward to be used against capital gains. Revenue losses split into: trading losses, management expenses, non-trading deficits on loan relationships and rental losses. Some revenue losses can be carried back 12 months. In general, revenue losses can be used against similar types of income.

<sup>3</sup> Tax on energy at rates that vary depending on nature of fuel used.

<sup>4</sup> Tax on extraction or importation of sand, gravel and crushed rock used for commercial exploitation at a rate of £1.60/ton.

<sup>5</sup> Mining company deduction for certain otherwise non-deductible expenditures.

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### United States

<sup>1</sup> State income tax rates vary among the 50 states.

<sup>2</sup> Percentage depletion deduction varies from 5% to 22%, depending on the mineral mined.

<sup>3</sup> Interest paid to related foreign entities may be limited whenever the ratio of debt to equity of the US corporation exceeds 1.5 to 1.