

The 13th Annual Americas School of Mines*

Impacts of Mining Tax Policy

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PRICEWATERHOUSECOOPERS 

Agenda/Contents

Types of government levies

Impact on current decisions

Impact on future decisions

Sustainability influences

Disclosures

Various types of government levies

Overall income tax

Mining specific income tax

Non-income taxes

- Government royalties
- Severance taxes
- Profit sharing
- VAT/GST/Sales or transaction taxes
- Property taxes
- Etc.
- Peru has a 'voluntary tax'

Many types of government levies

- Applied at a variety of levels
- - In various formats

Federal

- Provincial/state
 - Local
 - Improvement districts, etc.

Net income

- Gross income
 - Per ton, etc.

Often with rules that only apply to mining companies

Here are the two goals:

The mining company is trying to maximize shareholder return...in a sustainable manner.

The government is trying to get the most revenue for its citizens, balancing job growth and the knowledge that ‘too many taxes’ can drive away company investment and result in no jobs and no government revenue.

Will the mining company find a place where it wants to do business?



Will the government collect the amount of money it and its citizens think is fair?



Or will this be the result?



Impact on current decisions

Taxes are often negotiated

- Favorable (negotiated, so must be acceptable), but...
- Creates uncertainty if rules are changed in the future

Run the models

- Assumptions are crucial
- Tax law can change at any time, to any business

What are the alternatives?

- Can't move the minerals
- Can only decide to go elsewhere

Impact on future decisions

Mining companies sometimes find the host country wants to change the rules...

The best, and perhaps only, strategy is to:

- Compare the arrangement to what it would be in other countries to show it is fair
- Point out that future investors will see what happens and may be hesitant to invest in that country in the future

Diminishes the possibility that the mining company will ever open another mine in that country

Competing locations are often tough to compare



Mining companies find themselves comparing one potential mine to a hypothetical mine a half a world away.



Sustainability influences

Paying a “fair amount of tax” is increasingly viewed as a critical component of sustainability.

- What is “fair?”
- Who gets to decide?
- What other agendas are being pursued?

International Council on Mining and Metals (ICMM)

- Good start for materials on this issue

Disclosures

Companies are increasingly disclosing all of their taxes

Others are seeking to require disclosure of all taxes

Disclosure goes both ways – will governments disclose where they spend their revenue?

- Especially hot topic with regard to mining revenues going to the central government
- How much of those revenues find their way back to the mining localities?

Questions or comments?

Total Tax Contribution & Focus on Indirect Taxes

