



IGF

INTERGOVERNMENTAL FORUM
on Mining, Minerals, Metals and
Sustainable Development



Mining Tax Incentives: Pre, During, and Post COVID-19

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Key Messages:

1. Pre-COVID: tax incentives are less relevant to attracting mining investment.
2. During COVID: mining not uniformly affected – any incentives must be targeted.
3. Post-COVID: re-think mining fiscal policy to re-build developing country finances.



Pre-COVID





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Tax incentives are ineffective

- Mineral resources are location-specific and cannot be moved.
- Quality of the resource, access, and prices are primary drivers of mining investment.
- Consequently, mining investment is less mobile and responsive to tax incentives.



Yet, they are prevalent

Figure 1. Mining tax incentives by region (IGF mining tax incentives database)

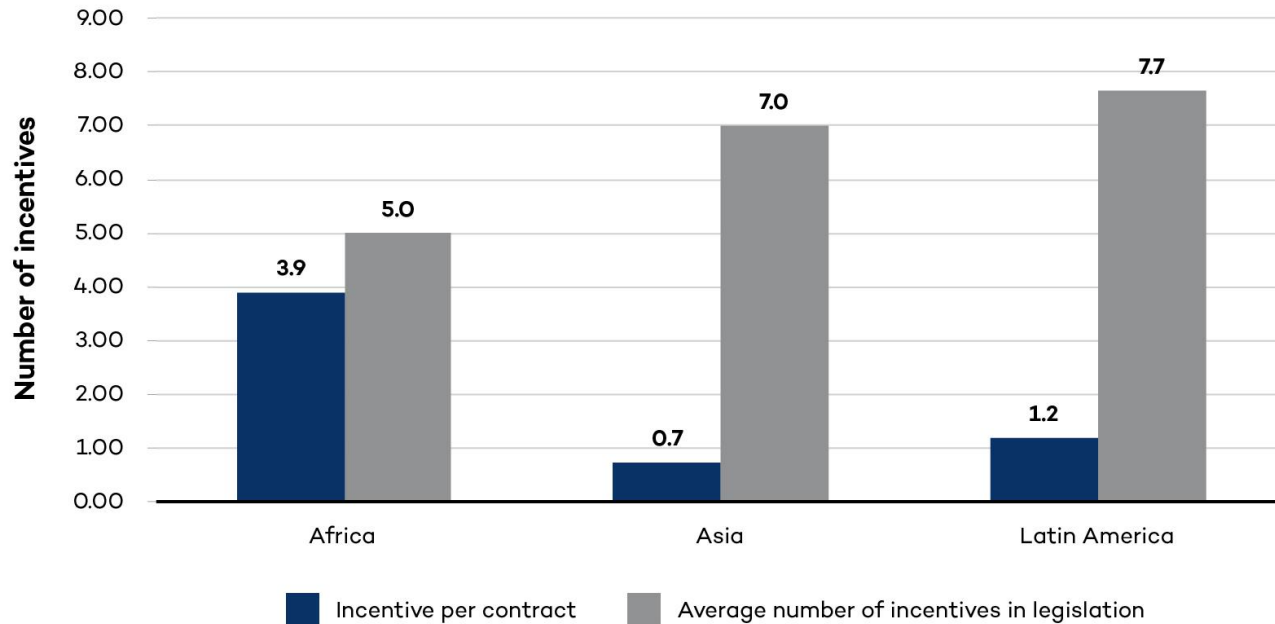
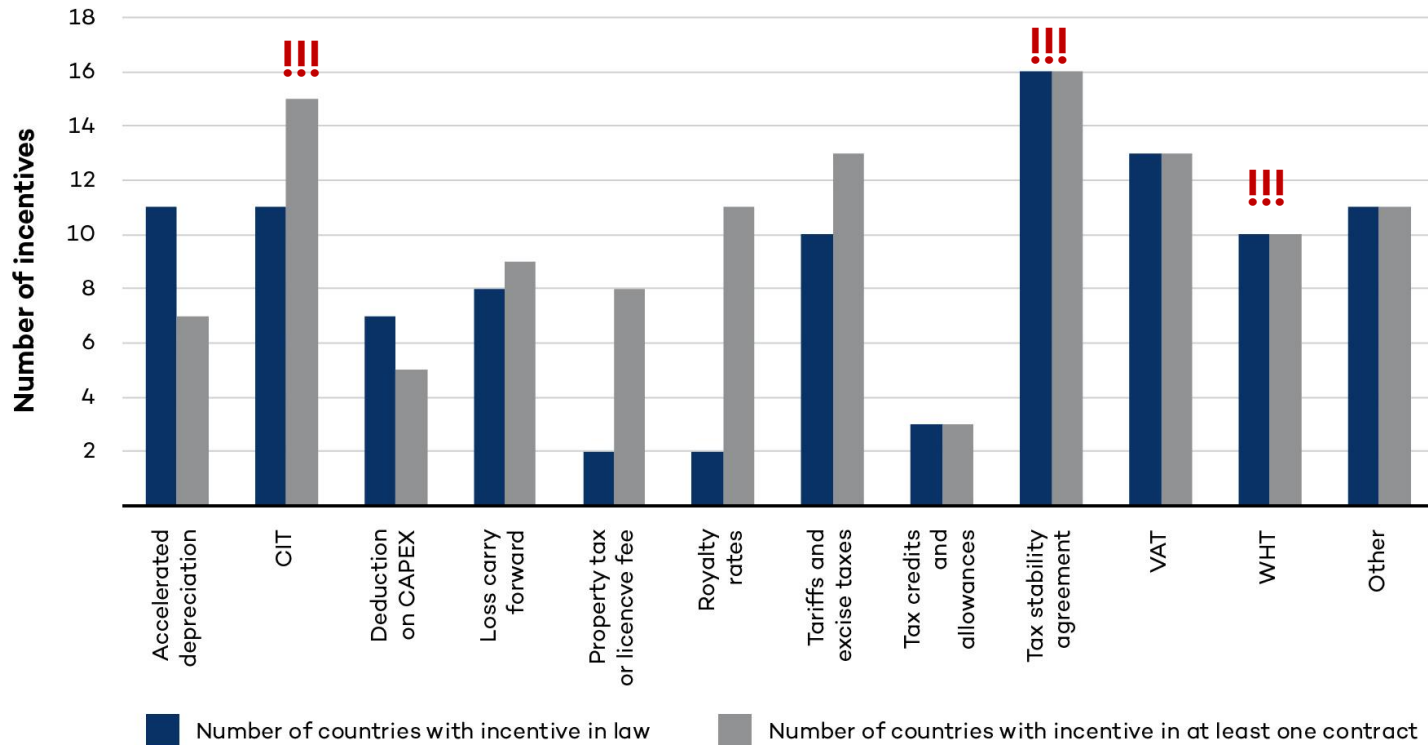


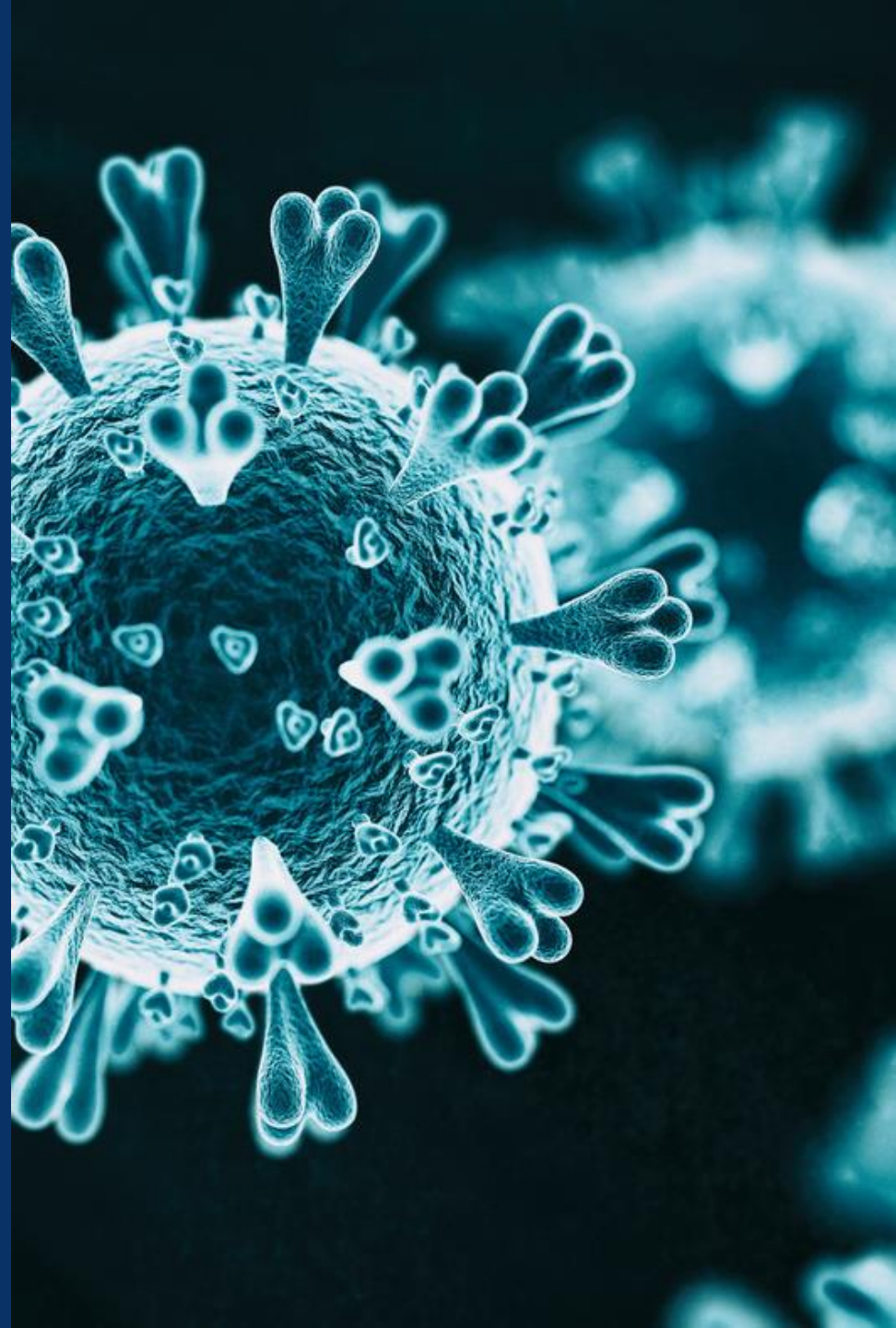


Figure 2. Mining tax incentives by type





During-COVID



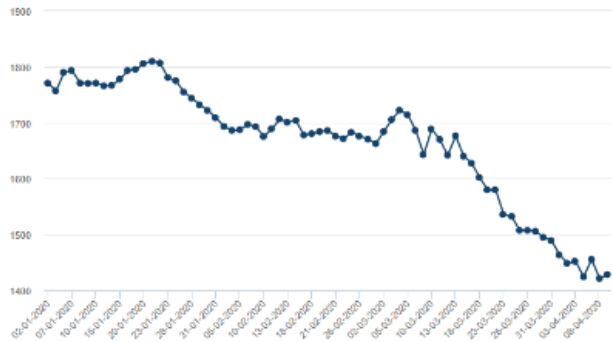


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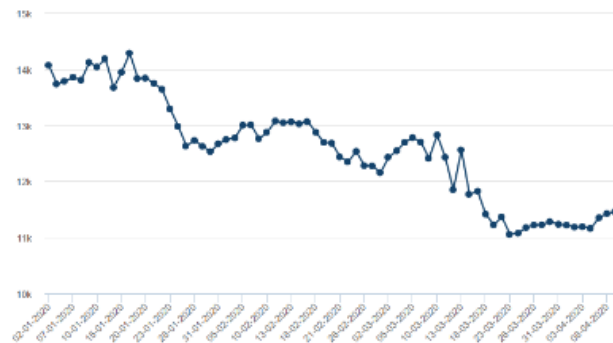


Mining not uniformly affected

LME ALUMINIUM HISTORICAL PRICE GRAPH



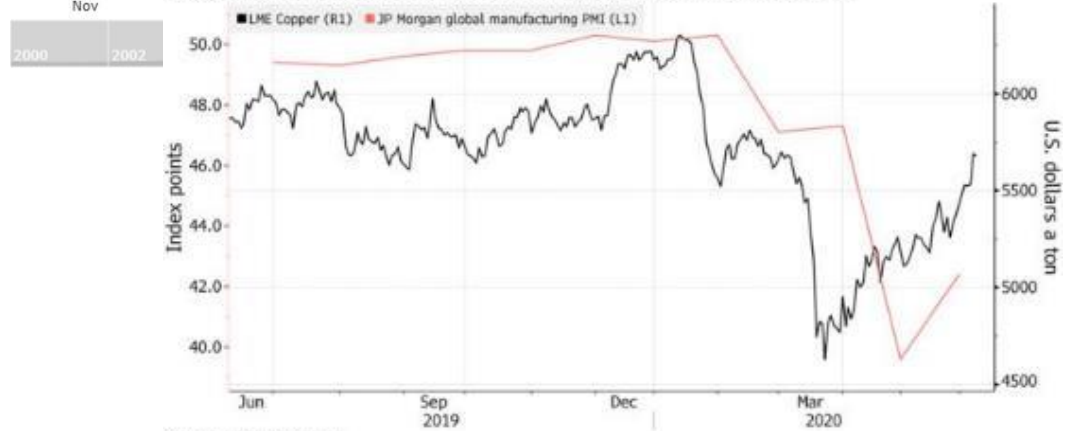
LME NICKEL HISTORICAL PRICE GRAPH



GOLD USD/oz 1,634.80



Rapid Response
Copper reacted quickly to a global slump in manufacturing output



Source: LME, JPMorgan



Limited instances of specific relief

South Australia halts fees for mineral exploration licences

© April 5, 2020  News  Nickolas Zakharin



The South Australian Government has cut all exploration and licence fees in the minerals sector to soften the blow of the industry's coronavirus containment procedures.

The fee relief will extend the due date for licenses until the 31 December 2020.

Katanga copper-gold project area

Latest News

Kalamazoo to uncover exploration potential of Ashburton

UPDATE 1-Zambia to suspend import duty on mineral concentrates, export duty on precious metals

7 MIN READ



(Add quotes, more details)

LUSAKA, March 27 (Reuters) - Zambia will suspend import duty on mineral concentrates and export duty on precious metals as part of measures to support the economy amid the global coronavirus pandemic, Finance Minister Bwalya Ng'andu said on Friday.



Not out of the woods yet...

- Any tax relief should be targeted.
 - Know your industry / commodity
 - Phase of production
 - Size of workforce
- Conditions should be set – *quid pro quo*
 - Government equity participation / loan
 - Retain workers
 - Abandon tax avoidance arrangements
- Pre-payment of royalties and taxes?



The screenshot shows the IGF website header with the logo and navigation menu. The main content area features a section titled "COVID-19 Response Series" with a sub-header "COVID-19 RESPONSE SERIES" and a small icon. Below this is a paragraph of text and a link to "COVID-19 Response Series Material". There is also a section for "[EN/FR] Webinar Q&A" with a small image of a person. At the bottom, there is a blue banner for "Special Series on Fiscal Policies to Respond to COVID-19" with a brief description of the series.


FISCAL AFFAIRS
Special Series on Fiscal Policies to Respond to COVID-19

This is one of a series of notes produced by the Fiscal Affairs Department to help members address the COVID emergency. The views expressed in this paper are those of IMF staff and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

Natural Resource Fiscal Regimes: Tax Policy Response¹



CAPEX down, but will resume

- Down by 19 percent in 2020.
- Containment + uncertainty + finance.
- New investment will be critical post-COVID.
- Some companies requesting tax cuts.

Company	Original capex (\$m)	Revised capex (\$m)	Capex % change	Original production	Revised production	Production % change
Anglo American (carats m)	5,250	4,250	-19.1%	33	26	-21.2%
Anglo American (palladium)	-	-	-	1.4	1.1	-21.4%
Anglo American (platinum moz)	-	-	-	2.1	1.6	-23.8%
Angloplat (PGMs moz)	386	330	-14.5%	4.4	3.35	-28.9%
Antofagasta	1,500	1,300	-13.3%	-	-	-
First Quantum Minerals (copper kt)	850	675	-20.6%	855	780	-8.8%
First Quantum Minerals (gold koz)	-	-	-	290	260	-10.3%
Freeport-McMoRan (copper mt)	2,800	2,000	-28.6%	1.6	1.4	-12.5%
Glencore (copper mt)	5,500	4,250	-22.7%	1.3	1.25	-3.8%
Lundin Mining (copper kt)	620	440	-29.0%	284	278.5	-1.9%
Newmont Goldcorp (moz)	1,525	1,225	-19.7%	6.4	6	-6.3%
Norilsk Nickel	2,650	2,350	-11.3%	-	-	-
Norsk	952	757	-20.5%	-	-	-
Rio Tinto (copper kt)	7,000	5,500	-21.4%	550	497	-9.6%
Sibanye Stillwater	270	210	-22.2%	-	-	-
Vale (copper kt)	5,000	4,600	-8.0%	400	370	-7.5%
Vale (iron ore mt)	-	-	-	347	320	-7.8%
Vale (nickel kt)	-	-	-	205	187.5	-8.5%
Total capex cuts (\$m)	34,303	27,887				
Total copper production cuts (mt)				4.98	4.60	



Avoid incentives

- Comparatively unscathed, or better off.
- Investors will return as markets stabilise and finance becomes available.

GOLD: Apollo Gold to acquire First Majestic properties

June 23, 2020
By Canadian Mining Journal

Topics
Business Plans
M&A, Financing and Infrastructure
Commodities
Gold
Regions
Mexico and Central America
South America
Companies
Apollo Gold



WYOMING: Apollo Gold has signed a letter of intent to acquire a group of properties in Jalisco state, Mexico, from First Majestic Silver. The deal is the second option agreement the junior has announced since April.

Mining holding MIND.ID to acquire Vale Indonesia for \$392m

The Jakarta Post
Jakarta / Wed, June 24, 2020 / 01:50 am



Canada: Zijin Mining To Acquire Guyana Goldfields In All-cash Offer For \$323 Million

16 June 2020

China's Shandong buys Canadian gold miner TMAC Resources for US\$149-million



Post-COVID





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Global impetus for mining tax reform

- Some countries considering mining tax increases (e.g. Ghana).
- General trend towards higher mining taxes.
- Mining has been relatively resilient.
- Falling oil revenues place further pressure on mining revenues.



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The Future of Resource Taxation



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**AFRICAN TAX
ADMINISTRATION FORUM**
**FORUM SUR
L'ADMINISTRATION
FISCALE AFRICAINE**



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Are governments able to maximise revenues from mining under the dominant fiscal regime (royalties and taxes)?

How are changes in the industry likely to impact taxation, and what are the implications for future fiscal regimes?

- Automation
- Demand for energy minerals
- Environmental policies

THANK YOU

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