



**IGF**

INTERGOVERNMENTAL FORUM  
on Mining, Minerals, Metals and  
Sustainable Development

# Mining Tax Incentives: the bad, and the ugly?

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*Presentation by Alexandra Readhead  
June 2021*



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# **No evidence that incentives are effective at attracting mining investment**

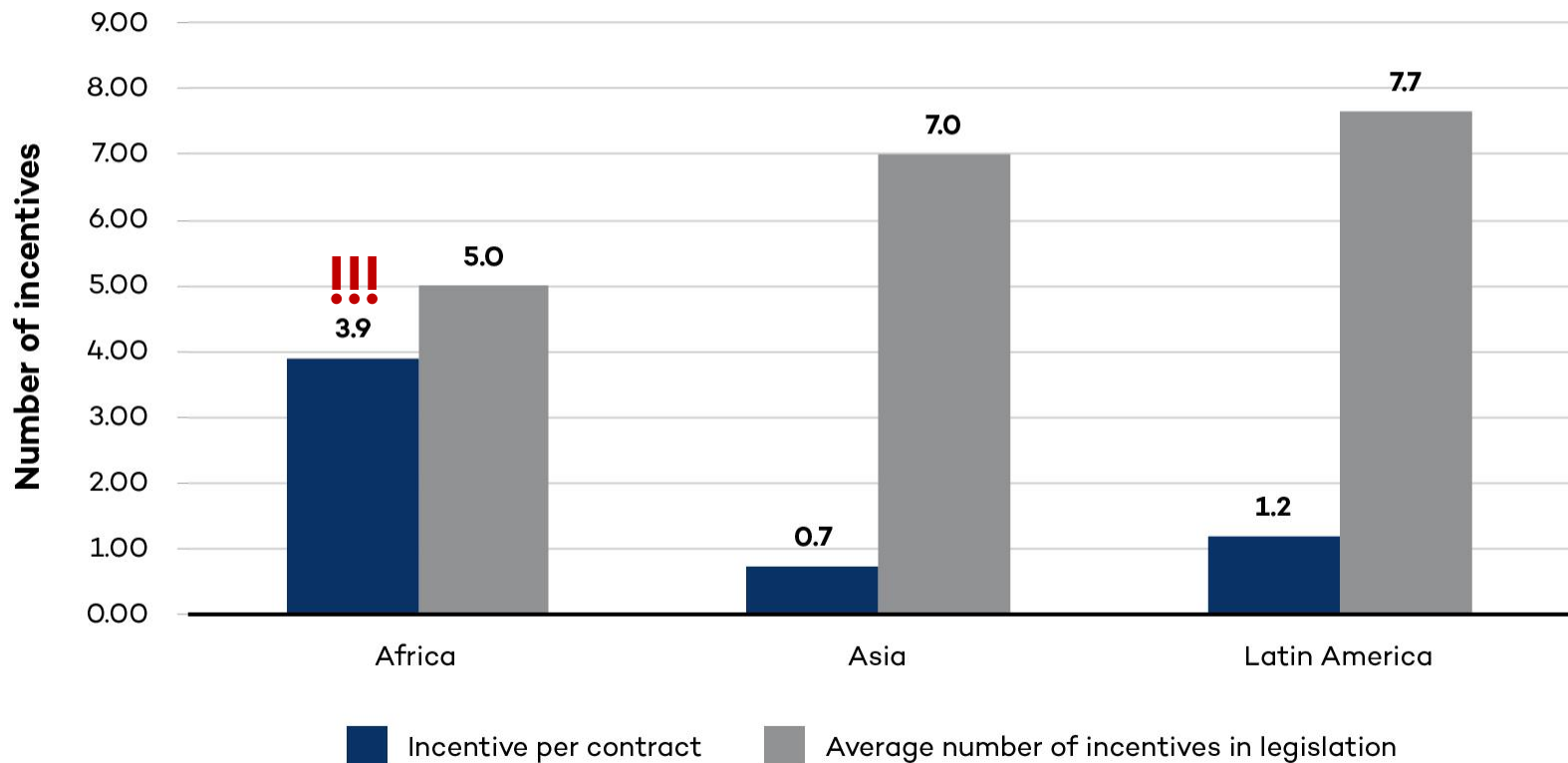
- Mineral resources are location-specific and cannot be moved.
- Quality of the resource, access, and prices are primary drivers of mining investment.
- Consequently, mining investment is less mobile and responsive to tax incentives.



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## Yet, they are prevalent!

Tax incentives by region

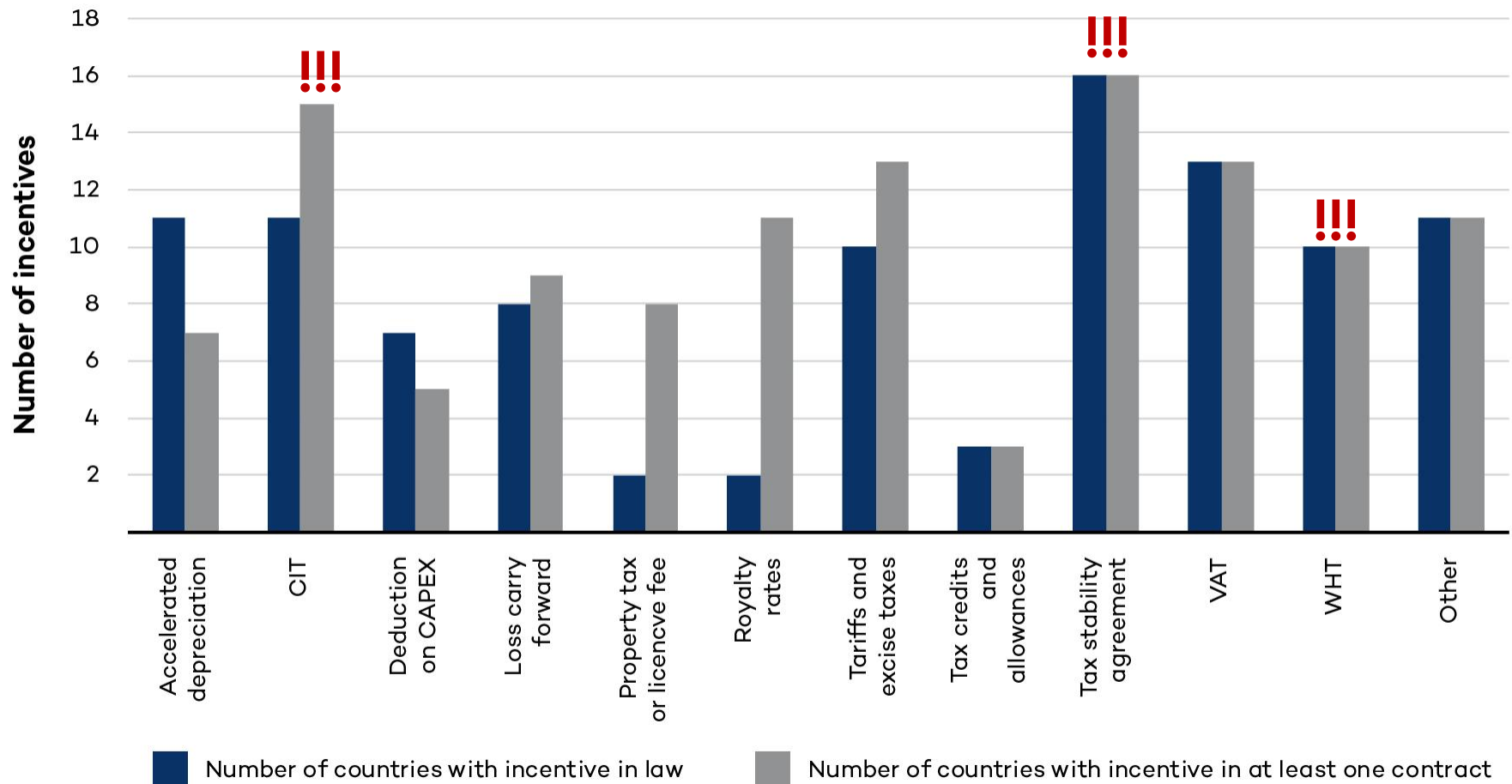




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## Types of incentives

Number of countries with incentives

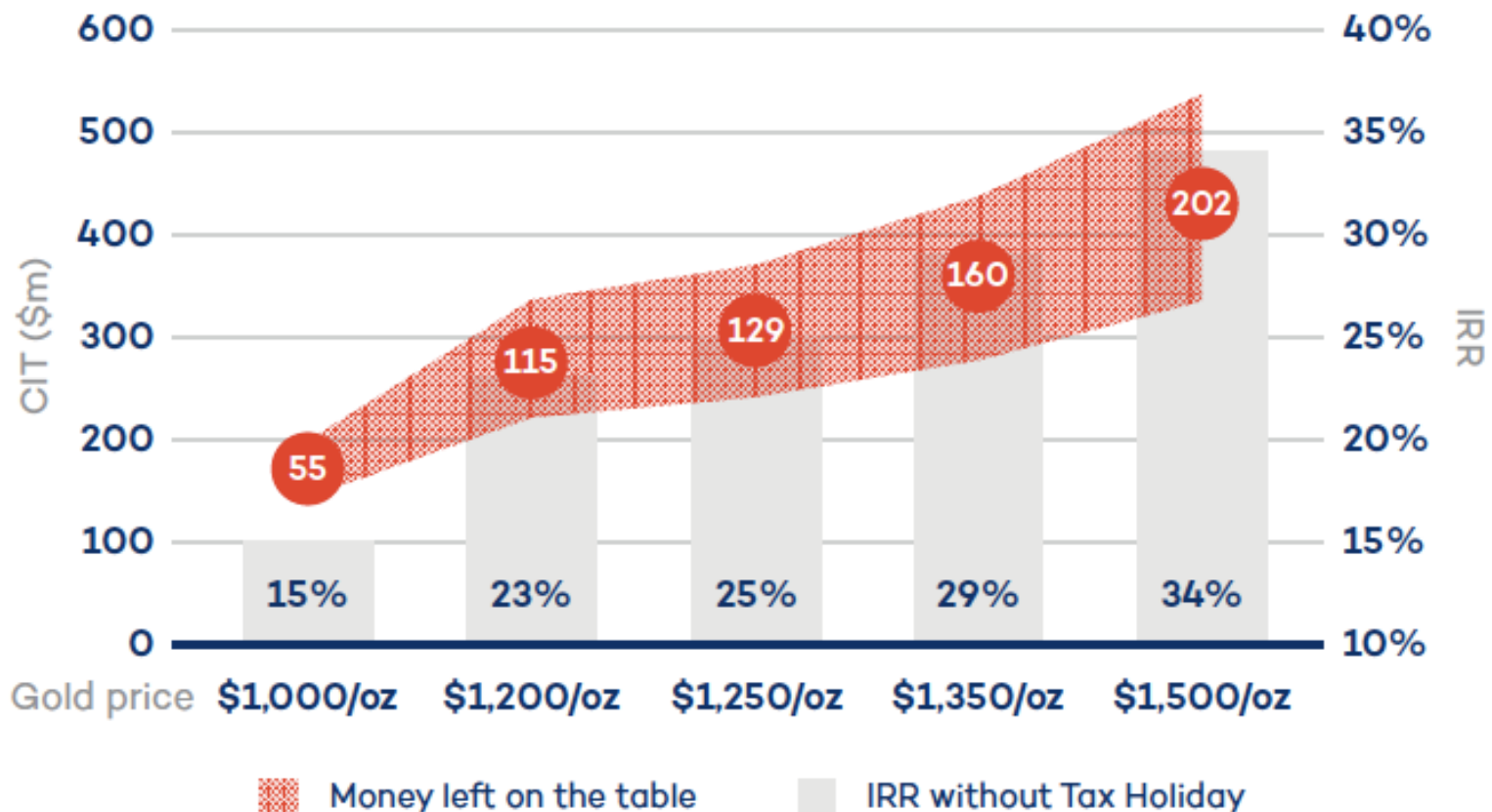




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## Rarely informed by financial modelling

### Yaoure Gold Mine – Cote d'Ivoire





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## Source of BEPS - Tax holidays span 9yrs...

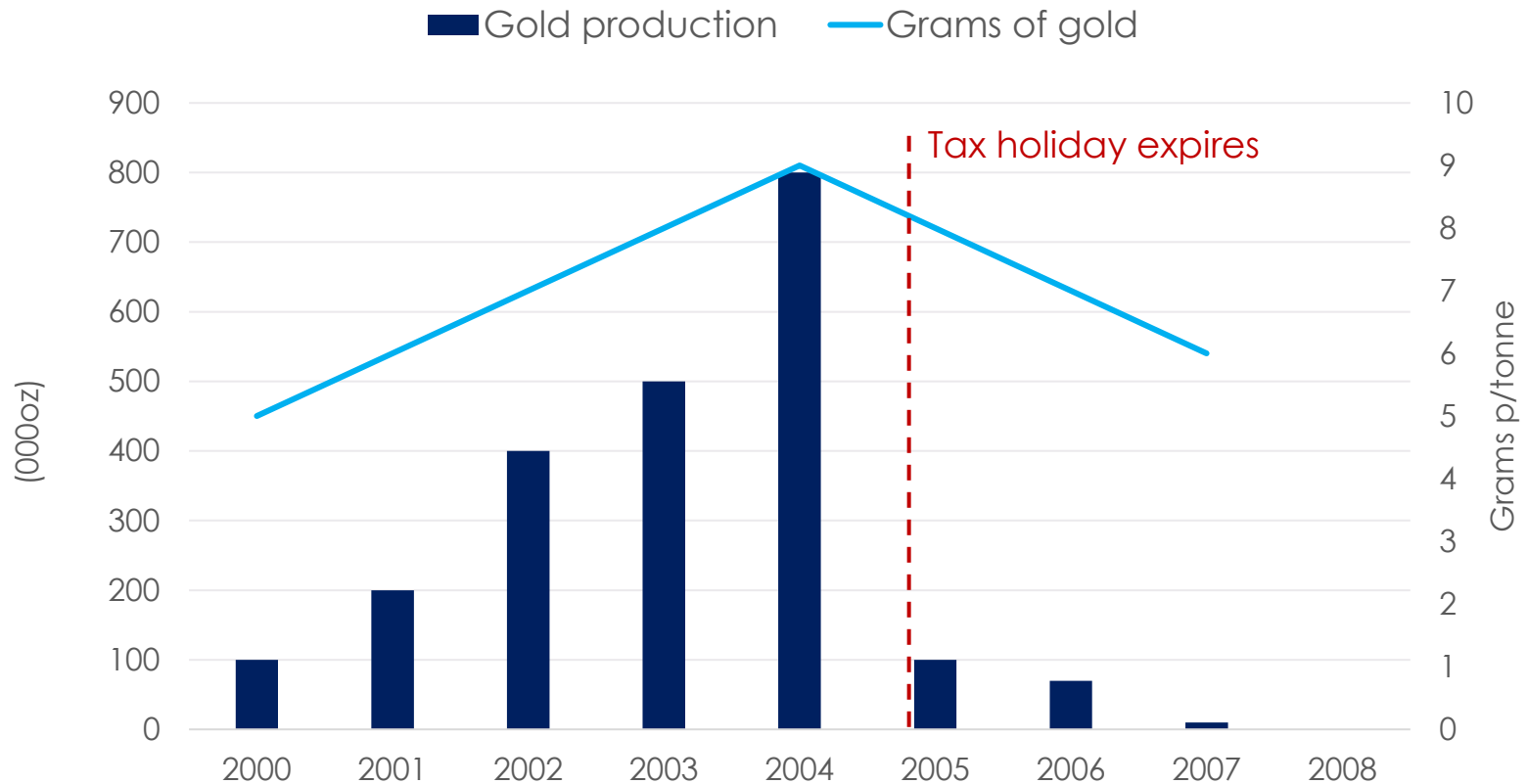
COUNTRY	AVERAGE CIT RATE FOR MINING PROJECTS	TAX HOLIDAY	AVERAGE LENGTH OF TAX HOLIDAY (YEARS)
Afghanistan	20.0	No	
Burkina Faso	18.9	No	
Burundi	30.0	No	
Cameroon	28.3	Yes	5
Colombia	33.0	No	
DRC	25.0	Yes	22.5
Ecuador	25.0	Yes	15
Guinea	31.3	Yes	10
Liberia	29.5	Yes	5
Madagascar	12.5	Yes	5
Malawi	30.0	No	

COUNTRY	AVERAGE CIT RATE FOR MINING PROJECTS	TAX HOLIDAY	AVERAGE LENGTH OF TAX HOLIDAY (YEARS)
Mali	31.3	Yes	4.4
Mongolia	25.0	No	
Mozambique	29.3	No	
Niger	40.5	Yes	4
Peru	27.6	No	
Philippines	35.0	Yes	8
Senegal	30.0	Yes	13.6
Sierra Leone	26.2	Yes	8
Tunisia	25.0	Yes	7.5
Zambia	27.5	No	



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## Source of BEPS



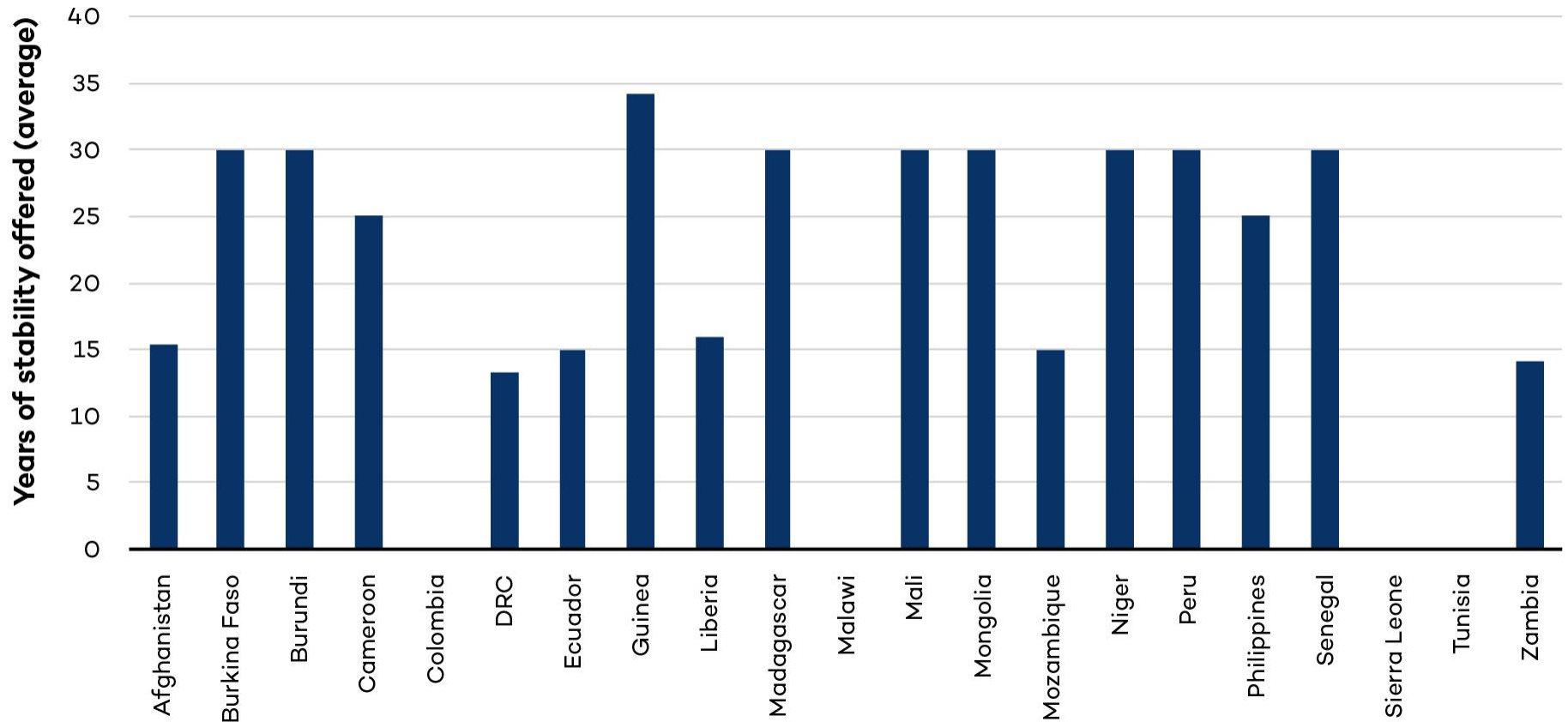




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## Locked in by fiscal stabilisation

### Tax stability agreements







COVID-19 RESPONSE SERIES 



## Stabilisation and Pillar 2

- Countries need to remove tax incentives to align with Pillar 2;
- Many developing countries have stabilized tax incentives in contracts, laws, treaties;
- Will result in transfer of tax revenue from source to residence country;
- Countries that choose to remove unilaterally may end up in arbitration;
- Inclusive Framework must protect countries that remove stabilized tax incentives.

# Changes in the sector



## Industry undergoing major technological transition

- Greener, safer, but fewer lower skilled jobs
- Reduced payroll taxes, indirect taxes
- Growth in hard-to-value intangibles
- Opportunities to improve government monitoring



## Opportunities & challenges from low carbon minerals

- An uncertain landscape
- Chasing prices is not a recipe for success
- Targeted incentives that motivate technology and knowledge transfer, local value addition, as well as increased exploration of critical minerals.

# THANK YOU

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**@IGFMining**  **in**

**Secretariat@IGFMining.org**



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