



IGF

INTERGOVERNMENTAL FORUM
on Mining, Minerals, Metals and
Sustainable Development

The Future of Resource Taxation

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Three broad lines underpinning the FRT project

1. Mining sector and international tax regime are both in flux
 - This project sits at the intersection of these two systems that are arguably both undergoing seismic changes
2. Traditional model for govt. revenues v post-traditional model
 - Traditional model: government entitled to legally imposed taxes, company gets everything else.
 - Post traditional model: company gets a fair rate of return, government gets everything else.
 - Where in the spectrum should mining go?
3. Taxes v. revenues:
 - Oil sector, e.g., made this change years ago
 - Closely related to #2



The Future of Resource Taxation

Partnering with ATAF over 2 years to research the following:

1. How can the dominant fiscal regime for mining, based on royalties and corporate income tax, be improved, in design, implementation and effectiveness, especially for resource rich developing countries?
2. Are there alternative options available to resource-rich countries to maximize the revenues from their mineral wealth?



1. The dominant mining fiscal regime

Mining is predominantly subject to a **Royalty/ Tax System**

Standard fiscal instruments

- Royalty on production (on average 2 to 6% of gross sales)
- Corporate Income Tax (often above the standard rate)
- Withholding taxes

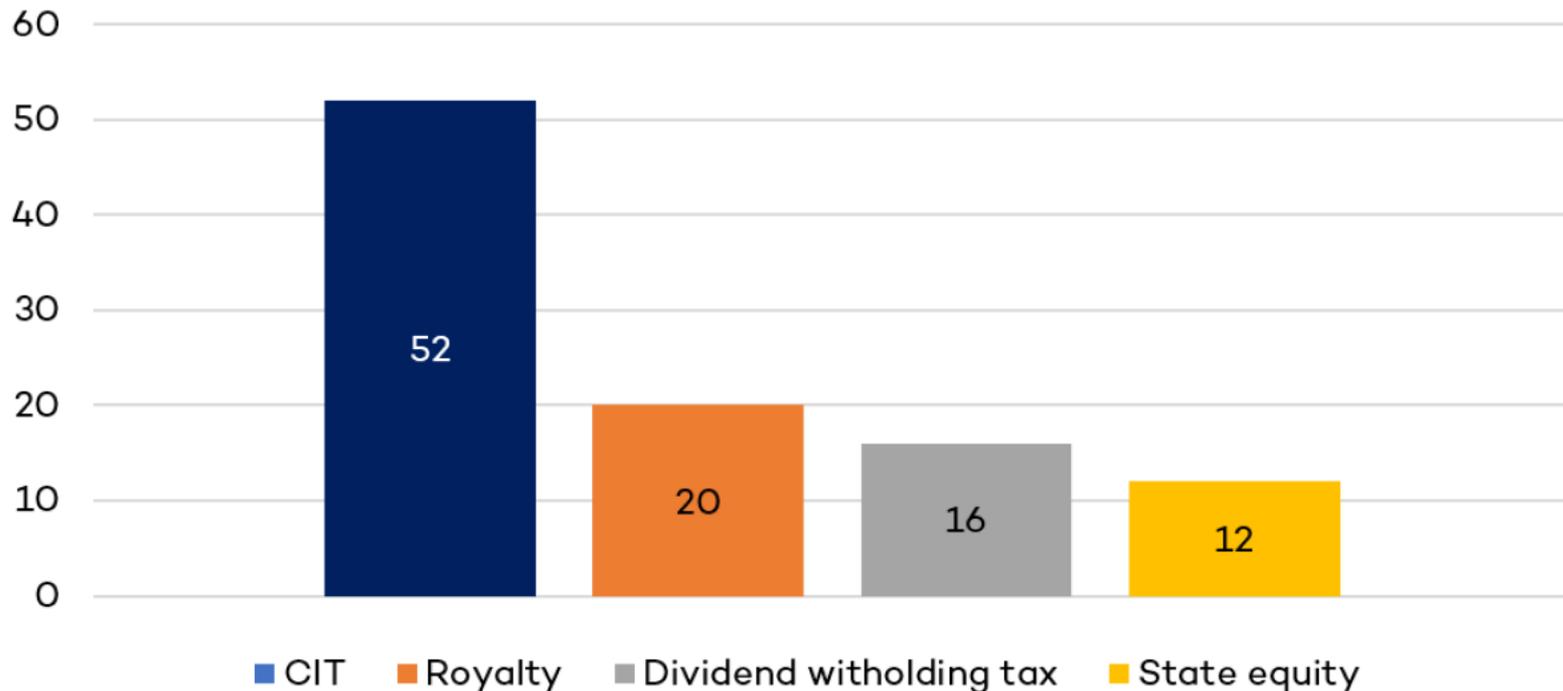
Other instruments

- Indirect taxes: customs duties, VAT
- Additional profits tax
- Tax on economic rent
- State equity participation



CIT is expected to drive mining revenues

Fig 1. Theoretical breakdown of mining revenues by instrument, based on ex-ante modelling
The IMF FARI model is based on 5% royalty, 30% CIT, and 10% free state equity.



Source: Luca & Puyo, 2016.



2. Why this project?



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
- Governance risks



2. Why this project?



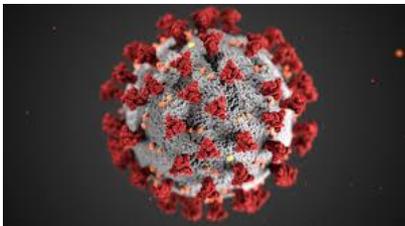
Taxing the Digital Economy

- Extractives expected to be out of Pillar 1
- Separate process needed to review resource taxation



Revenue Collection Challenges

- Inadequate laws, harmful tax incentives
- Limited human and financial resources
- Simpler, more predictable approaches required



Additional Financial Pressures

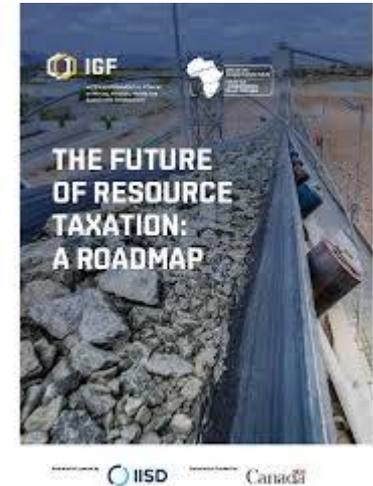
- Re-building public finances post-COVID
- Diversifying away from fossil fuel
- A more engaged citizenry



3. Our Process

Stage 1: Literature Review (2020-21)

- How is mining taxed and why
- What's changed (previous slides)
- Why do we need to revisit the mining tax system



Stage 2: Crowdsourcing Ideas (2020-2021)

- ATAF-IGF to survey governments for policy innovations
- Call for proposals to industry, academia, civil society

Stage 3: Evidence-based policy & administrative solutions (2022)

- IGF-ATAF to select approx. 10 ideas for further research
- Flesh out each idea: motivation, trade-offs, impact, practice
- Final output will be a handbook of menu of options

Two key documents: [roadmap](#) and editorial.



Questions for Discussion

1. What opportunities does COVID-19 present for mining fiscal regime design going forward?
2. How are changes in the mining industry likely to impact taxation, and what are the implications for future fiscal regimes? (E.g. automation, demand for energy minerals, environmental policies, deep sea mining.)
3. How can the future mining revenue regime be improved in its design and implementation?
4. Are countries implementing innovative approaches that merit closer study?

THANK YOU

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