Session Outline

• Digital tax reform
• What this means for mining
• The future of mining taxation
OECD INCLUSIVE FRAMEWORK ON BEPS
IGF members that are part of the Inclusive Framework
Why does this matter to you?
Potential reallocation of taxing rights

- Residence country
- Source country
- Market country

NEW Taxing right
What is the motivation?
Good news, mining may be out of scope

Scope

- Location-specific
- Immoveable assets
- Limited marketing intangibles
- Limited user participation
- Public ownership of resources

Further exclusions and carve-outs

- Such as extractive industries, commodities – to be determined
But…
Significant impact on mining revenues

Apportionment of Global Profits – Anglo American (2017) (%)

South Africa’s share falls by 10%

Asia’s share increases by 14%

Source: Anglo American’s 2017 Financial Statement
Significant impact on mining revenues

Apportionment of Global Profits – Rio Tinto (2017) (%)

- China gets 11%
- Australia's share falls by 14%

Source: Rio Tinto's 2017 Financial Statement
…..End of story?
US oil giant Chevron faces $300 million tax bill after ATO court victory

By Stephen Long
Updated 21 Apr 2017, 5:54am

US oil and gas giant Chevron faces one of the largest tax bills in Australian history after failing to overturn a Federal Court judgement being pursued by the Australian Tax Office.

The landmark ruling leaves Chevron facing a tax bill well in excess of the $100 million sought by the ATO.

A Federal Court judge last month found the appeal against the ATO’s claims was not an improper profit-shifting device.

The ATO says it will appeal the ruling. They may while waiting apply for special leave to appeal to the High Court.

Barrick details proposal to settle Acacia dispute with Tanzania

(Bloomberg) - Canadian miner Barrick Gold outlined on Wednesday details of a deal it reached with the government of Tanzania to settle tax disputes with Acacia Mining, including a $800 million payment to resolve tax claims in the country.

US oil giant Chevron faces $300 million tax bill after ATO court victory

Zambia seeks to expel copper miner Vedanta Resources

Move comes amid row over alleged underinvestment and payment of taxes

Zambia has informed the London-listed company that it intends to expel Vedanta Resources due to what it views as underinvestment, failed attempts to secure local equity and unmet corporate social responsibility targets.

The move comes as Zambia grapples with a technology gap in its mining sector, which has struggled to attract the capital needed to develop a $4.5 billion copper project. Vedanta Resources, which bought a stake in the project in 2013, is challenging the decision in court.

The company, which also owns a large copper operation in Tanzania, said in a statement that it was taking legal advice and would make a further announcement.

The news sent London-listed shares in Acacia, which is 63.9 percent owned by Barrick, up 6 percent to their highest since October 2017, when an initial framework agreement was announced.

The ATO will appeal a Federal Court decision to throw out a $92 million tax bill for mining giant Glencore in a case being closely watched by multinational companies around the world.

Federal Court judge Jennifer Davies last month set aside three years of tax bills levied against the Anglo-Swiss commodities group related to the sale and purchase of copper concentrate between 2007 and 2009.

The Australian Tax Office had issued Glencore with three sets of amended tax assessments related to the “arm’s length” test, with the case centring on whether an agreement between two of the firm’s entities should be given the same consideration as a deal between two independent parties.

The Australian Financial Review understands tax office lawyers sought a full bench appeal ahead of the deadline last week. A spokesman had no comment.
Other approaches to taxing minerals?

- Production sharing
- Greater use of royalties
- Benchmark prices
- Priority dividends
- Formulary apportionment