



MINING TAX POLICY RESPONSES TO COVID-19

WEBINAR

Thursday, April 16
3 PM CEST / 9 AM EST

IGFMining.org

 [@IGFMining](https://twitter.com/IGFMining)  [@IGFMining](https://facebook.com/IGFMining)

Secretariat hosted by



Secretariat funded by



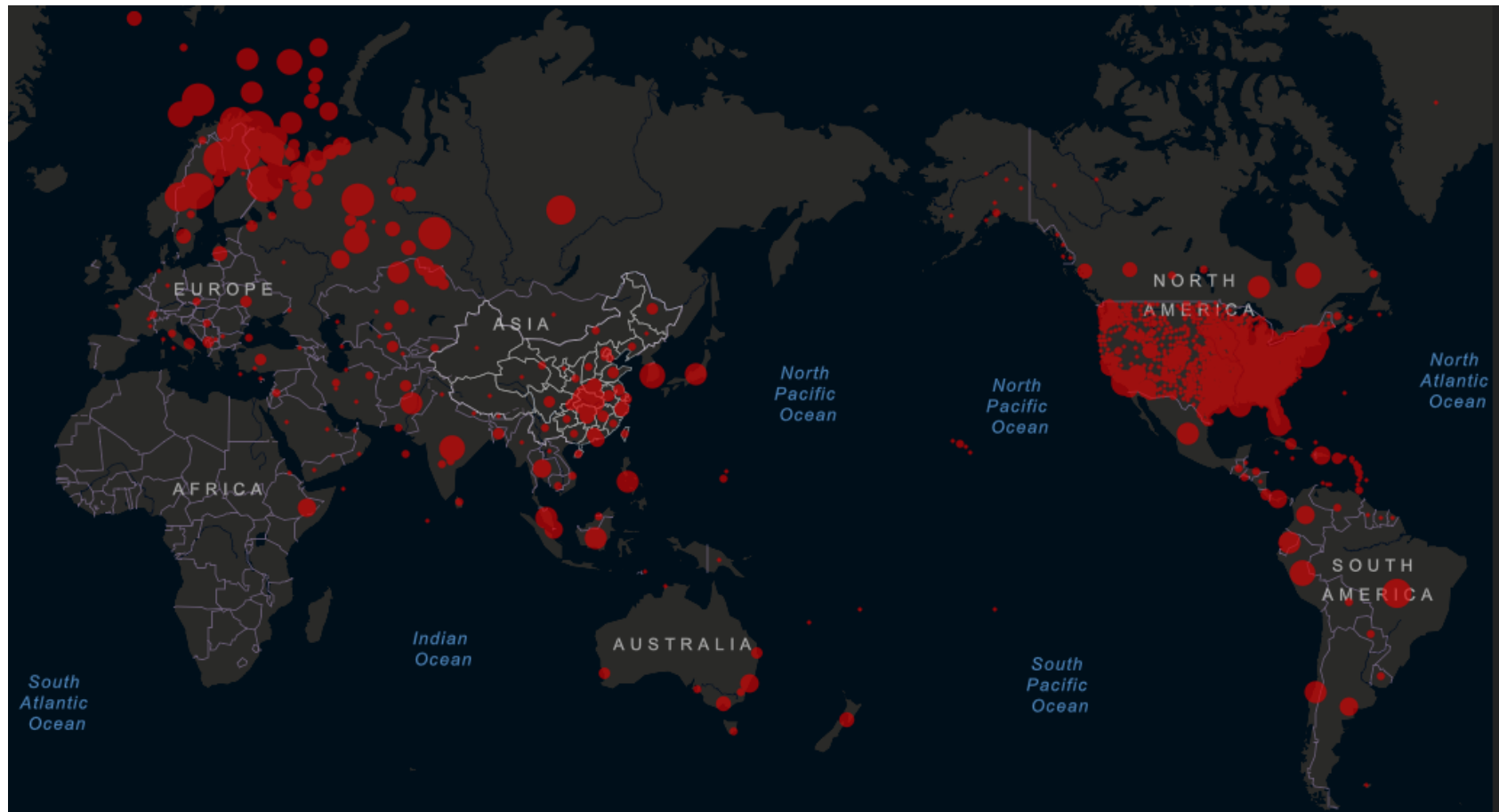
Outline

1. Introduction
2. Impact of COVID-19 on the mining sector
3. Factors for assessing mining tax relief
4. Policy options for mining tax relief
5. Putting sector-specific tax relief in context
6. Country experiences

Outline

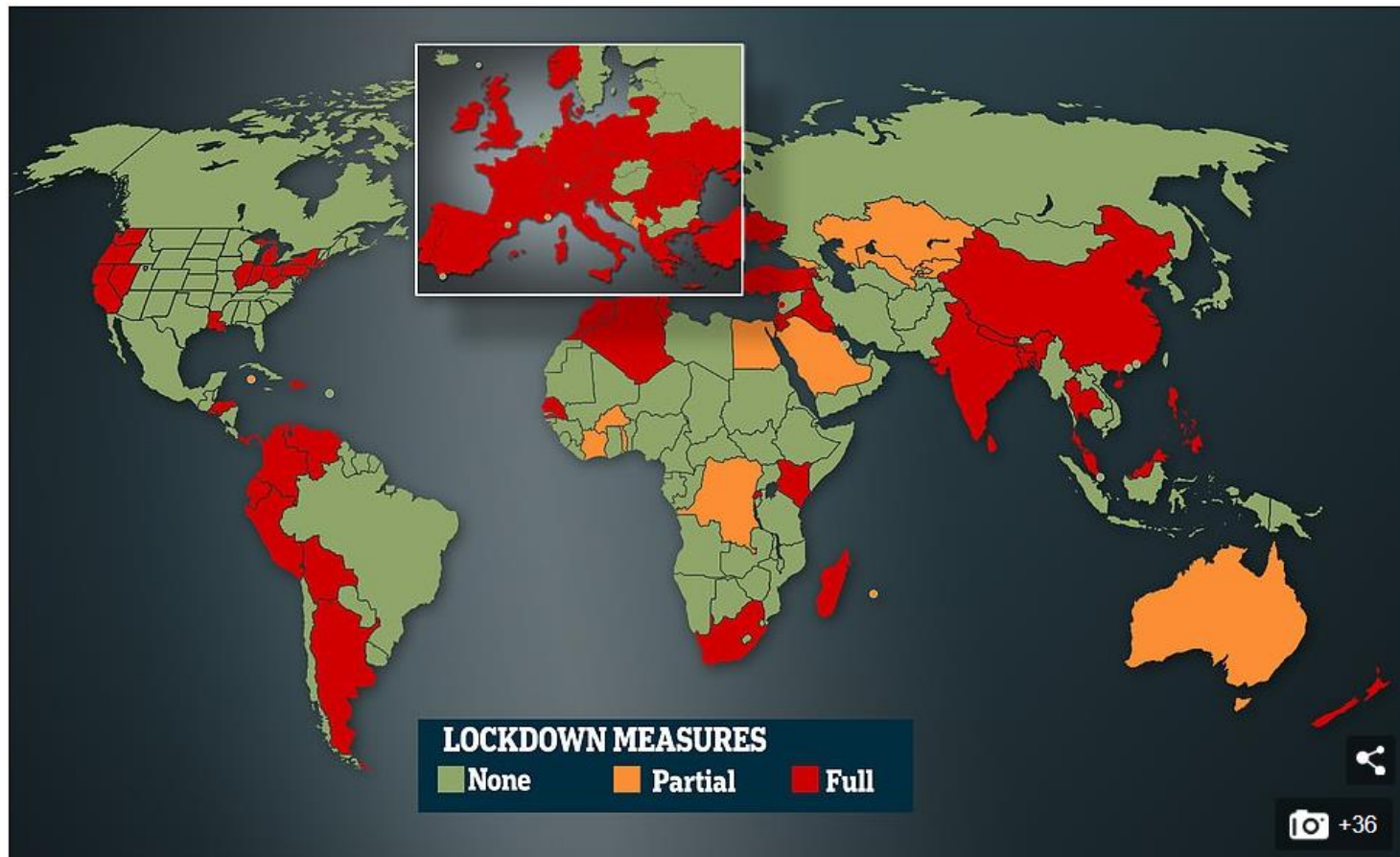
1. Introduction
- 2. Impact of COVID-19 on the mining sector**
3. Factors for assessing mining tax relief
4. Policy options for mining tax relief
5. Putting sector-specific tax relief in context
6. Country experiences

Many countries badly affected by the virus



Source: <https://coronavirus.jhu.edu/map.html> - accessed April 13

Leading many to full or partial lockdowns



Source: Daily Mail- accessed April 13

And a drop in economic activity

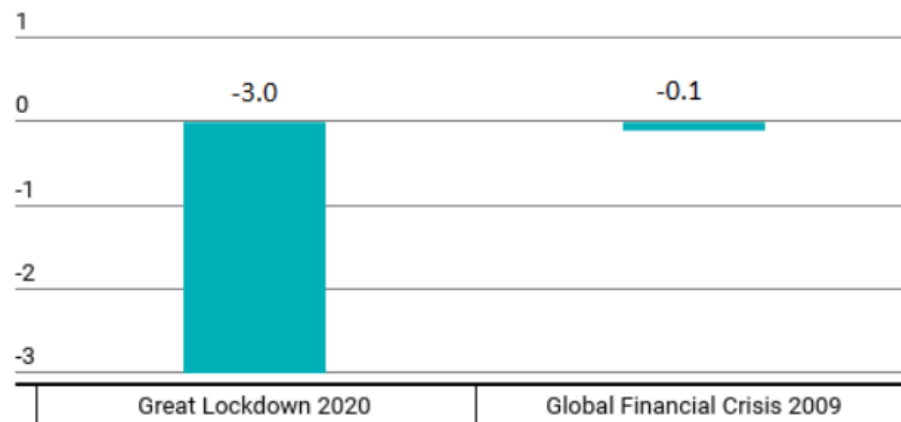
The Great Lockdown

The worst recession since the Great Depression (IMF)

The Great Lockdown

The world economy will experience the worst recession since the Great Depression.

(real GDP growth, year-on-year percent change)



Source: IMF, *World Economic Outlook*.

Impacting the mining sector

Covid-19 cuts \$280bn swathe through top 50 mining companies

BUSINESS MAVERICK

Seismic Covid-19 shock set to hit mining industry

By Ed Stoddard • 18 March 2020

Newmont puts four mines on hold, withdraws production outlook

TOP STORY

Mar 23, 2020

**UPDATE 3-Coronavirus impact sees
Glencore Zambia unit shut copper mines**

US MARKETS BHP \$39.61 UNCH

BHP, Glencore-controlled copper mine in Peru halts operations for two weeks amid pandemic

CONTRIBUTOR
Marco Aquino — Reuters

PUBLISHED
APR 13, 2020 2:51PM EDT

9 APRIL 2020 **NEWS**

Covid-19: Vale extends care and maintenance at Voisey's Bay in Canada

Mining sector impacted in different ways

- Containment measures
- Economic recession
- Acceleration of long-term trends

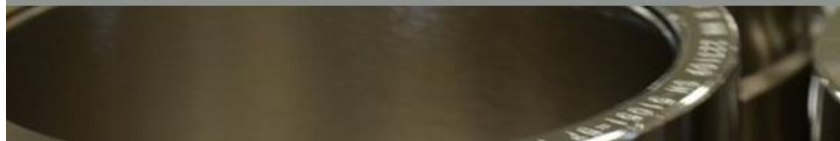
Mining sector impacted in different ways

- **Containment measures**
 - Quarantines, lock-downs
 - Mining workers deemed essential – or not
 - Supply disruptions
 - Supply chain disruptions
- Economic recession
- Acceleration of long-term trends

Supply disruptions

China's nickel imports to drop after shutdown in Philippines

China's nickel ore imports from the Philippines could be badly hit this month after the top-two miners in the Southeast Asian country suspended all operations to comply with COVID-19 containment measures.



URANIUM Commodity
29.80 0.35 (1.17%)
10:28:00 AM EDT MI Indication

Add to watchlist

Prev. Close 0.00 Open - Day Low - Day High -

Intraday 1w 1m 6m Ytd 1y 3y 5y Max

Indicators

Line-Chart



Source: markets.businessinsider.com

Supply chain disruptions

Australia's Lynas warns on rare earths supply chain

Main non-China producer says it may need public funds to weather coronavirus downturn



Lynas's processing facility in Malaysia. The Australia-listed group has asked the Malaysian government for an exemption to reopen the facility © Bloomberg

Jamie Smyth in Sydney 11 HOURS AGO



Diamond sector grinds to halt as India's lockdown bites

Restrictions in nation that processes 90% of world's stones upend global industry

Diamond prices fall as lockdown shuts trade

Indices rebased



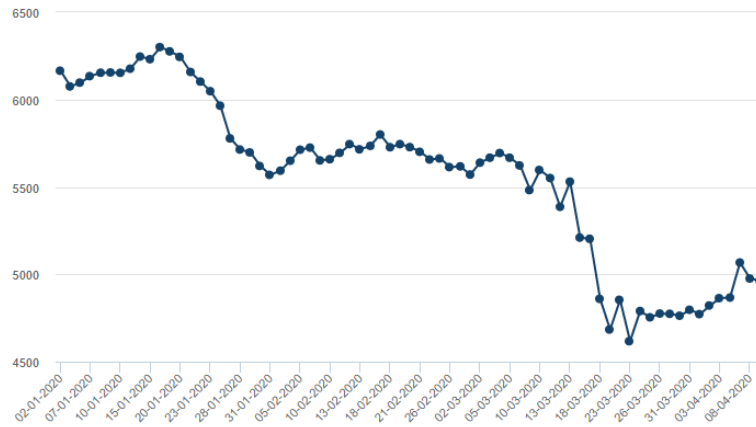
Source: PaulZimmisky.com
© FT

Mining sector impacted in different ways

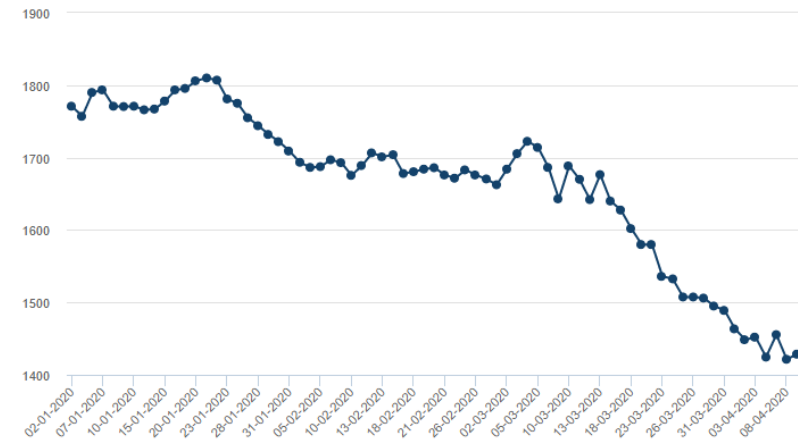
- Containment measures
- **Economic recession**
 - Demand (and prices) for some commodities fall.
 - Drop in CAPEX and exploration budgets.
 - Mines under care and maintenance.
 - Industry consolidation, mergers and acquisitions.
 - Increased demand for some precious metals.
 - State-owned companies under pressure.
- Acceleration of long-term trends

Demand (and prices) for some commodities fall

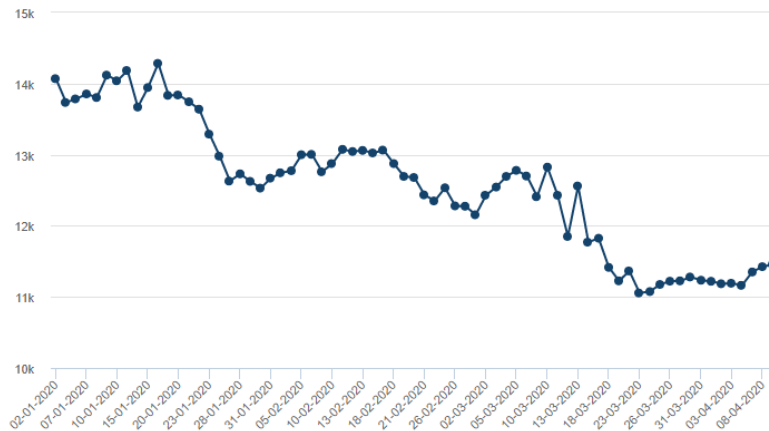
LME COPPER HISTORICAL PRICE GRAPH



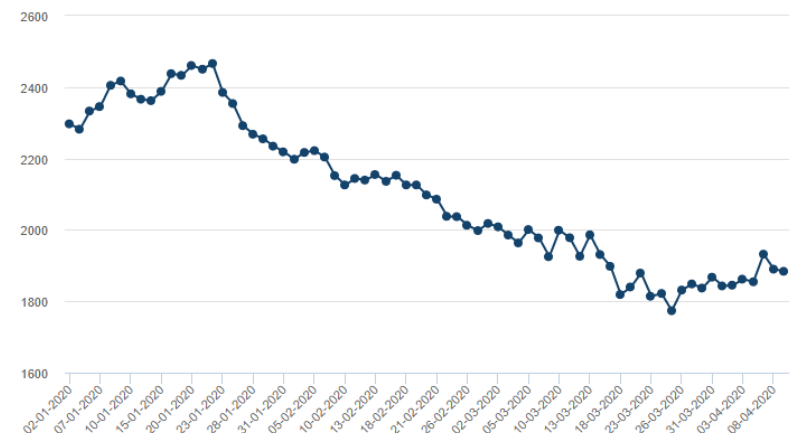
LME ALUMINIUM HISTORICAL PRICE GRAPH



LME NICKEL HISTORICAL PRICE GRAPH



LME ZINC HISTORICAL PRICES GRAPH



Increased demand for gold



Source: www.kitco.com

Industry consolidation?

Amid pestilence, rumours of M&A

Even though COVID-19 has led to mine closures and reduced output at mining properties as the planet goes into lockdown, in London there is chatter about M&A.

Tianqi looks to sell stake in world's largest lithium mine

Chinese producer moves to offload some of its majority holding in Australia's Greenbushes project



The Shenzhen-listed company is courting bidders for some of

Henry Sanderson in London and Jamie Smyth in Sydney

LONDON TO A BRICK

Yamana to sell Equinox Gold shares, warrants

[Cecilia Jamasmie](#) | April 13, 2020 | 3:50 am [Markets](#) [Canada](#) [Gold](#)

Mining sector impacted in different ways

- Containment measures
- Economic recession
- **Acceleration of long-term trends**
 - Structural issues blamed on COVID-19
 - Fossil fuels decline
 - Rise of automation in mining operations
 - Contribution to local and community infrastructure

Key messages

- The COVID-19 pandemic is having terrible human, social and economic impacts
- The mining sector is affected, but not uniformly
- Governments should consider the specific impact on their own mining sector before enacting general tax policy measures

3. Assessing the Need for Tax Relief

Sector-wide or company-specific?

- Commodity type
- Mine stage
- Size of workforce
- Locally incorporated and license company
- Subcontractors / services companies?
- Entire mining value chain?

Screening requests from mining companies

- ✓ Negative cash flows >1 yr
- ✓ Drop in mineral price
- ✓ Risk of substantial lay offs
- ✓ Risk of default & parent is unable to step in
- ✓ Closed for quarantine
- ✓ Unable to pay taxes on time

- × Mine or parent paying dividends in 2020

4. Short-Term Tax Policy Options



Defer or temporarily exempt payroll taxes

- Conditional on keeping workers on payroll
- Exclude penalties and interest



VAT relief

- Speed up refunds; or exempt / zero-rate
- Carefully define eligible goods and services



Import Duty relief

- Critical mining equipment, supplies
- Will depend on specific value chain of minerals



Deduction / tax credit for health expenditure

- Or, allow offsets against royalties / taxes

Last Resort

Defer or Waive Mineral Royalties

- Extend date
- Reduce rates in 2020
- **LAST RESORT:** Waive payments in 2020



Compensation

1. Increase state equity accordingly
2. Treat as government loan to be paid later in cash or in kind

Examples

As covid-19 hits, coal companies aim to cut the tax they pay to support black-lung miners

A rescue package from Washington could severely strain the Black Lung Disability Trust Fund, which has 25,000 beneficiaries.

South Australia halts fees for mineral exploration licences

🕒 April 6, 2020 📁 News 👤 Nickolas Zakharia

Zambia suspends mineral import duty as means to curtail the impact of COVID-19

📌 Rectangular Snip

Government's wage subsidy to bring relief to Canada's mining companies

Published by [Jessica Casey](#), Editorial Assistant
Global Mining Review, Tuesday, 31 March 2020 10:45

🔖 Save to read list

“Do-Not-Do” Tax Policy Measures



Refrain from income tax holidays, and cutting corporate income tax

- No profits = no tax = unnecessary tax relief

Refrain from dividends/ capital gain tax relief

Refrain from withholding tax relief

- Easy to collect
- Critical given resource constraints

Keep environmental taxes

Conditions for Tax Relief

- ✓ Retain all workers, or agreed %, at regular salaries
- ✓ Withhold bonuses, salary increases for Execs
- ✓ Cancel dividends to shareholders other than govt.
- ✓ Abandon artificial tax avoidance arrangements
- ✓ Adopt transparent, fair transfer pricing practices
- ✓ Adopt transparent benchmarking for mineral sales



Introduce excess profits tax

Consider state aid as right to additional equity

Implementation and Design

- Measures should be clearly defined
- Use secondary instruments, administrative actions
- Clear, transparent eligibility criteria and procedures
- Measures should be temporary over the crisis period
 - Sunset clauses
 - Opportunities for review

Key messages

- Any tax relief to the mining sector should be targeted, cost-effective, easily administrable, and temporary.
- The priority should be the health and livelihoods of workers and mining communities.
- Governments should put in place strict conditions to access tax relief

5. Putting mining tax issues in context

- Mining sector in some countries is the backbone of the economy hence a delicate balance is required to support the companies while ensuring that Governments collect revenue.
- The recently released [ATAF Suggested Covid 19 Measures for Revenue Authorities](#) provides a range of essential short-term measures to response to the pandemic.
- Applies to all taxpayers including mining sector.
- Guidance to countries and flexibility would be necessary based on the specificities of the industry like mining as well as broader impact of the pandemic to economic activities in a country.

5. Putting mining tax issues in context

Relevant measures to the sector:

- ✓ Automation of filing and payment systems
 - ✓ Several countries continue to increase automation of processes
 - ✓ Mobile and online banking systems are effective
- ✓ Suspension of penalty and interest during the period
 - ✓ Clear guidelines would be required
- ✓ Suspension of field compliance, audit and enforcement activities
 - ✓ Focus should be very risky taxpayers including cases with fraud issues
- ✓ Expedite Tax refunds
 - ✓ Cashflow essential to taxpayer for Staff pay, Debt obligation, Rent etc
- ✓ Allowability of donations and scientific research costs
 - ✓ Stringent conditions may be revised to allow deductions for these items
- ✓ Temporary reduction of tax rates
 - ✓ Careful consideration is required
 - ✓ The temporary status need to be clear

6. Country Experiences

JOSEPH NONDE – ZAMBIA

Director of Tax Policy, Ministry of Finance

CLAUDIA ESCOBAR - COLOMBIA

Advisor to the Vice-Minister of Mining, Ministry of Energy and Mining

MARTIN AYISI – GHANA

Deputy Chief Executive, Ghana Minerals Commission

Useful Resources

IMF: <https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes>

ATAF: <https://irp-cdn.multiscreensite.com/a521d626/files/uploaded/COVID-19%20Measures%20Final%20English.pdf>

OECD

https://oecd.dam-broadcast.com/pm_7379_119_119695-dj2g5d5oun.pdf

https://oecd.dam-broadcast.com/pm_7379_119_119698-4f8bfnegoj.pdf

IFS/ODI: buff.ly/39Jpx8u



MINING TAX POLICY RESPONSES TO COVID-19

WEBINAR

Thursday, April 16
3 PM CEST / 9 AM EST

IGFMining.org

 [@IGFMining](https://twitter.com/IGFMining)  [@IGFMining](https://facebook.com/IGFMining)

Secretariat hosted by



Secretariat funded by

