Mine 2016 – largest global mining companies are making significant government contributions despite no profits

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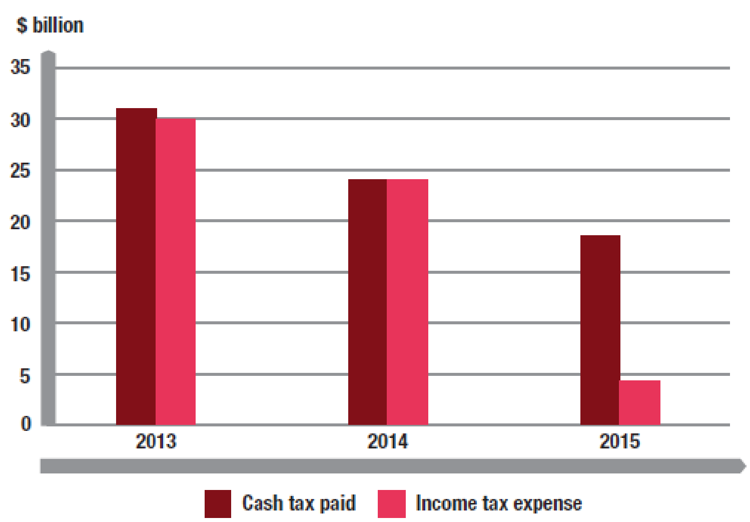
In brief

PwC's global publication, Mine 2016: slower, lower, weaker...but not defeated, found that the Top 40 global mining companies by market capitalisation reported cash tax payments of USD 18 billion in 2015, despite recording an overall accounting loss of USD 27 billion.

In detail

PwC's analysis in *Mine 2016* found that, notwithstanding a current year accounting loss for 2015, the Top 40 mining companies reported USD 18 billion in cash income taxes paid (as opposed to an accounting income tax expense of USD 4 billion).

Tax expense vs tax paid



Source: PwC analysis

Governments, the Organisation for Economic Co-operation and Development (OECD) and non-governmental organisations have emphasised that a 'tax gap' exists between the contribution that multinational companies 'should' be making (if all taxpayers complied with the letter and the spirit of the law) and the actual revenues collected. The global mining industry has not been immune from criticism in this regard.

Arguably, based on PwC's analysis, there was a 'negative tax gap' for the global mining industry in 2015. This is before considering additional government contributions made, such as royalties and other payments that do not meet the criteria to be reported as an 'income tax' under global financial reporting standards.

Of course, countries and communities are entitled to expect a 'fair return' from the exploitation of their natural resource endowments, which are not the property of the mining companies that seek to invest their capital to profitably and sustainably extract.

In PwC's view, the question of what represents a 'fair return' to the community from mining activity is a serious one that each sovereign country needs to consider and address. A better measurement of a 'fair return' is one that recognises the total contribution that mining companies make to governments, not only in the form of profit-based taxes but also other imposts, including royalties, levies, indirect taxes and other local community contributions.

Viewed in that light, a better assessment of whether the global mining industry is paying a 'fair share', particular compared to other industries, can be made. PwC supports the various initiatives which are designed to increase the transparency of total government payments made by multinational companies, including the Extractive Industries Transparency Initiative (EITI) (to which Australia will become a full member state) as well as the Australian voluntary tax disclosure code and similar reporting regimes in Europe and North America.

Launch of new and improved Compare Mining Taxes tool

In conjunction with the release of *Mine 2016*, we have re-launched a new and improved Compare Mining Taxes tool. The database contains key tax information (such as royalty rates, withholding tax rates, and more) for investors looking to compare the taxing regimes in key mining jurisdictions around the world. The tool has been updated to accommodate not only the most recent changes in law, but also enhanced search functionality and comparability options.

Access the Compare Mining Taxes tool via the following link: www.pwc.com/compare-mining-taxes

The takeaway

The full version of *Mine 2016: slower, lower, weaker…but not defeated* is available to download via the following link: www.pwc.com.au/publications/mine-2016.html

Let’s talk

For a deeper discussion of how these issues might affect your business, please contact:

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