Australian mining pays its fair share of tax

- The minerals industry paid $225 billion in company tax and royalties in the 11 years to 2017–18. This includes $18.6 billion in company tax during the financial year 2017–18, accounting for 22 per cent of all company tax paid, despite the industry comprising less than 1 per cent of all companies. To put this into perspective, $18.6 billion is more than the Federal Government spends on the Pharmaceutical Benefits scheme.

- Of the $225 billion, $94 billion was directed to state governments in royalties. These royalties contribute to important state government functions and activities including; funding for teachers, nurses, police and other essential services and infrastructure. In addition, the sector paid over $9 billion in payroll taxes to state governments over the same period.

‘The argument that mining tax rates are lower than that of most (or even many) other industries is simply not true.’

Sinclair Davidson
RMIT

FACT

Australian mining faces a high and rising tax rate

- Mining is a highly taxed industry. The 2017 Minerals Industry Tax Survey found the minerals industry faced an effective tax rate (company tax and royalties) of 51 per cent in 2015–16.

- The tax burden on mining is rising. The latest tax survey found mining is paying the second–highest tax ratio recorded since the survey began.

- Royalties are different to taxes but they are levied by government and flow to consolidated revenue to fund services and infrastructure similar to taxes.

- Royalties are payable even when a mining company makes losses.

‘The MCA minerals industry tax survey finds that miners paid over half their profits in taxes in financial years 2015–16.’

Deloitte Access Economics
Australia’s company tax rate is uncompetitive

- Dr Jack Mintz, from the University of Calgary, prepared a report for the MCA which revealed that Australia has slipped in terms of the competitiveness of its company tax rate. In 2005, Australia was the 14th highest of Economic Co-Operation and Development (OECD) member countries in terms of company tax rate, but in 2019 was the second highest.

- Since 2017, 12 countries have reduced their corporate income tax rates including: the United Kingdom, France and the United States. Australia has not reduced its corporate tax rate since 2001.

"The best, most credible evidence we have suggests a cut in the Australian company tax rate is not a gift to the so-called "big end of town"... the benefits to workers tend to flow disproportionately to women, young people and the less skilled."

Richard Holden
Professor of Economics
UNSW Business School

Mining companies are leaders in tax transparency

- The minerals industry supports Australia’s adoption of the Extractive Industries Transparency Initiative (EITI) and supported the successful Australian EITI pilot completed in 2014.
- Transparency International has consistently ranked BHP and Rio Tinto near the top of its global rankings on corporate reporting transparency.
- Many companies release detailed public tax data and a large number of mining companies are reporting under the Board of Taxation Transparency code and international extractive industry codes.

Mining does not receive ‘fossil fuel subsidies’. The Productivity Commission’s industry assistance review confirms that Australian mining receives ‘negligible’ government assistance.

OECD data confirms Australia’s high reliance on company tax. Australia’s reliance on company tax for revenue is almost double the OECD average as a percentage of GDP and the OECD has said Australia, compared to other countries, has:

- Higher revenues from taxes on corporate income and gains; payroll taxes and property taxes.

Australia has the second-highest company tax rate in the developed world. It will hold our economy back, harm workers and increase inequality.

‘Overall, a reduction in company taxes will lead to a more progressive tax system.’

Dr Jack Mintz
University of Calgary

Effective tax rate 2008 to 2016 (all minerals)

Source: DAE

Marginal Effective Tax Rates

Source: Dr Jack Mintz 2019