Royalty and Company Tax Payments

Minerals Council of Australia

20 May 2025

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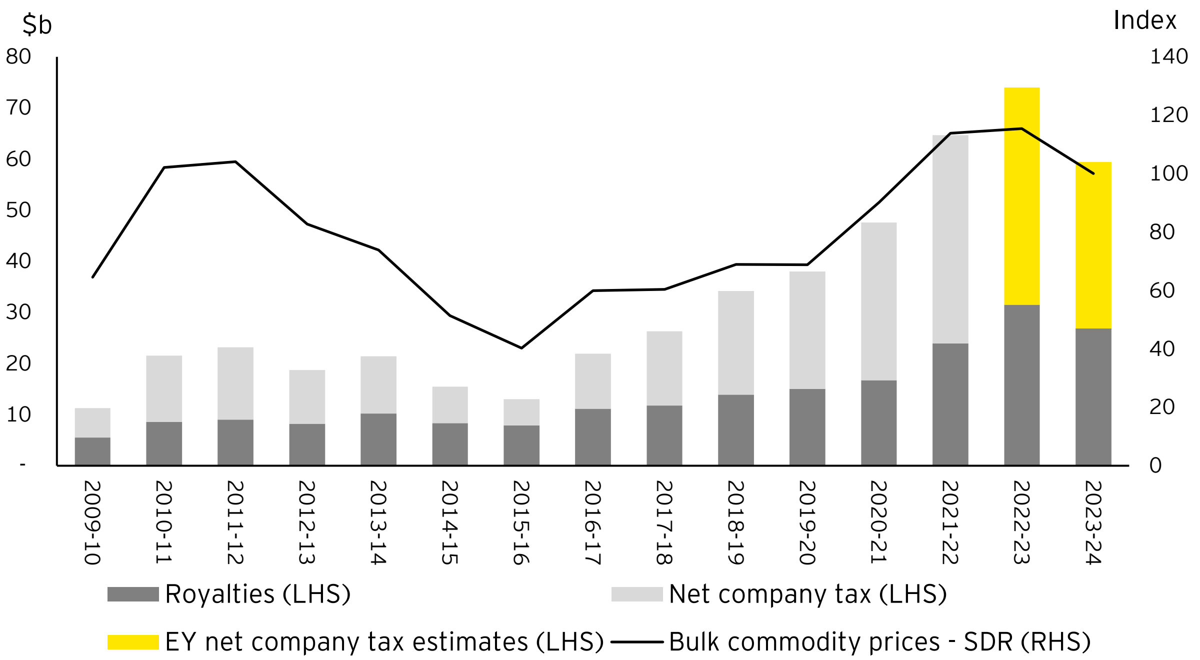
1. Royalties and Company Tax Estimates

Ernst & Young (EY) has been engaged by the Minerals Council of Australia (MCA) to provide a report calculating royalties paid and provide estimates of net company tax payments for the minerals sector in 2022-23 and 2023-24.

The report estimates the total royalty and net company taxes over the last decade, the FY15-24 period, reached a high of $394 billion this year. In 2023-24 alone, $59.4 billion was collected, increasing by over 200% since 2013-14. This increase in due the combination of a rise of 35.4% in commodity prices over that period, as measured by Reserve Bank of Australia's (RBA) bulk commodity price index[1], combined with higher royalty rates and rising minerals sector production.

Figure 1 shows a time series of the minerals sector's net company tax[2], including EY estimates for 2022-23 and 2023-24, in addition to their total royalties paid. While 2023-24 royalties and estimates of net company tax payments declined, these remained at near record levels. Mineral sector royalties reached $26.9 billion, down from $31.5 billion in 2022-23, driven largely by the 13.4% decline in commodity prices. Whereas net company tax payments are estimated at $32.5 billion (in 2022-23), falling from an estimate of $42.5 billion in 2022-23 due to cost inflation and falling commodity prices contributing to a decline in profits.

Figure 1. Minerals industry company tax and royalties compared with bulk commodity prices



Source: Australian Bureau of Statistics, Australian Taxation Office, RBA Commodity price index (2023-24 = 100), EY estimates, all values are nominal.

Estimates of total company tax payments have been calculated for the minerals sector for 2022-23 and 2023-24 using mining profits before tax as reported by the Australian Bureau of Statistics (ABS) and minerals sector company tax as reported by the Australian Tax Office (ATO). These estimates are analysed in this report using historical data drawn from the ATO, ABS, RBA and historical estimates from state and territory budget statements.

[1] RBA Commodity Price Index 2025
[2] Net company tax is the amount of tax owed by a company for the income year. This does not include fringe benefits tax (FBT), goods and services tax (GST), excise tax, petroleum resource rent tax (PRRT), luxury car tax (LCT) or wine equalisation tax (WET). This definition of net company tax is taken from the ATO's taxation statistics dataset.

1.1 Royalties

Royalties paid on minerals are collected and reported by state and territory governments and payments over the past ten years are shown in Table 1. Total mineral sector royalties reached approximately $26.9 billion in 2023-24, decreasing by $4.6 billion from the previous year. The yearly drop in royalties was largely due to falling thermal coal prices. Despite the decline, royalties in 2023-24 were significantly higher than those recorded between 2013-14 and 2021-22.

Table 1. Royalty payments, by State/Territory, minerals

$ million	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
WA	6,014	4,593	4,121	5,268	5,224	6,220	8,443	12,178	11,477	11,045	11,866
QLD[3]	2,310	2,007	2,086	3,780	4,108	4,765	4,066	2,239	7,773	14,856	11,066
NSW	1,338	1,254	1,189	1,580	1,763	2,093	1,683	1,418	3,709	4,658	3,053
SA	295	253	222	226	237	289	312	315	369	379	422
NT	155	164	194	170	336	425	372	378	353	335	275
VIC	51	51	48	81	101	99	111	138	140	151	136
TAS	49	27	28	20	41	34	33	61	80	56	52
Total*	10,212	8,349	7,888	11,126	11,810	13,925	15,020	16,727	23,901	31,481	26,870

Source: State/Territory budget papers, all values are nominal.
*Totals may not add up to individually reported items due to rounding

Royalties are calculated differently in each state, but they are generally based on a percentage of the mineral's value, which is typically the amount for which it is sold, so increases in either production volumes or commodity prices result in higher royalty payments.[4] The exception to this is Northern Territory, which has a hybrid-based royalty payment scheme, although a new royalty scheme has been developed to attract more mining investment in NT which was implemented in July 2024.[5]

Western Australia's (WA) royalty income is largely attributed to iron ore.[6] In 2023-24, iron ore production volumes were similar to 2022-23, so changes in WA's royalties were largely driven by changes in iron ore prices.[7] Iron ore prices increased in the first and second quarter of 2023-24 driven by positive market sentiment associated with policy stimulus provided to the Chinese economy.[8] The rise in iron ore prices resulted in a shift of the proportion of royalty payments towards WA and away from other states that export a greater proportion of coal relative to iron ore. This shift resulted in a rebounding in WA's share of royalty payments from 35.1% in 2022-23 to 44.2% in 2023-24.[9] The rise in iron ore prices also increased royalty payments in South Australia from $379 million in 2022-23 to $422 million in 2023-24.[10]

New South Wales and Queensland's royalty income is largely attributed to coal.[11] In 2023-24, coal production volumes in Queensland and New South Wales were similar to those seen in 2022-23, so changes in royalties are largely a result of coal price movements. Thermal coal prices declined by 55% in 2023-24.[12] As a result, the share of national royalty payments from Queensland and New South Wales decreased in 2023-24 to 41.2% and 11.4%, respectively, down from 47.2% and 14.8% in 2022-23.[13,14] Northern Territory, Victoria and Tasmania also experienced declines in royalty

[3] Petroleum royalties and land rents have been excluded from Queensland royalty calculations where data is available (years 2013-14 to 2023-24).
[4] Queensland Government, Mineral royalty rates, Business Queensland, 2024
[5] Northern Territory Government, Mineral Royalties 2025
[6] Western Australia Budget, Economic and Fiscal Outlook, 2023
[7] Department of Industry, Science and Resources and Energy Quarterly March 2025: Historical data
[8] Department of Industry, Innovation and Science, Resource and Energy Quarterly, March 2024
[9] WA Government Mid–Year Financial Projections Statement 2024-25
[10] Department of Industry, Innovation and Science, Resource and Energy Quarterly, March 2025
[11] NSW Half Yearly Budget Review 2024-25
[12] Department of Industry, Science and Resources and Energy Quarterly March 2025: Historical data
[13] Queensland Treasury, Mid-year Fiscal and Economic Review, 2024-25
[14] NSW Half Yearly Budget Review 2024-2025

payments, declining by 18%, 10% and 8% respectively over the same period due to falling commodity prices.[15,16,17]

1.2 Company Tax

High company tax payments in recent years were driven by rising average commodity prices. Commodity prices reached a decade high in 2022-23 and began to normalise in 2023-24 (As shown in Figure 1). As a result, estimates of company tax payments are expected to reach decade highs in 2022-23. Despite the moderation in 2023-24, company tax payments remain higher than payments between 2013-14 and 2020-21.

Table 2. Company tax, minerals sector

$ million	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23e	2023-24e
Gross company tax	15,315	7,887	10,403	12,641	16,531	22,994	25,880	34,861	47,900	49,587	37,945
Net company tax	11,228	7,149	5,141	10,774	14,480	20,245	22,979	30,868	40,797	42,524	32,541

Source: Australian Taxation Office, EY estimates, all values are nominal.[18]

Table 2 shows actual company tax paid by the minerals sector from 2013-14 to 2021-22 and EY's estimates for 2022-23 and 2023-24 (an explanation of these estimates is provided on the following page). The table reports gross company tax (or tax on taxable income) and net company tax, after the allowance of tax offsets. Examples of tax offsets include tax incentive for research and development, franking offset and foreign income tax offset, which helps avoid double taxation of certain profits earnt overseas.[19, 20] For the minerals sector, gross tax will always be higher than net tax due to tax offsets that can be claimed by some companies.

These offsets are part of the design of the Australian tax system. Notable examples include:

- The tax incentive for research and development, which allows mining companies to claim a tax offset in respect of eligible expenditure on research and development.[21]

- The foreign income tax offset, which is a mechanism to avoid double taxation of certain profits earned overseas. This reduces the Australian tax liability to account for foreign taxes paid on income which is also subject to Australian tax. This offset reflects tax paid in other jurisdictions, rather than a reduction in the total tax paid by the company. Many entities will also have additional foreign tax paid which is not reflected in an Australian tax offset.[22]

- The franking offset, which entitles corporate tax entities to a tax offset when they are in receipt of franked dividends. The entity is entitled to a franking tax offset for the franking credit attached to the dividend. The offset generally matches the tax liability of the dividend income derived.[23]

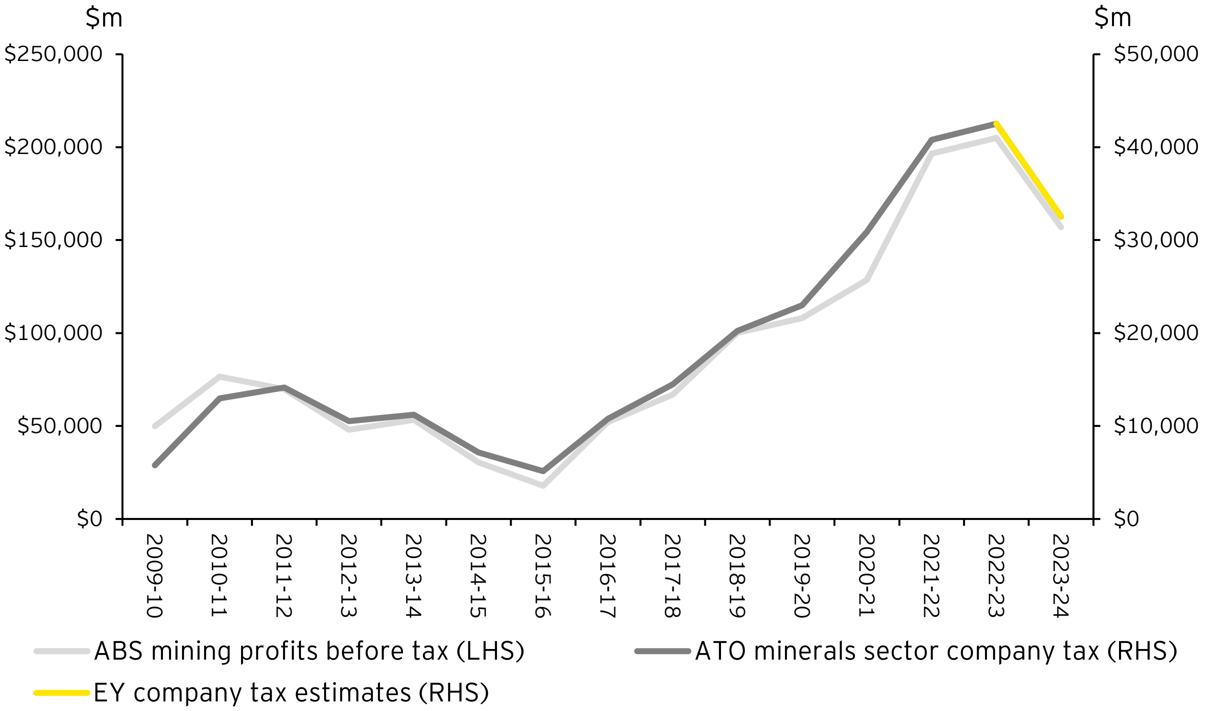
The mining company tax figures in this report reflect data from the ATO's Taxation Statistics dataset, available through to 2021-22. EY's company tax estimates for 2022-23 and 2023-24 are based on ABS data for mineral sector profits before income tax and ATO data for minerals sector company tax, based on actual tax collections over the last decade. The most recent available ABS Business Indicators publication produces data on mining profits. This provides estimates of

[15] NT Treasurers Annual Financial Report 2023-24
[16] VIC 2023-24 Financial Report
[17] TAS Treasurers Annual Financial Report 2023-24
[18] The estimate for company taxes in 2021-22 includes an additional downward adjustment to the minerals sector company tax estimates based on oil and gas and coal losses incurred in 2020-21, as reported by the Australian Bureau of Statistics in the Australian Industry, 81550DO005_202021, May 2022 release.
[19] Australian Taxation Office, Research and development tax incentive, 2021
[20] Australian Taxation Office, Guide to foreign income tax offset rules 2023
[21] Australian Taxation Office, Research and development tax incentive, 2020.
[22] Australian Taxation Office, Guide to foreign income tax offset rules 2021, 2021.
[23] Australian Taxation Office, Utilising franking tax offsets and effect on losses – corporate tax entities, 2016.

quarterly profits for the mining industry through to December quarter 2024.[24] Taxable income data for 2022-23 and 2023-24 are derived by calculating the average gross and net tax rates using historical data between 2009-10 and 2021-22, based on ABS estimates of mining profits and ATO data on mineral sector company tax.[25] This is applied to the ABS data on profits before tax for 2022-23 and 2023-24, to estimate mining company taxes for these periods. In addition, as outlined in footnote 18, profit data for 2021-22 has been revised to account for the performance of oil and gas and coal mining sectors in 2020-21.

Figure 2 illustrates the relationship between company tax payments (which includes ATO mining sector company tax payments data to 2021-22 and company tax estimates) and mining profits before tax. As company tax is levied on profits, it is intuitive that EY's estimates of company tax payable for 2022-23 and 2023-24 are closely aligned with company profits.

Figure 2. Comparison of mining profits and minerals sector company tax



Source: Australian Bureau of Statistics, Australian Taxation Office, EY estimates, all values are nominal.

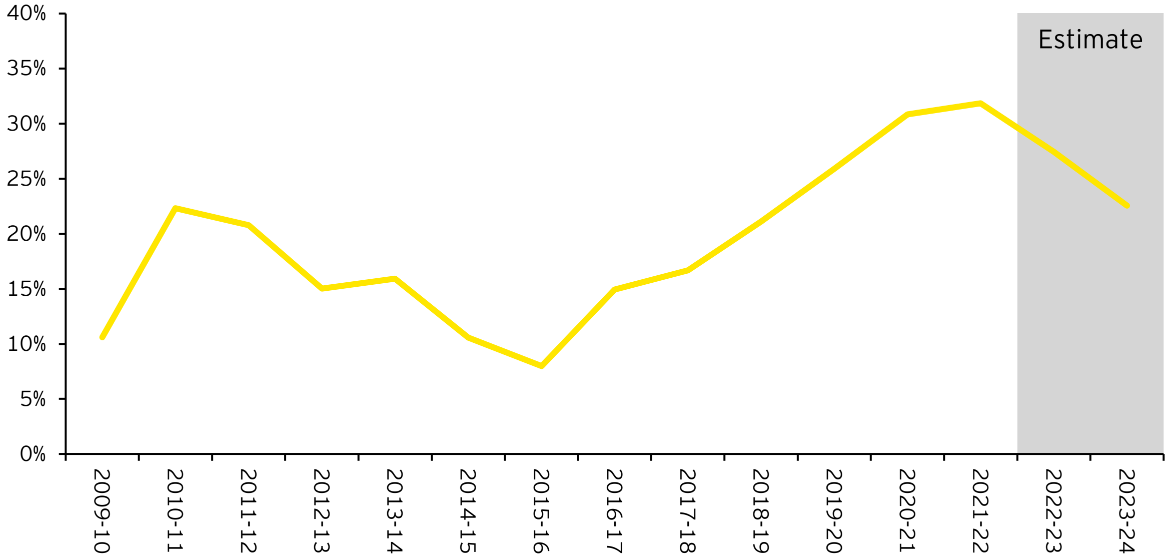
Trends in mineral sector company tax are driven by factors that influence profit such as fluctuations in commodity prices and production volumes.[26] In 2022-23, changes in commodity prices began to moderate, contributing to a small rise in mineral sector profits, which in turn resulted in higher company tax payments. Subsequently, in 2023-24, commodity prices dropped by 13.4% from their peak as thermal coal prices fell from decade highs, leading to a decrease in profits. As a result, company tax payments decreased by 23.5% from $42.5 billion in 2022-23 to $32.5 billion in 2023-24.[27]

Figure 3 shows net company tax for mineral companies as a share of total company tax. In 2023-24, the share of mineral company tax declined, dropping from 27.5% in 2022-23 to 22.6%. This was due to an estimated decline in mineral company tax, primarily caused by falling commodity prices

[24] Australian Bureau of Statistics, Business Indicators Australia, cat. 5676.0, Dec 2024.
[25] Australia Taxation Office, Taxation Statistics, Table 4A, from 2009-10 to 2021-22.
[26] Department of Industry, Science and Resources and Energy Quarterly March 2025: Historical data
[27] Reserve Bank of Australia, Weights for the Index of Commodity Prices, 2025

and rising production costs.[28,29] Whereas, total company tax only decreased by 6.9% driven partially by non-mining sector's capacity to pass on rising costs to consumers.[30]

Figure 3. Minerals company tax as a share of total company tax



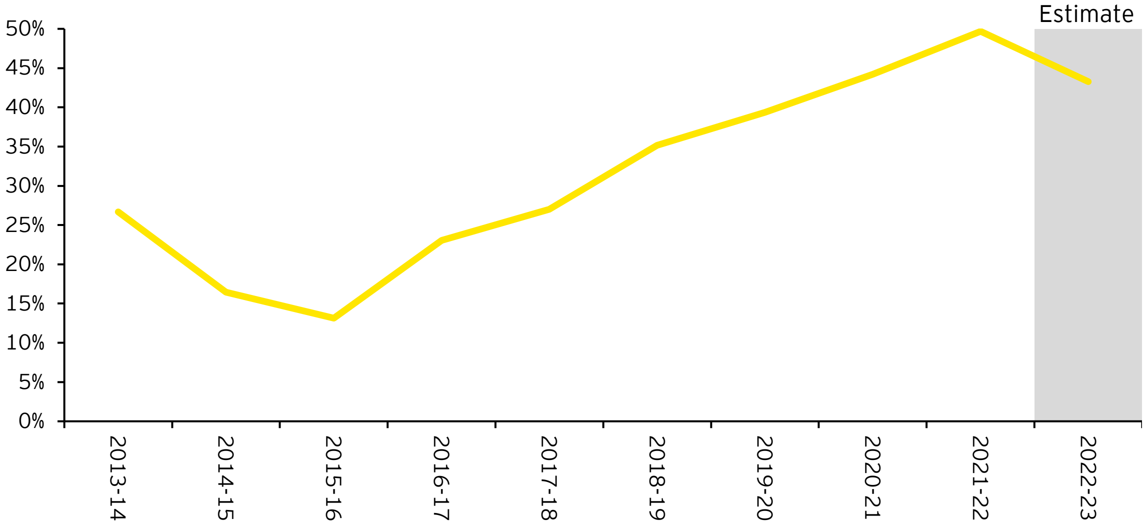
Source: Australian Bureau of Statistics, Australian Taxation Office, EY estimates, all values are nominal.

Data for tax payable for large and international businesses is compiled by the ATO in its 2024 Report of Entity Tax Information releases. This data source provides the taxable income and tax payable for public and foreign-owned corporations with total income of $100 million or more, as well as Australian-owned resident private corporations with total income of $200 million or more, which makes this a comparable peer group to the minerals sector.[31]

Figure 4 shows that in 2022-23, minerals sector share of tax payable for large and international businesses was 43%, declining from its peak of 50% in 2021-22 due to cost inflation and falling commodity prices. Despite the decrease, the mining sectors share of tax payable is still close to the peak, and well above the decade average.

[28] Department of Industry, Science and Resources and Energy Quarterly March 2025: Historical data
[29] Institute for Energy Economics and Financial Analysis, 'Shifting Sands: The evolution of coal mining costs in Australia', 2024
[30] RBA, Small Business Economic and Financial Conditions, 2024
[31] Australian Taxation Office, '2022-23 Report of Entity Tax Information, Corporate Tax Transparency'

Figure 4. Minerals sector company tax as a share of tax payable for large and international businesses*



Source: Australian Bureau of Statistics, Australian Taxation Office, EY estimates, all values are nominal.
*Large company tax Includes PRRT

1.3 Summary

In 2023-24 mining net company tax and royalty payments remained buoyant, and at close to highs reached in recent years. The decline in estimated company tax payments (23.5%) was more significant than the decline in royalties (14.6%). The change in royalty payments is driven by the moderation in thermal coal prices during this time, while iron ore prices and overall production volumes remained resilient. The estimate for company tax payments was further impacted by rising costs, lowering mineral sector profits in 2023-24.

Overall, the total net company taxes and royalty payments over the last decade, the FY15-24 period, reached a high of $394 billion this year. In 2023-24, $59.4 billion was collected, increasing by over 200% since 2013-14. Although these contributions started to moderate due to the stabilisation of thermal coal prices, they were still higher than any year from FY15-21.

Table 3. Royalty and company tax payments, minerals sector

$ million	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Total* (FY15-24)
Royalties	8,349	7,888	11,126	11,810	13,925	15,020	16,727	23,901	31,481	26,870	167,094
Net company tax	7,149	5,141	10,774	14,480	20,245	22,979	30,868	40,797	42,524	32,541	227,499
Total*	15,498	13,029	21,900	26,289	34,170	37,999	47,595	64,697	74,005	59,410	394,593

Source: Australian Taxation Office, State/Territory budget papers, EY estimates, all values are nominal.
*Totals may not add up to individually reported items due to rounding

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