Document 1

From:
Sent: Thursday, 15 July 2010 1:28 PM
To:
Subject: FW: PWC study on effective mining tax rates [SEC=UNCLASSIFIED]
Attachments: 100601 PricewaterhouseCoopers Effective Rate Comparison Briefing.doc

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From:
Sent: Tuesday, 1 June 2010 11:33 AM
To:
Cc:
Subject: RE: PWC study on effective mining tax rates [SEC=UNCLASSIFIED]

Hi ,

I attach the request briefing on the PWC study.

Regards,

Strategy Unit
Business Tax Division
Ph: (02) 6263

From:
Sent: Sunday, 30 May 2010 7:02 PM
To:
Cc:
Subject: PWC study on effective mining tax rates [SEC=UNCLASSIFIED]

Hi,

Peter Hartcher's article on 29 May in the SMH quotes a PWC study of effective tax rate comparisons for the global mining industry. It says Australia is 16.4 per cent.

Could we please get some analysis and advice on this study asap?

Cheers,

PRICEWATERHOUSE COOPERS — 'EFFECTIVE RATE COMPARISON'

KEY POINTS

- PricewaterhouseCoopers' '*Effective Rate Comparison of the Global Mining Industry 2008: May 2009 Analysis*' calculates the effective company tax rates of 57 global mining companies for the period 2006 to 2008.
- Australia's average effective tax rate of 15.3 per cent is the lowest for all countries.
  - However, only 7 Australian companies were included in the study.
- A company's effective tax rate is calculated as its income tax expense divided by profit before income tax, using global profits and taxes, and therefore does not directly reflect a country's company income tax system.
  - This approach is similar to an effective tax rate calculation using net tax and taxable income from Australian Taxation Office data.
- Effective tax rates differ from statutory tax rates to the extent that companies pay income tax across more than one jurisdiction, and the interaction between different jurisdictions' tax systems.
  - This approach focuses on the credits, rebates and other items that consolidate net tax from gross tax, across and between jurisdictions.
- The study acknowledges that mining companies face more taxes than just corporate income tax (for example, royalties), however this study only focuses on calculating and comparing effective company tax rates.

ADDITIONAL INFORMATION

- Data is sourced from publicly available financial statements (up to December 2008), for companies in the precious metals, coal, base metals, aggregates and other minerals sectors.
- The study calculates effective tax rates using the following approach:
  - The statutory tax rate of the company headquarters is the starting effective tax rate.
  - The various credits, offsets, taxes and charges that companies record in reconciling net tax from gross tax, are then recorded as a proportion of profit before income tax.
  - The sum of these figures provides an effective tax rate.
- The average effective tax rate for the period 2006 to 2008 was 23 per cent.
- The study calculates the effective tax rates faced by companies headquartered in different countries.
  - The sample size of companies is small (for example, only 7 companies are measured as Australian) and the period of observation is relatively short at 3 years.