

**MINING ROYALTIES**

**AND STATISTICS**

**IN NSW**

**GUIDELINES FOR COMPLIANCE**

**NON COAL**

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## **Introduction**

NSW Department of Industry issues titles for the right to mine and dispose of minerals and petroleum. When titleholders obtain a title they undertake to abide by the conditions of the authority, including the payment of royalties and prompt lodgement of royalty returns on their titles. These guidelines explain the royalty requirements and sets out titleholders' obligations in this regard. It also highlights the penalties that can be incurred.

Royalty is the payment to the State for the right to extract and use the State's mineral resources. The collection of mining statistics is incorporated with the royalty return. The information required consists of employment at the end of each period; value of minerals sold, used, purchased and stockpiled; and where applicable the quantity and value of mineral concentrates produced as well as capital expenditure.

Royalty rates are set to encourage present and future exploration and development of mineral resources. At the same time, the NSW Government aims to ensure that the State receives a fair and equitable return for the use of non-renewable resources.

The collection of mining royalties is based on 'self-assessment'. Therefore responsibility for calculating the amount to be paid and prompt lodgement of royalty returns and payment rests with the titleholder.

## Royalties

Royalty on minerals, other than coal, are either charged on a quantum or ad valorem basis.

### Quantum Royalty

Quantum royalties are levied on a production basis (i.e. a flat rate royalty is charged per unit of mineral recovered). Please refer to Appendix 2 for the rate applicable to each specific mineral. These rates may change through an amendment to the regulations.

### Ad Valorem Royalty

Ad valorem royalties are levied at 4% of the total value of minerals recovered, or the ex-mine value.

The ex-mine value refers to the value of the mineral once it is mined and brought to the surface. In some cases the costs associated with the processing or treatment may be allowable deductions. However, the costs associated with exploration, development and mining of the ore body and the rehabilitation of the site are not allowable deductions. Appendix 1 provides more details on assessable income and allowable deductions..

## Completion of Royalty and Statistics Returns

The lodgement date for annual returns and payment of royalty for non-coal minerals for the preceding financial year is 31 July. In certain cases, different lodgement dates may apply.

Quarterly royalty returns are required for titleholders with an anticipated royalty liability of more than \$50,000 for the 12-month period. Quarterly returns are in the same format as the annual returns and are due at the following times:

<b>Period</b>	<b>Return and payment due</b>
1 January - 31 March	30 April
1 April - 30 June	31 July
1 July - 30 September	31 October
1 October - 31 December	31 January

Titleholders are responsible for ensuring that:

- information relating to their titles is accurate and up-to-date;
- completed and signed royalty returns in respect of all titles held are lodged with the Department, together with the royalty payment when due; and
- details and maps are kept of areas of extraction and a breakdown of mineral recovered from different land portions.

## ***Calculating the Quantity and Value of Mineral Recovered***

The return will provide a separate sheet for each mineral available to be mined by the leaseholder and the applicable royalty rate (see Appendix 2 for the current rates).

The royalty will be calculated on the minerals recovered during the period, which includes stock movements.

The value of minerals sold will be the first arm's-length sale that receives market value (typically the invoiced value less offsite processing costs). Where no invoice is rendered the value should reflect spot prices at the time of disposal. The closing stock should be valued at the net realisable value, while opening stock will reflect the value reported during the previous period.

## ***Calculating Royalty Payable***

### **Quantum Royalty**

Calculate the royalty payable in Table 3, by multiplying the quantity of minerals recovered, using **whole tonnes**, by the rate prescribed.

Do not complete Table 4, as this relates to the ad valorem royalty.

An example of the calculations required for a quantum-based mineral follows:

GYPSUM

	<b>Quantity Tonnes</b>	<b>Amount \$</b>
Export Sales	0	0
Local Sales or other disposals	7,500	150,000
<b>Total value of disposals</b>	<b>7,500</b>	<b>150,000</b>
Plus value of closing stock (finished product at last sale price or ruling spot price, whichever more closely reflects the realisable value of the stock)	300 @ \$20	6,000
Less value of opening stock (as per previous return)	500 @ \$15	7,500
<b>Gross value of mineral recovered</b>	<b>7,300</b>	<b>148,500</b>
<b>Amount of royalty payable (at 35 cents per tonne)</b>		<b>2,555</b>

## Ad Valorem Royalty

The ex-mine value of minerals recovered will be determined by subtracting total deductions from (Table 4) from the value of mineral recovered (Table 2). Please refer to Appendix 1 for details of assessable income and allowable deductions.

Calculate the royalty payable by multiplying the ex-mine value by the rate prescribed for the mineral.

An example of the calculations required for an ad valorem-based mineral follows:

### GOLD

	Quantity Oz	Amount \$
Export Sales	4,500	2,600,000
Local Sales or other disposals	3,500	2,000,000
<b>Total value of disposals</b>	<b>8,000</b>	<b>4,600,000</b>
Plus value of closing stock (finished product at last sale price or ruling spot price, whichever more closely reflects the realisable value of the stock)	250 @ \$550	137,500
Less value of opening stock (as per previous return)	500 @ \$625	312,500
<b>Gross value of mineral recovered</b>	<b>7,750</b>	<b>4,425,000</b>
Less Allowable deductions -		
• Onsite treatment expenses		1,500,000
• Realisation expenses		50,000
• one-third of onsite administration expenses		65,000
• Depreciation		
▪ Treatment Plant	885,223	
▪ Tailings Dams	148,833	
▪ Component of asset attributable to treatment and realisation:		
○ Workshop	3,938	
○ Motor vehicles	15,541	
○ Buildings	15,101	1,068,636
<b>Total allowable deductions</b>		<b>2,683,636</b>
<b>Ex-mine value</b>		<b>1,741,364</b>
<b>Amount of royalty payable (at 4%)</b>		<b>69,654.56</b>

## ***Additional Statistical Information***

### **Employment and Capital Expenditure**

You must show all personnel employed as at the end of the period, including working managers, partners, employees, contractors, etc. If there was no person employed at the end of the period write 'NIL'.

Show capital expenditure on plant and equipment for the period split between mining of mineral and treatment of mineral. The employment and capital expenditure details (Table 1) should be completed even if submitting a NIL return.

### **Mineral Concentrates**

Where applicable enter the quantity of ore and mineral concentrates produced during the period.

## ***Additional Information for Calculating a Royalty Liability***

### **Gold loans**

Gold loan repayments will be valued at the ruling spot price regardless of the valuation at draw down.

### **Forward sales**

Any transaction which is designed to protect the future value of a mineral will be taken into account in determining the value of mineral recovered.

### **Speculation**

Any speculative transaction or purchase of mineral will not be considered in the value of mineral recovered.

### **Depreciation**

Depreciation allowable for royalty purposes is restricted to the proportion of the assets' utilisation that contributes directly to upgrading the mineral from the first stockpile to disposal. Full depreciation schedules and assets registers must support all claims for deductions.

- All assets (except tailings dams) are to be depreciated using the reducing balance method at the rate of 11.25% per annum.
- Tailings dams can be depreciated using the straight-line method, over the life of the dam while additional earthworks for the dams may be included in the depreciation schedule or treated as a deduction in the year of expenditure.
- Depreciation of assets only applies to the period during which production is underway.
- Additions are to be depreciated for part year including the month the expense was incurred.
- Disposals are to be depreciated for part year excluding the month of disposal.
- A balancing charge applies to disposal of depreciated assets.
- For royalty purposes, transfer of assets upon sale to another operation or miner will be at the written down value WDV.
- Upon closure of an operation, part-year allowance will be made for depreciation of assets. Refund claims may be accepted in the royalty return for the period following the closure. This specifically addresses the problem of whether the balancing charge is to be written off or disposed of after closure.
- If the mine is placed on a care and maintenance basis, a part-year allowance will be made for the current year and the WDV will apply when the mine reopens.

## **Records**

### ***Keeping Accurate Records***

Titleholders are required to maintain proper and accurate account books relating to minerals recovered. Any officer of the Department must be permitted access to account books, documents and other records relating to the production, treatment and disposal of minerals by the titleholder. If necessary, the Minister will direct the titleholder to make such records available for an officer of the Department to inspect. Examples of the types of records a titleholder should keep are set out in Appendix 3.

### ***Privacy and Confidentiality***

The information, including personal information, collected by the Department for the purposes of royalty is collected under the requirements of the Mining Act 1992. The information is necessary in order to administer the mining laws of the State.

The information collected is treated as confidential and specific disclosure provisions are set in Section 365 of the Mining Act 1992, which states:

Information obtained about a titleholder's operations may not be disclosed unless the disclosure is made:

- a) with the consent of the person from whom the information was obtained; or
- b) in connection with the administration or execution of the Act; or
- c) for the purposes of any legal proceedings arising out of the Act or of any report of any such proceedings; or
- d) for the purpose of any investigation or inquiry conducted by a Warden under the Act;  
or
- e) with the concurrence of the Minister.

## **Payment**

Payments of royalty are made to the Office of State Revenue from 1 July 2014.

The preferred method of payment is a direct deposit to the Office of State Revenue

Bank: Westpac

BSB: 032 001

Account number: 205573

Account name: OSR EPS Remitting Account

For more information, please go to the link below

<http://www.osr.nsw.gov.au/royalties/mineral>

## **Penalties**

The Mining Act 1992 provides for fines for offences relating to returns, the provision of information and access to records.

If you furnish false or misleading information or fail to lodge a Royalty Return on time the Regulations specify a maximum penalty of \$11,000. In addition, a person in charge of premises, where a royalty officer believes records are kept, fails to provide reasonable facilities and assistance may face a penalty of up to \$11,000.

These penalties may be imposed by a court of competent jurisdiction.

## **Disputes**

If you dispute an assessment you may lodge an objection.

If you believe that an incorrect assessment has been issued, action to recover any outstanding debt will be suspended pending investigation of the matter. However, if it is found that the initial assessment is correct, you will be charged continuing interest on the unpaid debt.

If you consider that assessment for royalty liability is based on an invalid application of policy or an inappropriate method of calculation, the objection will not be investigated until full payment has been made. The Minister will determine the claim and you will be notified of the outcome as soon as practicable. Any resultant refund will be made within 14 days.

Titleholders should note that during a period of indebtedness to the Department all matters before it (e.g. lease renewals, transfers, applications for titles etc) will be viewed in light of any outstanding liability.

Under the Mining Act, all disputes are to be investigated by the Minister.

## **Appendix 1: Assessable Income and Allowable Deductions**

### **Income**

Includes the revenue realised from the mineral recovered and disposed from the title. This assumes an arm's length transaction, where the Minister is satisfied that it produces a market value. Speculative activity is not assessable and should be ignored.

Sales	The \$A value at disposal
Foreign exchange gains or losses	The variation in the \$A value at settlement.
Forward Trading	Where used to protect the value of the mineral.
Contangoes	Assessable as premium on price of sale.
Offsite refining and treatment	Assessable as a contra to the sale.
Foreign exchange trading	Not assessable.
Hedging	Not assessable.
Interest	Not assessable.
Income from housing rental	Not assessable.
GST	Not assessable.

### **Deductions**

Allowable deductions are confined to the direct costs incurred in upgrading the mineral, after the first stockpile, and bringing it to market. Income for services provided to external parties should be offset against deductions.

#### **Onsite Treatment**

Transport to first stockpile	Not allowable.
Crushing and milling	Allowable after the first stockpile.
Concentration	Allowable.
Refining	Allowable.
Assaying and analysis	Allowable.

#### **Realisation**

Agents commission	Allowable.
Intermediate stockpiling	Allowable.
Transport to point of sale	Allowable.
Overseas freight	Allowable on Cost of Insurance and Freight (CIF) sales.

## Depreciation

Depreciation is at 11.25% per annum on a reducing balance, except for tailing dams. Tailing dams are depreciated on a straight line basis over the life of the dam.

The claim for the depreciation should be adjusted for the allowable proportion of asset usage.

Further definitions are provided in [Depreciation](#) section on page 6.

Crushing and milling	Allowable after first stockpile.
Transport	Allowable after first stockpile.
Refining	Allowable.
Administration	Allowable at 33.33% of the expense
Mining	Not allowable.
Environment	Not allowable.
Inter- and Intra-company transfers	Transferred at the lower of written down or realisable value.
Retirement or disposal	<ul style="list-style-type: none"><li>• At value of sale</li><li>• Profit or loss on disposal schedule to support claims.</li></ul>

## Onsite Administration

On site expenses which directly have an effect upon the value of the mineral, or facilitate the upgrade of the mineral. Generally Allowable at 33.33%.

Bank Charges	Allowable.
Occupational health and safety	Allowable for non mining activities.
Contractors and consultants	To be considered on a case by case basis.
Fringe benefit tax	Not allowable, unless provided to all employees.
Entertainment	Not allowable.
Relocation and recruitment	Not allowable.
Audit fees	Not allowable.
Offsite administration	Not allowable.
Housing	Not allowable.
Sponsorship and promotions	Not allowable.
Overseas travel	Not allowable.
Levies and licenses	Not allowable.
GST on expenses	Not allowable.

**Other Not allowable Expenses**

Other not allowable expenses include:

Mining

Exploration

Survey

Rehabilitation

Environmental management

Interest and financing charges

Legal

Overseas travel

Housing

Sponsorship and promotions

Entertainment

Levies and licenses

Relocation and recruitment

Royalty

Rates

## Appendix 2 Royalty Rates

Mineral	Rate of Royalty
Agate	4% ex-mine value
Agricultural lime	35 cents per tonne
Antimony	4% ex-mine value
Apatite	4% ex-mine value
Arsenic	4% ex-mine value
Asbestos	4% ex-mine value
Barite	70 cents per tonne
Bauxite	35 cents per tonne
Bentonite (inc. Fuller's Earth)	70 cents per tonne
Beryllium minerals	4% ex-mine value
Bismuth	4% ex-mine value
Borates	70 cents per tonne
Cadmium	4% ex-mine value
Caesium	4% ex-mine value
Calcite	40 cents per tonne
Chalcedony	4% ex-mine value
Chert	35 cents per tonne
Chlorite	70 cents per tonne
Chromite	4% ex-mine value
Clay/shale	35 cents per tonne
Cobalt	4% ex-mine value
Columbium	4% ex-mine value
Copper	4% ex-mine value
Corundum	4% ex-mine value
Cryolite	4% ex-mine value
Diamond	4% ex-mine value
Diatomite	70 cents per tonne
Dimension stone	70 cents per tonne
Dolomite	40 cents per tonne
Emerald	4% ex-mine value
Emery	4% ex-mine value
Feldspathic materials	70 cents per tonne
Fluorite	70 cents per tonne
Galena	4% ex-mine value

Mineral	Rate of Royalty
Garnet	4% ex-mine value
Geothermal substances	4% ex-mine value
Germanium	4% ex-mine value
Gold	4% ex-mine value
Graphite	4% ex-mine value
Gypsum	35 cents per tonne
Halite (inc. solar salt)	40 cents per tonne
Ilmenite	4% ex-mine value
Indium	4% ex-mine value
Iron minerals	4% ex-mine value
Jade	4% ex-mine value
Kaolin	70 cents per tonne
Lead	4% ex-mine value
Leucoxene	4% ex-mine value
Limestone	40 cents per tonne
Lithium	4% ex-mine value
Magnesite	70 cents per tonne
Magnesium salts	40 cents per tonne
Manganese	4% ex-mine value
Marble	70 cents per tonne
Marine aggregate	4% ex-mine value
Mercury	4% ex-mine value
Mica	70 cents per tonne
Mineral pigments	70 cents per tonne
Molybdenite	4% ex-mine value
Monazite	4% ex-mine value
Nephrite	4% ex-mine value
Nickel	4% ex-mine value
Niobium	4% ex-mine value
Oil shale	4% ex-mine value
Olivine	70 cents per tonne
Opal	4% ex-mine value
Ores of silicon	4% ex-mine value
Peat	70 cents per tonne

<b>Mineral</b>	<b>Rate of Royalty</b>
Perlite	70 cents per tonne
Petroleum	10% of well head value
Phosphates	70 cents per tonne
Platinum group minerals	4% ex-mine value
Platinum	4% ex-mine value
Potassium minerals	70 cents per tonne
Potassium salts	40 cents per tonne
Pyrophyllite	70 cents per tonne
Quartz crystal	4% ex-mine value
Quartzite	70 cents per tonne
Rare earth minerals	4% ex-mine value
Reef quartz	70 cents per tonne
Rhodonite	4% ex-mine value
Rubidium	4% ex-mine value
Ruby	4% ex-mine value
Rutile	4% ex-mine value
Sapphire	4% ex-mine value
Scandium and its ores	4% ex-mine value
Selenium	4% ex-mine value
Serpentine	70 cents per tonne
Sillimanite-group minerals	70 cents per tonne
Silver	4% ex-mine value
Sodium salts	40 cents per tonne
Staurolite	70 cents per tonne
Strontium minerals	4% ex-mine value
Structural clay	35 cents per tonne
Sulphur	4% ex-mine value
Talc	70 cents per tonne
Tantalum	4% ex-mine value
Thorium	4% ex-mine value
Tin	4% ex-mine value
Topaz	4% ex-mine value
Tourmaline	4% ex-mine value
Tungsten and its ores	4% ex-mine value
Turquoise	4% ex-mine value
Vanadium	4% ex-mine value

<b>Mineral</b>	<b>Rate of Royalty</b>
Vermiculite	70 cents per tonne
Wollastonite	70 cents per tonne
Zeolites	70 cents per tonne
Zinc	4% ex-mine value
Zircon (mineral sand)	4% ex-mine value
Zircon	4% ex-mine value
Zirconia	4% ex-mine value

## Appendix 3 Types of Records

Whilst there are basic record-keeping requirements that apply to all titleholders, the extent of records kept depend upon the relative size and nature of mining operations. These may also be dictated by other business reasons.

Examples of the types of records that should be kept are summarised below.

General record category	Information required	Recommended supporting records
Disposals (includes all minerals removed from the lease whether for sale, further processing or personal use)	<ul style="list-style-type: none"> <li>• Quantity of each mineral sold or disposed (including minerals consumed by the leaseholder and/or related parties).</li> <li>• Value of minerals disposed in Australian dollars (ie total consideration received less GST).</li> </ul>	<ul style="list-style-type: none"> <li>• Tax invoice showing transaction date, mineral description, quantity (eg tonnes, ounces, grams, carats, etc), value and customer details.</li> <li>• Weighbridge dockets or receipts from independent transport contractor, showing date of transport and quantity and description of each mineral removed.</li> <li>• Invoice register showing details of sales.</li> </ul>
Purchases	<ul style="list-style-type: none"> <li>• Quantity of each mineral acquired (from external sources).</li> <li>• Value of minerals acquired (ie total consideration paid less GST).</li> </ul>	<ul style="list-style-type: none"> <li>• Tax invoice showing transaction date, mineral name, quantity, value and supplier details.</li> </ul>
Stockpiles	<ul style="list-style-type: none"> <li>• Quantity of minerals recovered or purchased that have not been sold, disposed or consumed by leaseholder (includes raw and processed minerals stockpiled inside and outside the mine site).</li> <li>• Value of stockpiled minerals based on most recent arm's-length sale.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual stockpile survey undertaken by an independent surveyor.</li> <li>• Working papers showing calculation of closing stock from production, sales and purchase records since last survey date.</li> </ul>

## Production

- Quantity of minerals recovered from each lease held.
- Plans showing the extent of mining activity within each lease.
- Daily records (with monthly and annual summaries) showing the quantity of each type of raw mineral recovered.
- Daily records (with monthly and annual summaries) showing the input and output of any processes undertaken to improve the quality of the mineral stockpile.
- Surveyed maps and/or sketches showing the location within each lease boundary where mining activity has occurred each year.

## Expenses

- Actual costs incurred in upgrading the mineral from the first stockpile to a marketable state to the extent allowed. General categories: treatment expenses, marketing, onsite administration and depreciation. (Please note that all mining expenses are Not allowed.)
- For guidance on the extent that deductions may be allowable, please refer to Appendix 1.
- Sketches showing the methods employed to mine and process the minerals recovered.
- Sketches showing the location of all stockpiles in relation to the mining and processing sites.
- Schedules detailing all equipment used at each of the mining, transporting, stockpiling and processing stages.
- Tax invoices/receipts.
- Other evidence of payments such as bank statements, cheque butts, credit card statements.
- Depreciation working papers.
- Notes as to how each expense category relates to the schedule of allowable deductions

If you need any assistance in deciding what records are required for your operation please contact the royalty unit on 02 4931 6436.