

Mineral Resources Division

Department of State Development



OCTOBER 2014

Recent changes to mining royalties

Recent changes to mining royalties have occurred as a result of the 2014–15 State Budget handed down on 19 June 2014, and an amendment to the Mining Regulations 2011 on 28 August 2014.

Extractive minerals

From 1 July 2014 the royalty rate for extractive minerals increased to 55c per tonne. The contribution to the Extractive Areas Rehabilitation Fund (EARF) remains at 25c per tonne. The EARF is designed to facilitate the rehabilitation of extractive mine sites which have been approved by the Minister.

Further information about the EARF is available on the Department of State Development Minerals website <www.minerals.statedevelopment.sa.gov.au>. Go to Licensing & Regulation, Extractive Minerals, Extractive Areas Rehabilitation Fund.

Please note that where extractive minerals have been used for a **prescribed purpose***, royalty must be paid at the applicable royalty rate.

* The definition of extractive minerals which have been used for a prescribed purpose can be found in regulation 3(3) of the Mining Regulations and includes:

- (a) chemical, cement, lime and glass manufacture
 - (b) metallurgical flux, refractories and industrial fillers
 - (c) foundries, fertiliser, agricultural, jewellery and crafted ornamental uses
 - (d) any purposes connected with the production of dimension stone.
- For further clarification of a prescribed purpose please contact Resource Royalties.

Mining returns

Every six months, all tenement holders and proprietors of private mines are required to complete a mining royalty return. The return notifies the Minister of the quantity of minerals recovered and the total value of the minerals sold, intended for sale or utilised. You must ensure that the return includes all information requested, including market values. The market values from the royalty returns are vital for the department to ascertain the economic value of minerals (including extractive minerals) in South Australia and are included in reporting to the Australian Bureau of Statistics. As such, the sales values reported are required to be as accurate as reasonably possible.

Private mines

From 19 June 2014 proprietors of private mines are required to notify the Minister in writing within 30 days of a **relevant event** occurring. A relevant event includes where there are changes to the proprietor of a private mine and/or the right (whole or in part) to conduct operations at the mine.

From the date of a relevant event, royalty will be payable on all minerals recovered from the private mine at the applicable royalty rates under the *Mining Act 1971*. In the absence of a relevant event, proprietors of private mines will continue to pay royalty on the extractive minerals recovered, but not on any other minerals recovered.

Retention of records

On 28 August 2014 the Mining Regulations were amended to provide examples of the types of royalty records that are required to be retained by tenement holders to substantiate their royalty returns. These records include sales invoices, financial statements and trucking dockets. The Regulations require these records to be retained for a period of no less than 7 years. For more information about record keeping requirements refer to section 77 of the Mining Act and regulation 84 of the Mining Regulations.

Prescribed costs and the treatment of GST (for minerals other than extractives)

For minerals other than extractive minerals, costs of a prescribed kind are not to be included in the market value of the minerals at the gate of the relevant tenement. Prescribed costs relate to the genuine transportation and/or shipping of minerals. The 28 August 2014 Mining Regulation amendments remove an anomaly where the prescribed costs could be claimed inclusive of GST. Regulation 8 now excludes GST from all prescribed costs (effective from 1 September 2014).

The changes align the GST treatment in both the Regulations and Mining Act, given the market value of the minerals is determined on an ex-GST basis.

Monthly royalty payments

Royalty payers with an annual royalty liability greater than \$100 000 are required to make monthly royalty payments to the Minister. Every March, pursuant to section 17DA of the Mining Act, the Minister issues a 'notice of designation' and a 'notice of assessment' to the royalty payers that are subject to this requirement. If a royalty payer expects a significant variation in the amount due, they may request to have the notice varied or amended. No additional reporting requirements have been placed on these royalty payers, with their royalty returns being due at the same time as all other tenement holders and proprietors of private mines. For further details regarding monthly payments, please contact the Resource Royalties team.

Further information

Resource Royalties

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Minerals website <www.minerals.statedevelopment.sa.gov.au>.
Go to Licensing & Regulation, Resource royalties.