Challenges in taxing mining activities in Africa

Taxing to Develop: International Taxation Challenges for Africa

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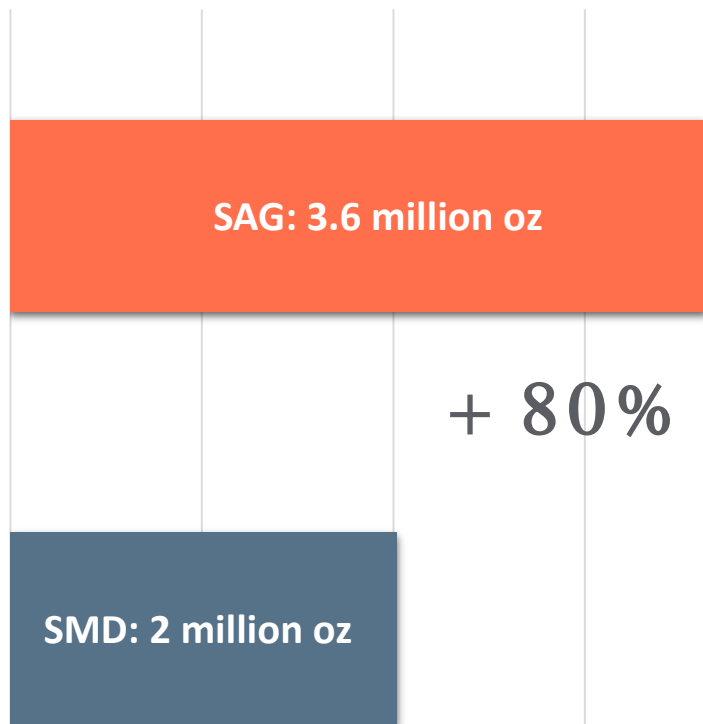**Natural Resource Governance Institute**

Content

- Findings from payment data (Extractive Industries Transparency Initiative) on implementation challenges in taxing mining companies
- Two examples: Guinea and DRC

Guinea: comparing gold mining companies' contributions
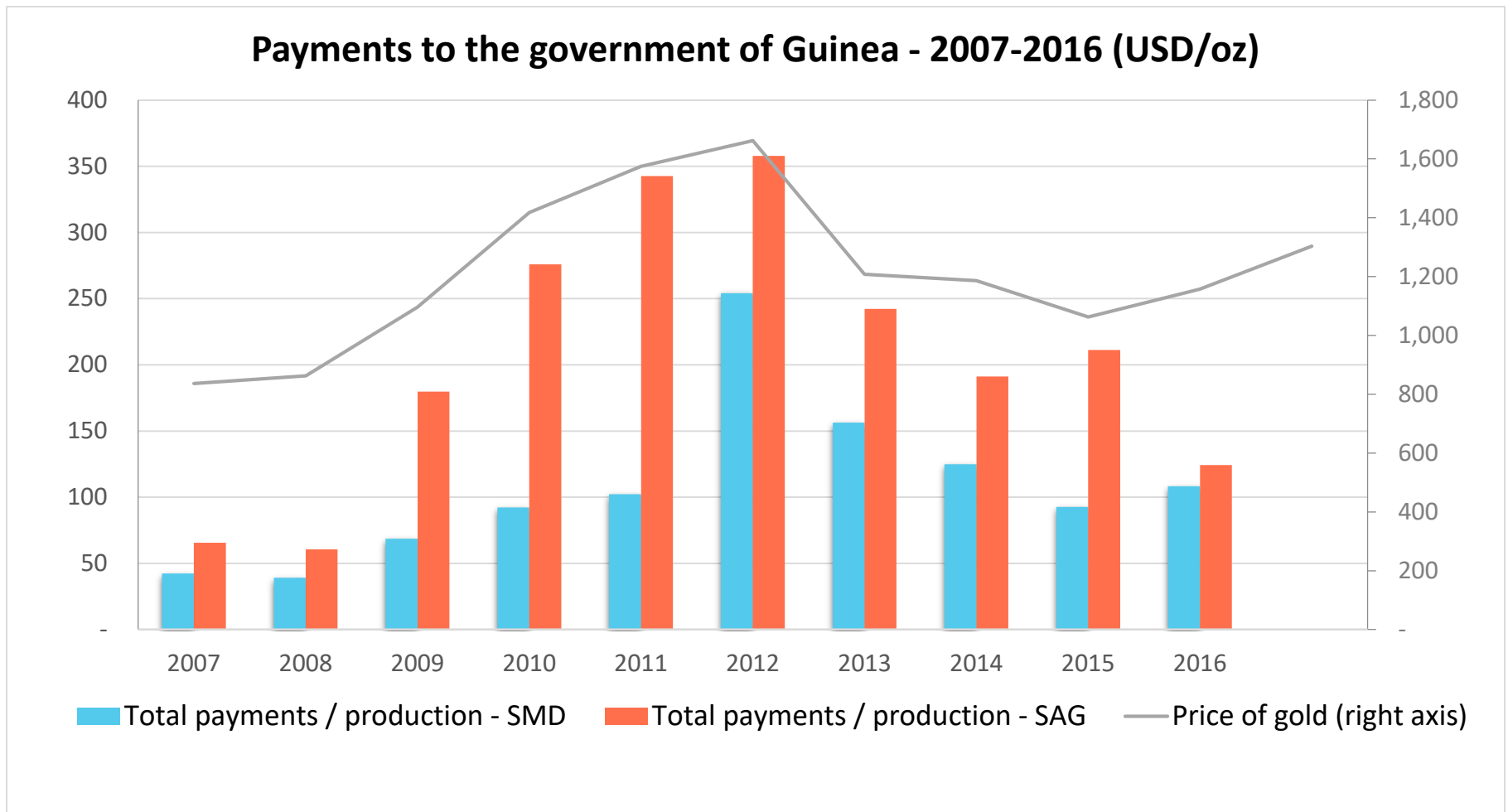
2007-2016 cumulative production

2007-2016 cumulative payments to the government of Guinea

SAG: 3.6 million oz

SAG: 648 milion USD

+ 80%

+ 228%

SMD: 2 million oz

SMD: 197 million USD
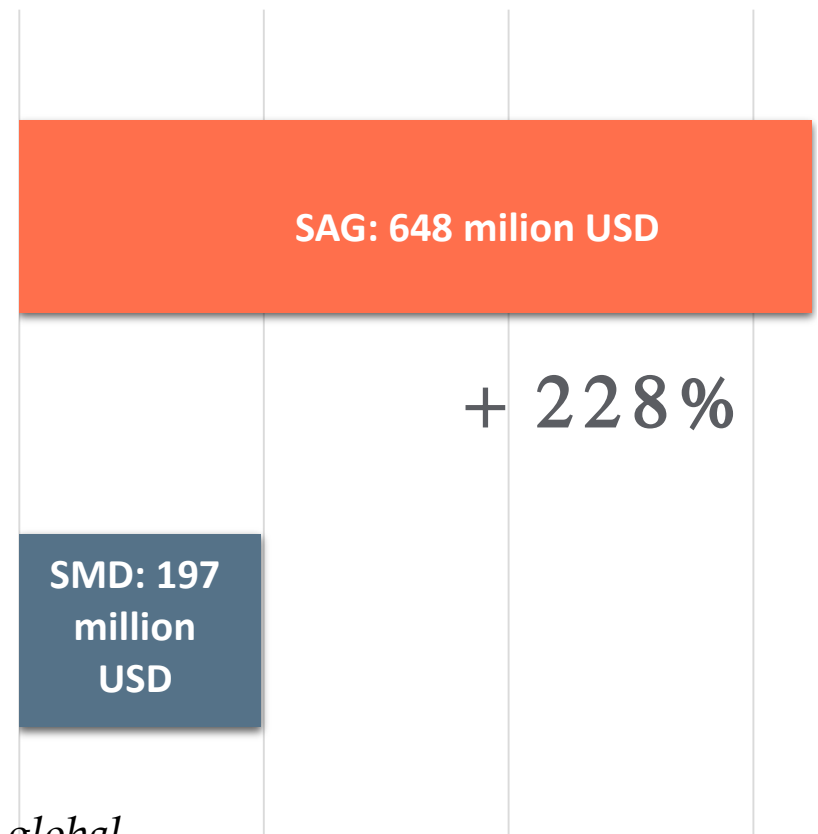
Sources: EITI, production and price databases – S&P global
SAG: Societe Aurifere de Guinee – Anglogold Ashanti
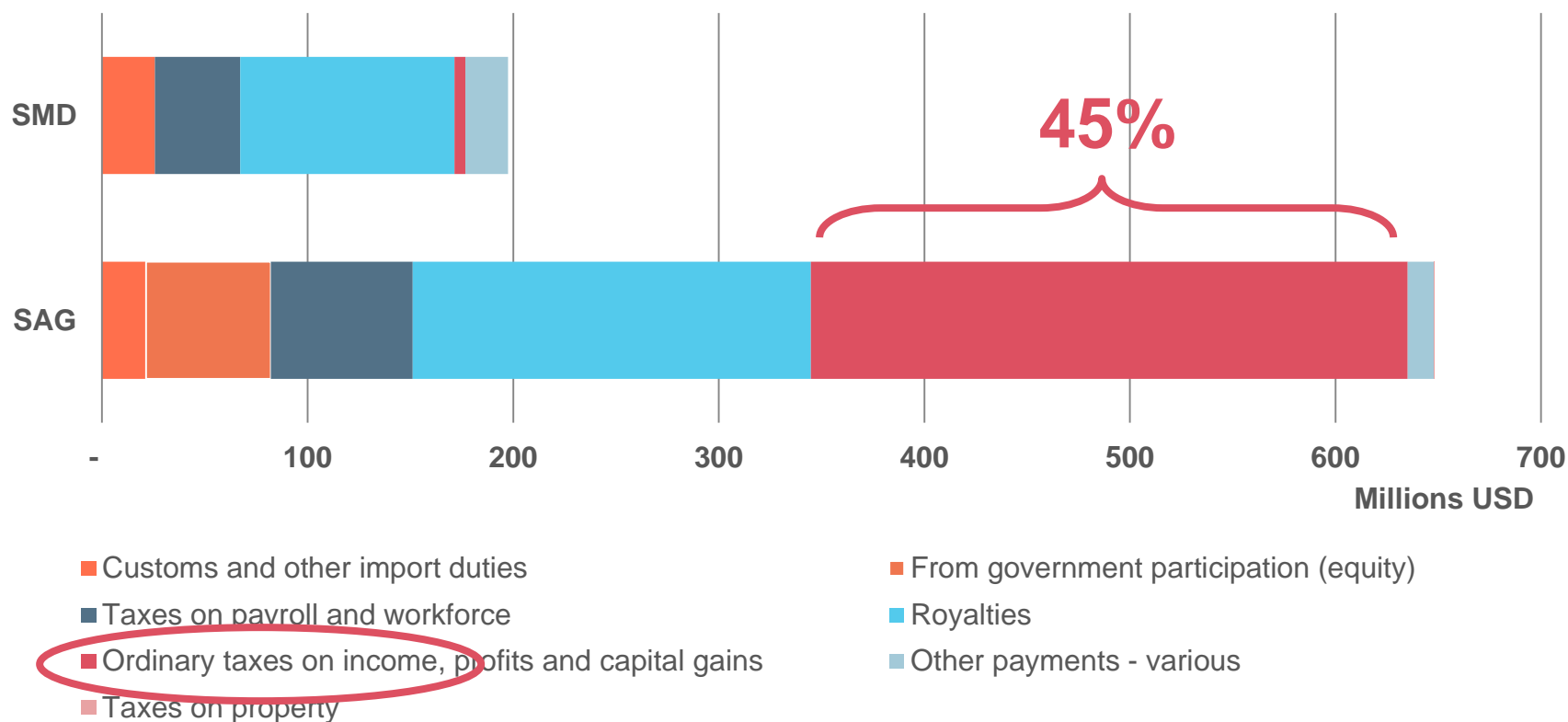*SMD: Societe Minieres de Dinguiraye - Nordgold*

Guinea: comparing gold mining companies' contributions

Payments to the government of Guinea - 2007-2016 (USD/oz)

Legend:
- Total payments / production - SMD
- Total payments / production - SAG
- Price of gold (right axis)

Sources: EITI, production and price databases – S&P global

Guinea: comparing gold mining companies' contributions

Cumulative payments to the government of Guinea, by payment category - 2007-2016

Legend:
- Customs and other import duties
- Taxes on payroll and workforce
- Ordinary taxes on income, profits and capital gains
- Taxes on property
- From government participation (equity)
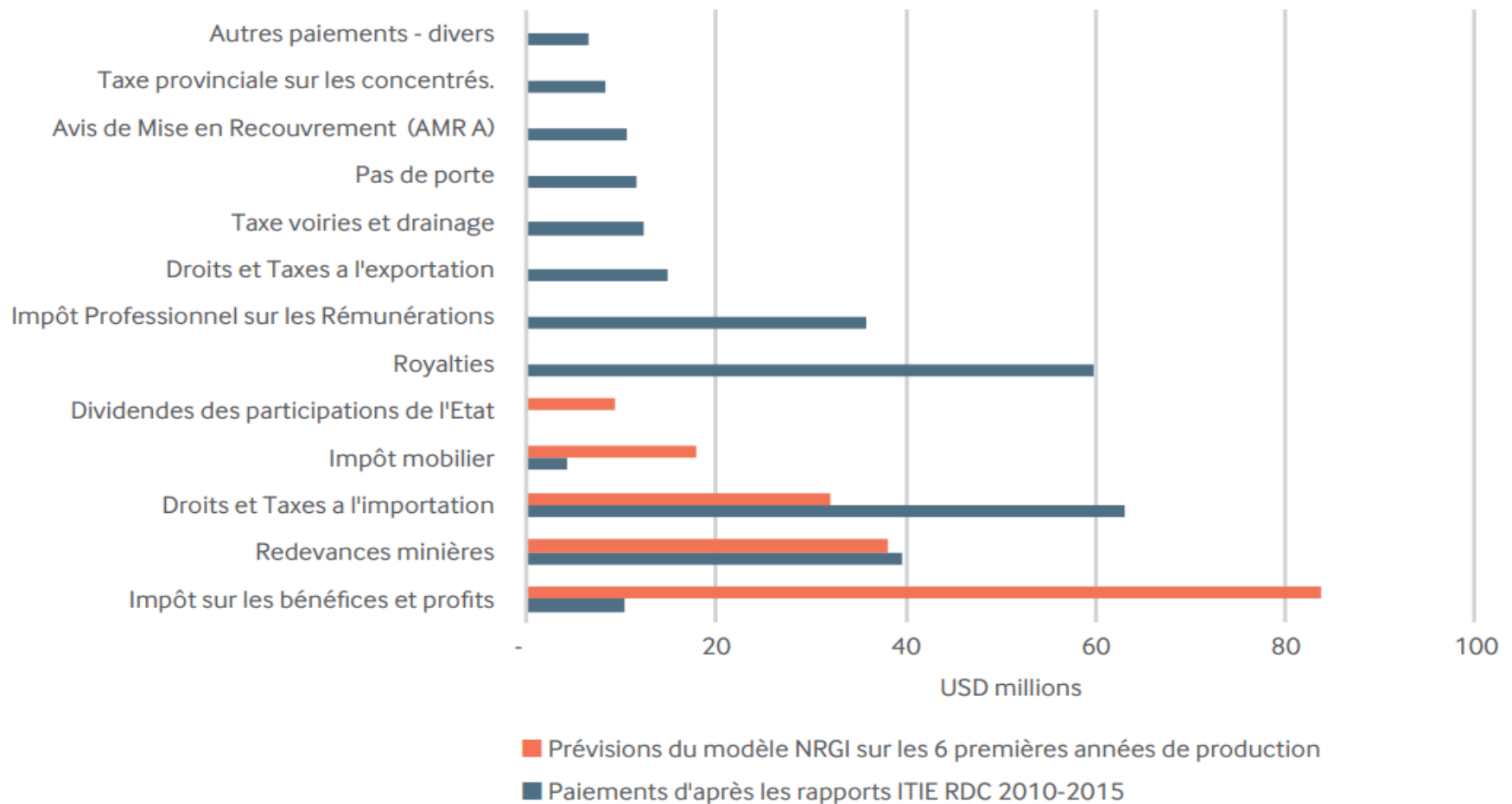- Royalties
- Other payments - various

Sources: EITI, production and price databases – S&P global

Guinea: comparing gold mining companies' contributions

- Conclusion: some mines generate significantly more revenue than others

- Possible factors:
  - Large differences in mining costs?
  - State equity? Guinea owns 15% of SAG (AGA)
  - Company governance? Anglogold Ashanti scores highly on the Responsible Mining Index

DRC: theoretical versus actual payments

Modeled payments based on 2002 mining code versus EITI payments over six first years of production – Ruashi mine – source: NRGI, 2018

Prévisions du modèle NRGI sur les 6 premières années de production

Paiements d'après les rapports ITIE RDC 2010-2015

DRC: theoretical versus actual payments

- Conclusion: EITI payments reveal a government preference for production-based taxation, despite a (mostly) profit-based fiscal regime.

- Implications: develop more context-specific fiscal regimes based on inclusive consultations. E.g. variable rate royalties

Thank you

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