

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1214 [NW1351E]

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Adv H C Schmidt (DA) to ask the Minister of Finance:

- (1) Whether he intends to amend taxation laws regulating the taxation of companies in the mining sector, in particular (a) the rate of taxation of mining companies and (b) the provisions relating to the Mineral and Petroleum Resources Royalty Act, Act 28 of 2008; if so, what are the relevant details; if not,
- (2) whether he will support a request for a taxation dispensation wherein mining companies are more heavily taxed in terms of an amendment to the (a) general taxation laws and/or (b) Mineral and Petroleum Resources Royalty Act, Act 28 of 2008; if not, why not; if so, what are the relevant details?

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REPLY:

- 1) No, the Minister of Finance does not make new tax policy announcements except on Budget Day. This is not only to protect the integrity of the budget process, but also to ensure that there is as much policy certainty as possible for those investing in any sector. I want to therefore urge the Honourable Member not to speculate on changes to existing tax policy, particular since no such announcement or intention was made during the 2011 Budget. The Honourable Member is referred to the 2011 Budget Review, particularly chapter 5, which deals with current tax policy proposals. The taxation laws amendment bill is also out in the public domain now.

- 2) As noted above, the Minister of Finance does not make new tax announcements except on Budget Day. The Honourable Member should note that the mining sector makes a significant contribution to national revenue. In addition to the mining sector being subject to the normal corporate income tax of 28% (except for gold mines, which have a special dispensation), VAT and other current taxes, the mining sector is also subject to a royalty which came into effect on 1 March 2010 in terms of the Mineral and Petroleum Resources Royalty Act no 28 of 2008. This royalty varies for different minerals, from a floor of 0.5% to a ceiling of 5% (refined minerals) to 7% (for unrefined minerals) according to the profitability of the mining company, and then the applicable rate is applied to the gross sales of that mineral resource (and not the profit). It is estimated that R3.6 billion was collected in the 2010/11 fiscal year (as published on the National Treasury website on 29 April 2011). Table 5.3 of the 2011 Budget Review also projects revenue from mining royalties to be R4.9 billion for the current year 2011/12, R5.2 in 2012/13 and R5.4 billion in 2013/14.

