

Resource nationalism by country

Canada

The Canada Revenue Agency (CRA) is increasing its scrutiny of Canadian companies with offshore subsidiaries that might be using them as a tax haven.

Recent statistics show that the amounts of money Canadian corporations are keeping in tax havens, like Switzerland and the Cayman Islands, has jumped to record levels.¹

As a result of the increased scrutiny by the CRA, some Canadian companies are starting to face significant tax reassessments.

India

Following the devaluation of the Chinese yuan, the Indian Government increased import duties on iron ore and steel by 2.5%, the second increase in two months. The increase will not apply to items from free trade agreement (FTA) countries.²

Indonesia

Indonesia has said it will not increase coal royalties next year as planned if coal prices remain low. The country's finance minister, Bambang Brodjonegoro, said, "If coal prices stay like they are now, then it is not the right time yet to raise royalties."

In other news, the Indonesian Government is revising the 2014 regulation to provide greater legal certainty for investments into mining. The clause being targeted states that miners can currently extend their permits two years before they expire, at the soonest, or six months before, at the latest. The clause is being targeted as it does not correlate with the huge investment potentially involved, in refineries in particular.³

South Africa

South Africa is introducing a 10% customs duty on certain steel products in a bid to protect local steelmakers from cheap Chinese steel imports. The duty is being applied to zinc-coated/galvanized steel, aluminium-zinc coated steel and color-coated steel.

The duty will be subject to conditions that include no price increases for the steel products the duty is applied to, and that promises to reduce prices on selected products are honored.⁴

Zimbabwe

Zimbabwe has suspended its 15% export tax on raw platinum. The move is a concession to companies that have been requesting more time to construct smelters and refineries.

Many analysts have criticized the move for local processing as it is questionable whether the country mines enough to make local processing economically viable.⁵

¹ "Canadian corporations hoarding record amounts offshore tax havens," National Union of Public and General Employees, 12 May, 2015.

² "2.5% hike in import duty can't save metal industry from being steamrolled by Yuan's devaluation," *The Economic Times*, 14 August 2015.

³ "Govt to Consider Mining Companies' Business Permit Regulation," *The Jakarta Globe*, 3 August 2015; "Indonesia will not raise coal royalties next year if prices stay low - finmin," Reuters News, 14 August 2015.

⁴ "South Africa's trade minister imposes steel tariffs with conditions," Reuters News, 28 August 2015.

⁵ "Zimbabwe platinum export tax shelved for now," Mining.com, 10 August 2015.

How EY's Global Mining & Metals Network can help your business

With a volatile outlook for mining and metals, the global mining and metals sector is focused on margin and productivity improvements while poised for value-based growth opportunities as they arise. The sector also faces the increased challenges of maintaining its social license to operate, balancing its talent requirements, effectively managing its capital projects and engaging with government around revenue expectations.

EY's Global Mining & Metals Network is where people and ideas come together to help mining and metals companies meet the issues of today and anticipate those of tomorrow by developing solutions to meet these challenges. It brings together a worldwide team of professionals to help you succeed – a team with deep technical experience in providing assurance, tax, transactions and advisory services to the mining and metals sector. Ultimately, it enables us to help you meet your goals and compete more effectively.

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