

**Deloitte.**

Deloitte Tax  
Mining Services



# Deloitte Tax: Where mining tax challenges are met

Deloitte tax understands the complexity that is involved with operating a mine. Clients require a “one-stop shop” for tax matters. We pride ourselves on being mining industry experts and specialists.

Our services include:

- Consulting
- Compliance
- Mining Royalty Calculations
- Mergers and acquisitions
- Indirect Tax Advice
- International Tax Advice
- Tax strategy
- Tax technology and systems integration
- Government Growth Initiatives

**This brochure details the challenges faced by mining companies and solutions devised by Deloitte Tax meet these challenges.**



Consulting	
Challenge	Solution
<p>The mining industry has been thrown into a realm of uncertainty with the introduction of various mineral and resources royalty and resources taxes.</p> <p>The complexities surrounding the calculation of the mining royalty payable by mining houses may result in the understatement or overstatement of tax payable.</p>	<p>Our mining tax specialists have developed a highly skilled knowledge base regarding the interpretation of the controversial legislation around the mining royalty and formulated a means to assist with the calculation of the actual royalty payable.</p>
International Tax	
Challenge	Solution
<p>How do mining companies identify efficiencies beyond their borders? How do they manage risk across different jurisdictions? How do they unlock value in the entire supply chain?</p>	<p>Business Model Optimisation (“BMO”) enables companies to obtain operating and tax efficiencies in four steps:</p> <ul style="list-style-type: none"> <li>• Realigning for business transformation <ul style="list-style-type: none"> <li>Defining a new operating model to improve operating margins and grow revenues in a tax compliant manner that will generate increased after-tax earnings and enhanced cash flows</li> </ul> </li> <li>• Reconfigure Information Technology (IT) systems <ul style="list-style-type: none"> <li>IT systems should be reconfigured to support the new operating model which will be a source of potential new efficiencies through centralization, shared service centers, and economies of scale.</li> </ul> </li> <li>• Ready human resources <ul style="list-style-type: none"> <li>Changes in the operating model will require command and control project management structure, strong communication plans, and dynamic change management.</li> </ul> </li> <li>• Re-organise legal, finance, and tax structure <ul style="list-style-type: none"> <li>Finance aspects, cash flows, customs duties and other indirect tax implications of the new business model need to be considered within the new management and reporting structure</li> </ul> </li> </ul>
Transfer Pricing	
Challenge	Solution
<p>Many mining companies are part of large multinational groups and have significant cross-border transactions. Pricing policies are likely to be very complex.</p> <p>In addition, meeting documentation requirements in multiple jurisdictions could also be quite onerous</p> <p>A specific problem for ventures into Africa is the wide range of withholding taxes imposed by many African Governments</p>	<p>The Deloitte transfer pricing team is part of a global team which has consistently had the highest number of individuals (including individuals from SA) rated in the Euromoney Guide to the World’s Leading Transfer Pricing Advisers.</p> <p>The SA team has extensive experience in preparing OECD compliant documentation which satisfies the requirements of SARS and is readily adaptable to the requirements of other countries</p> <p>With its extensive experience in the mining industry, the team has proven record of successful and constructive negotiations with SARS and with revenue authorities in other African countries (most recently, Botswana and Malawi)</p>
Compliance	
Challenge	Solution
<p>With the vast changes in mining legislation, tax compliance in general has inevitably become a potential tax minefield.</p>	<p>Our mining tax specialists have developed extensive experience in the interpretation of the legislation dealing with the mining royalties and mining tax. Our experience can assist clients in planning to minimise their tax and royalty liability.</p>

## Tax Technology

Challenge	Solution
<p>More often than not companies forsake the opportunity to build tax efficient processes into technology solutions and leave tax efficiency as an after-the-fact burden for the tax department. A part from optimising the tax function, very often tax opportunities are identified in the format of business model optimisations and tax cash savings.</p> <p>Deloitte's Tax Management Consulting (TMC) helps businesses meet the challenges of multijurisdictional tax operations, by combining tax to technology. Their services range from optimizing excel spreadsheets to tax sensitizations of ERP systems, dashboard building to enhance continuous monitoring solutions, tax data management and strategies etc... Below you will find a bit more detail on these services.</p> <p>They are categorized into the following:</p> <ul style="list-style-type: none"> <li>• Tax-optimization of ERP systems</li> <li>• Compliance process automation</li> <li>• Tax data analytics</li> <li>• Risk, strategy and operations</li> <li>• Tax accounting and reporting</li> <li>• Global compliance outsourcing</li> </ul>	<p>Below you will find a bit more detail around the services (split into broad categories):</p> <p><b>System and Technology</b> Technology can assist companies in a number of areas to improve their compliance and reporting processes. Our teams of tax and technology specialists can work with clients to design and implement solutions to streamline and automate compliance and reporting processes; improve risk management and control; improve data quality; and provide increased visibility over information and data. Typical solutions include:</p> <ul style="list-style-type: none"> <li>• Tax reporting systems implementation and automation</li> <li>• Automation of Corporate Tax and VAT compliance processes</li> <li>• Implementation of due date tracking and document storage systems</li> <li>• Tax input into SAP / Oracle implementations and targeted review of Spreadsheet review and improvement projects</li> </ul> <p><b>Risk and operations</b> Proactive management of tax risk is critical in an uncertain environment where errors can have a material impact on earnings, cashflow and reputations. Our Risk &amp; Operations services help clients to design, implement and monitor processes so that they can:</p> <ul style="list-style-type: none"> <li>• Minimize and/or suspend (South) African company and other penalties</li> <li>• Reduce their compliance burden</li> <li>• Increase the confidence of senior management through structured approach to identifying and reporting material tax issues.</li> </ul> <p>These services draw on our deep knowledge of the legislative and regulatory environment, significant industry insight and are supported by proven risk methodologies and tools. Compliance and Reporting</p> <p>We provide the best experience for clients around having their tax returns done for our clients. For clients with either a South African or international footprint, we can provide certainty or reduction in compliance costs; improved risk profile and standardized process; access to resources in the South Africa and around the world; access to value from compliance activities. Being not only a technology service provider but also a tax advisor we will be able to properly continue this discussion with you should there be a need. The team would be very keen to meet with you to take you through the above in a bit more detail.</p>

## Customs

Challenge	Solution
<p>The mining industry exports a significant portion of its output and imports many raw materials, consumables and capital equipment. Customs duty requirements need to be adhered to.</p>	<p>From an import perspective, the Deloitte Customs and Global Trade (CGT) can assist to ensure that the correct customs duties are paid by careful upfront planning.</p> <p>From an export perspective CGT can provide an export compliance service to ensure all opportunities are identified and risks mitigated in the export supply chain.</p> <p>Certain opportunities encompassed within the importing and exporting operations which the mining industry can make use of are:</p> <ul style="list-style-type: none"> <li>• Temporary imports and exports of capital equipment</li> <li>• Trade lobbying applications for an increase or decrease in rate of customs duty and the creation of specific rebate provisions</li> <li>• Use of applicable rebates of customs duties</li> </ul> <p>Ensuring any drawbacks and refunds of customs duties.</p>

VAT	
Challenge	Solution
VAT opportunities and compliance and how to take advantage of diesel rebates available from SARS?	The Deloitte Indirect Tax team adds value to the mining industry in the main areas of compliance with the diesel rebate scheme, identifying opportunities of overpayments of VAT due to under claims of input tax deductions and cross-border VAT compliance. This team also has extensive experience in dealing with other areas specific to the mining industry such as joint ventures, the valuation of supplies and merger and acquisition transactions.
Government Grants and Incentives	
Challenge	Solution
<p>Traditionally, coal has dominated the South African energy supply sector and the country's energy economy remains overwhelmingly dependent on it. The proposed introduction of carbon tax in January 2015 will result in the price of electricity increasing by 4.8c/kWh, and further increasing by 10% per annum for the first five years (not including the five year multi-year price determination [MYPD3] increase).</p> <p>The mining industry within South Africa will have massive exposure to this rise in electricity price, as a result of its energy intensive nature. It is crucial to utilise the energy efficiency incentive made available by government to minimise the exposure of the mining industry to this increase in operational expenses.</p> <p>How do mining companies take advantage of incentives available from SARS?</p>	<p>The certified measurement and verification professionals (CMVP) from the Deloitte Government Grant and Incentives engineering team will assist in establishing and reviewing the energy consumption baselines of the various mining operations, which will allow these operations to claim from the section 12L energy efficiency tax incentives. The team will also assist the operations with reviewing plans to reduce reliance on coal-powered electricity, as well as through the effective use of carbon offsets and other grant mechanisms.</p> <p>The Deloitte Government Grant Initiatives team specialises in maximising research and development; infrastructure competitiveness enhancement and major capital expansion plans grants and incentives.</p>
Individuals	
Challenge	Solution
Mining companies are continually expanding into Africa. This means deploying people into different countries. Employee tax and permit-related matters are vital to understand and plan carefully	The Deloitte Individuals' team offer comprehensive expatriate tax and permit service, especially into Africa, to ensure risks are mitigated.
Mergers & Acquisitions	
Challenge	Solution
With an ever changing environment, acquisitions, rationalisations, unbundlings and other carve-outs and BEE transactions are inevitable. How do mining companies optimise tax efficiencies in this regard?	The Deloitte Mergers & Acquisitions team advises its clients on structuring these transactions in a tax effective manner and assists its clients, hands-on, with the implementation of its advice. It also provides clients with due diligence services, including vendor due diligence reviews.

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