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Reviewed Mining Charter still not up to scratch

The draft Reviewed Mining Charter contains ill-considered and unachievable targets, and that its implementation in its current form will have dire consequences.

This is the view of the Chamber of Mines, which said the department of mineral resources (DMR) has not taken on board its recommendations, objections and a host of issues it has raised in the department's recent submission of the revised version of the document to parliament.

Another form of tax

The DMR has pursued the proposal that mining companies must contribute a proportion of revenues to a mining transformation and development agency.
Simply stated, this proposal is yet another 'royalty' tax-equivalent that the DMR intends to impose on an already struggling industry, which made a loss of R37bn in 2015.

"This is the most regressive form of taxation. For this reason, Treasury elected an EBIT-based royalty rather than a revenue-based one. The chamber proposed a 2% of net profit after tax contribution to community expenditure and the need for government to use the existing royalties paid by mining companies to government to supplement community development initiatives," the industry body said.

Skills funding

Further, the draft Reviewed Mining Charter requires that a portion of the industry's skills development commitments should be paid to the MTDA. This will take away much-needed funding for skills programmes and tertiary education currently undertaken by the companies and will place these funds directly with another government agency which mandate is unknown.

“The DMR continues to insist that multinational companies supplying goods and services to the mining industry should pay 1% of turnover generated from local mining companies to the new MTDA. This doubles the target set in the 2010 Charter,” the chamber stated.

It said this is simply an additional tax which the multinational companies will pass on to local mining companies in the form of higher prices, rendering the South African mining industry less competitive than it already is.

Historically disadvantaged South Africans

In addition, the DMR has substantially increased the targets relating to the appointment of historically disadvantaged South Africans (HDSAs) in companies, and has at the same time changed the definition. The chamber said that the new targets may be desirable, but some aspects are currently unachievable.

Roger Baxter, Chamber of Mines CEO, noted: “The cumulative effect of all DMR’s proposals, combined with existing corporate taxes and royalties, skills development levies and more, would materially affect the viability of an industry already in crisis.”

Flawed process

The Chamber of Mines added that despite the serious viability crisis currently being faced by the South African mining sector, the DMR has not offered or displayed any interest in assisting the industry through this crisis.

“Given that the mining companies are mandated with the implementation of the Mining Charter, the chamber cannot willingly accede to an outcome based on a flawed process, which does not take into account the substantive issues raised by the industry,” said Baxter.

The chamber and its members urged the minister and the DMR to seriously engage with the industry on these matters prior to the publication of the reviewed Mining Charter in the form that has been described.