




Australian Government
Commonwealth Grants Commission

2025 Methodology Review

Mining revenue consultation paper

June 2023

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Overview of category

- 1 The Commonwealth and each state and territory (state) share responsibility for imposing mining royalties. States are responsible for imposing mining royalties onshore and within state coastal waters.¹ The Commonwealth is responsible for imposing mining royalties in Commonwealth waters.
- 2 The Commonwealth and states also share royalties. The Commonwealth shares royalties with states under revenue sharing arrangements. Western Australia receives 2 payments, and the Northern Territory receives 1.² In the assessment, these shared revenues are referred to as ‘grants in lieu of royalties’. Western Australia also shares *Petroleum (Submerged Lands) Act (PSLA)* royalties and Barrow Island petroleum resource rent royalties with the Commonwealth. The Commission treats the Commonwealth’s share of these revenues as Commonwealth royalties.
- 3 The mining revenue category comprises state royalties and grants in lieu of royalties.

Current assessment method – 2020 Review

- 4 The Commission assesses state mining capacity using a ‘mineral by mineral’ approach. Under this approach, a mineral is separately assessed if doing so materially affects a state’s GST outcome.³ The minerals that are separately assessed are:
 - iron ore
 - coal
 - onshore oil and gas
 - bauxite
 - copper
 - gold
 - lithium.⁴

¹ State coastal waters refers to a belt of water that extends 3 nautical miles from the coast of each state.

² Western Australia receives a payment in relation to royalties from the North West Shelf project and a payment for the loss of royalty revenue as a result of the Commonwealth’s removal of the exemption on condensate from crude oil excise. The Northern Territory receives a payment in relation to uranium.

³ Materiality was determined by comparing a mineral’s assessment with other minerals against its separate assessment. A separate assessment was material if it changed at least one state’s GST outcome by \$35 per capita compared with the combined assessment.

⁴ Even though onshore oil and gas, bauxite and lithium royalties are separately assessed, for confidentiality reasons, the results are reported with the other minerals assessment.

- 5 Royalties for the remaining minerals are combined and assessed together under the other minerals component.
- 6 For each component:
 - Assessed revenue is derived by applying an average royalty rate to each state's value of production.
 - The average royalty rate is determined by dividing the revenue raised by all states by the total of their value of production.
- 7 Grants in lieu of royalties are assessed using the revenue received. This is the same approach used to assess other Commonwealth payments.
- 8 In the 2020 Review, the Commission said its intention was to retain its mining revenue structure until the following review. However, if there was a major change in circumstances, for example, if one of the separate mineral assessments became immaterial or a separate assessment of another mineral became material, it would exercise its judgment on whether equalisation would be improved by changing the structure of the mining assessment.
- 9 In the 2020 Review, the Commission determined a separate assessment of nickel royalties was no longer material and was unlikely to become material in the foreseeable future. It discontinued the separate assessment of nickel royalties and assessed them in the other minerals component.
- 10 In the 2023 Update, the Commission determined a separate assessment of lithium royalties was material and was likely to remain material for the foreseeable future. It introduced a separate assessment of lithium royalties.
- 11 The Commission said in the 2020 Review that it considered the mineral by mineral approach best captured states' capacity to raise mining revenue because it reflected:
 - the uneven distribution of minerals across states
 - the different royalty rates that apply to different minerals (see Attachment A)
 - the volatility of commodity prices.

Data used in the assessment

- 12 The Commission's capacity measure for royalties is value of production. While the majority of royalties are levied on a value of production basis, the point at which production is valued for royalty purposes can vary. For the 2 major minerals (coal and iron ore), royalties are generally calculated on 'free on board' or sale values. To ensure value of production figures are comparable, the Commission asks states to provide it with free on board values for all minerals.
- 13 The Commission obtains revenue data from the Australian Bureau of Statistics' Government Finance Statistics publication and (for the latest year) the states. It also sources data from states on royalties raised and value of production by mineral. It uses state revenue data to allocate Government Finance Statistics mining revenue to

its 9 components. It obtains data on grants in lieu of royalties from the Commonwealth's *Final Budget Outcome* publication.

Category and component revenue

- 14 States raised \$25.8 billion in mining revenue in 2021–22, representing 15.6% of total own-source revenue (Table 1). Mining revenue is concentrated in 3 states – New South Wales (14%), Queensland (35%) and Western Australia (47%). This reflects the dominance of iron ore (39%) and coal (42%) royalties (see Table 3).

Table 1 Mining revenue by state, 2021–22

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Total |
|---------------------------------------|-------|-----|-------|--------|-----|-----|-----|-------|--------|
| Total revenue (\$m) | 3,709 | 140 | 8,917 | 12,067 | 383 | 88 | 0 | 447 | 25,751 |
| Total revenue (\$pc) | 458 | 21 | 1,694 | 4,369 | 212 | 154 | 0 | 1,794 | 1,000 |
| Share of state own-source revenue (%) | 7.4 | 0.4 | 25.9 | 44.9 | 4.3 | 3.1 | 0.0 | 26.5 | 15.6 |

Source: Commission calculation.

- 15 Mining revenue has increased as a share of total own-source revenue in recent years (Table 2).

Table 2 Total mining revenue, 2018–19 to 2021–22

| | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---------------------------------------|---------|---------|---------|---------|
| Total revenue (\$m) | 15,506 | 16,136 | 17,404 | 25,751 |
| Share of total own-source revenue (%) | 11.8 | 12.7 | 12.6 | 15.6 |

Source: Commission calculation

- 16 Table 3 shows the relative size of each component in the assessment.

Table 3 Structure of the mining revenue assessment, 2021–22

| Component | Component revenue \$m | Driver | Influence measured by driver |
|-----------------------------|--------------------------|---------------------|---|
| Iron ore | 9,934 | Value of production | Recognises states with greater value of production have greater revenue capacity. |
| Coal | 10,890 | Value of production | Recognises states with greater value of production have greater revenue capacity. |
| Gold | 716 | Value of production | Recognises states with greater value of production have greater revenue capacity. |
| Copper | 370 | Value of production | Recognises states with greater value of production have greater revenue capacity. |
| Other minerals (a) | 2,801 | Value of production | Recognises states with greater value of production have greater revenue capacity. |
| Grants in lieu of royalties | 1,039 | Revenue received | Recognises states with a greater share of these payments have greater revenue capacity. |

(a) Includes onshore oil and gas, bauxite, and lithium royalties. These royalties are separately assessed and, for confidentiality reasons, the results are reported with the other minerals assessment.

Source: Component revenue data provided by states for the 2023 Update.

GST distribution in the 2023 Update

- 17 Table 4 shows the extent to which the assessment results in a different distribution of GST compared with an equal per capita distribution. In the 2023 Update, the distribution of GST from the mining assessment differed by \$12.8 billion (\$484 per capita) compared with an equal per capita distribution. States assessed to have above-average mining revenue capacity (Queensland, Western Australia and the Northern Territory) had lower assessed GST needs. The remaining states were assessed to have below-average mining revenue capacity and higher assessed GST needs.
- 18 Table 4 shows GST effects varied by mineral, reflecting differences in states' value of production by mineral.

Table 4 GST impact of the mining revenue assessment, 2023 Update

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Total |
|-----------------------------|--------------|--------------|---------------|----------------|--------------|------------|------------|-------------|---------------|
| Iron ore | 3,753 | 3,076 | 2,462 | -10,586 | 742 | 222 | 214 | 118 | 10,586 |
| Coal | -315 | 1,846 | -3,273 | 808 | 548 | 170 | 139 | 77 | 3,588 |
| Gold | 168 | 158 | 135 | -502 | 30 | 17 | 15 | -21 | 523 |
| Copper | 38 | 106 | -22 | -31 | -108 | 5 | 7 | 4 | 161 |
| Other minerals (a) | 775 | 601 | -731 | -430 | -34 | -17 | 47 | -210 | 1,422 |
| Grants in lieu of royalties | 284 | 233 | 187 | -811 | 64 | 20 | 16 | 6 | 811 |
| Total (\$m) | 4,704 | 6,019 | -1,242 | -11,553 | 1,242 | 417 | 438 | -26 | 12,821 |
| Total (\$pc) | 569 | 888 | -229 | -4,061 | 669 | 713 | 931 | -101 | 484 |

(a) Includes the GST effects of the separate assessments of onshore oil and gas, bauxite, and lithium royalties. These royalties are assessed separately and, for confidentiality reasons, the results are reported with the other minerals assessment.

Source: Commission calculation, 2023 Update.

- 19 Further detail on the mining revenue assessment, the scope of the adjusted budget and the underlying conceptual cases for assessment methods are explained in volume 2, chapter 11, [Report on GST Revenue Sharing Relativities, 2020 Review](#).

What has changed since the 2020 Review?

- 20 Supplementary terms of reference for the 2020 Review directed the Commission not to change its 2015 Review mining assessment method. The 2025 Review Terms of Reference allow the Commission to review the mining revenue assessment method.
- 21 Iron ore and coal prices have entered another price cycle, with iron ore reaching a record price in 2021 and metallurgical coal prices reaching an all-time high in 2022. The outlook for both iron ore and coal prices remains very uncertain.

Implications for assessment

Retaining the mineral by mineral approach

- 22 In the 2020 Review, the Commission concluded that continuing with a mineral by mineral approach best captured states' mining revenue capacities, even though it can give rise to policy neutrality concerns. For example, when a dominant producer changes its royalty rate. During the course of the 2020 Review, the Commission explored 2 changes to improve the policy neutrality of the mineral by mineral assessment: an adjustment in the event of a royalty rate change by a dominant state, and a change to the assessment of revenue from banned mineral activity. However, no changes were made given the supplementary terms of reference for the 2020 Review directed the Commission not to change the mining assessment method. The mineral by mineral approach was retained in the 2020 Review.
- 23 The Commission's preliminary view is that the mineral by mineral approach remains the most appropriate way of capturing differences in states' capacities to raise mining royalty revenue, given the uneven distribution of minerals, the application of different royalty rates to different minerals and the volatility of commodity prices.
- 24 Under this approach:
- minerals are separately assessed (where it is material to do so)
 - royalties for the remaining minerals are combined and assessed together
 - revenue paid to states under revenue sharing agreements is assessed using the revenue received.

Consultation question

Q1. Do states agree the Commission should continue to assess mining revenue capacity using a mineral by mineral approach?

- 25 Given that changes to the mining revenue assessment method are not excluded from the 2025 Review, the Commission considers it appropriate to consider whether there are adjustments that can deal with the 2 policy neutrality concerns raised with the mineral by mineral approach in the 2020 Review. They relate to assessing revenue capacity when:
- a dominant state changes its royalty rate, or
 - states place restrictions on certain mining activity.
- 26 While the Commission considers the mineral by mineral assessment is the most appropriate way to determine states' relative capacities to raise mining royalty revenue, it is open to improving the policy neutrality of the assessment, providing that improvement can be achieved without unduly affecting its assessment of states' relative fiscal capacities.

Assessing revenue capacity when a dominant state changes its royalty rate

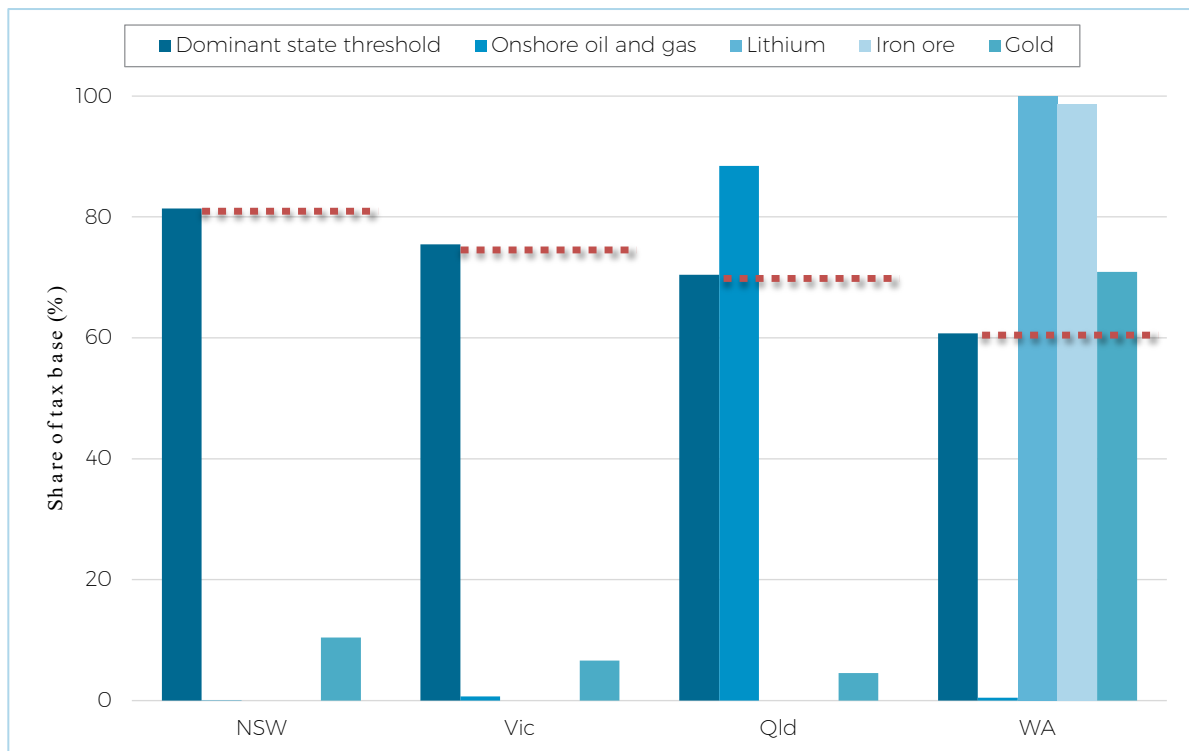
- 27 As noted above, there are policy neutrality concerns when a dominant producer of a mineral changes its royalty rate for that mineral. In such situations, the change in revenue experienced by the dominant state would be largely offset by a change in its GST distribution. This could act as a disincentive for it to change its royalty rate, conflicting with the Commission’s policy neutrality principle.
- 28 The Commission notes that, in some situations, the introduction of a relativity floor and new ‘standard state’ benchmark in *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018* (2018 legislative changes) can mitigate the GST impact of a royalty rate increase by the dominant state. Nevertheless, the Commission’s view is that it is appropriate to consider whether the policy neutrality concerns with the mining assessment can be improved.
- 29 The Commission’s position paper for the 2025 Review *Fiscal equalisation, supporting principles and assessment guidelines*, notes that the first step in determining states’ GST distributions under the 2018 legislative changes is to identify the fiscally stronger of New South Wales or Victoria. In doing this, the assessment of states’ relative fiscal capacities is undertaken applying the approach to horizontal fiscal equalisation, including supporting principles, as set out in the 2020 Review. In addition, the no worse off provisions of the 2018 legislative changes require the Commission to produce relativities as if that legislation had not been enacted. To support this, the mining assessment method must continue to appropriately capture states’ mining revenue capacities.

Identifying a ‘dominant state’

- 30 In the course of the 2020 Review, the Commission considered defining a dominant state in terms of the difference between its revenue base share and its population share. This difference determines the extent to which its GST distribution is affected by a change in its royalty rate.
- 31 The Commission examined the size of differences between states’ revenue base shares and their population shares for a range of minerals. For most states and minerals, the difference was less than 50%. Drawing on those comparisons, it defined a state to be dominant if the difference exceeded 50%. This definition meant the state would retain less than 50% of the revenue change if it changed its royalty rate. As the threshold relates to a difference between a state’s population and revenue base share, the threshold is at a different point for each state. Figure 1 shows that for New South Wales to be a dominant state it would need to have more than 80% of the national revenue base, Victoria 75%, Queensland 70% and Western Australia 60%. Figure 1 also shows that, under this definition, Queensland would be classified as a dominant state in relation to onshore oil and gas and

Western Australia would be classified as a dominant state in relation to iron ore, lithium and gold.⁵

Figure 1 States with a dominant share of production, 2023 Update



Source: State provided data, 2023 Update.

- 32 The Commission’s preliminary view is that a ‘dominant state’ for a mineral be identified after having regard to the following: a state’s share of the relevant revenue base (its share of production), its population share, and the extent to which its GST distribution would be impacted by a change in the royalty rate for that mineral.

Consultation question

Q2. Do states support the dominant state for a mineral being identified having regard to a state’s share of the revenue base, its population share, and the extent to which its GST distribution would be impacted by a change in the royalty rate for that mineral?

⁵ Western Australia would also be classified as a dominant state in relation to nickel, if it was separately assessed. However, nickel royalties are assessed in the other minerals component.

A recent Geoscience Australia report, *The Australia’s Identified Mineral Resources report for 2022* reported that in 2021 Australia had 36% of world iron ore production and 53% of world lithium production. Geoscience Australia, [Australia’s Identified Mineral Resources, 2022 Edition](#), March 2023, accessed 1 June 2023.

Possible responses to the dominant state issue

- 33 In previous reviews, the Commission explored whether there were other ways of assessing mining capacity that might better resolve this conflict. Options included:
- a profitability measure applied to all state mining activity
 - grouping minerals
 - an external standard⁶
 - assessing part of the dominant state's revenue from a royalty rate change equal per capita.
- 34 A profitability approach lessens the effect of large tax base concentrations by assessing all minerals together. However, this is not what states do, as most states do not impose royalties on a profits basis. While they might consider profitability when setting their royalty rates, they impose rates on value of production. In addition, the Commission has not been able to obtain the data required to develop a profitability measure. If this option is to be considered, it would depend on states being able to reliably provide relevant data to develop and maintain a profitability measure.
- 35 Grouping minerals also lessens the effect of large tax base concentrations. However, grouping minerals with different royalty rates tends to:
- reduce the assessed revenue raising capacity of states with high value mineral endowments
 - increase the assessed revenue raising capacity of states with low value mineral endowments.
- 36 Grouping minerals does not mean a dominant state's assessed revenue raising capacity will be lower. For example, had the Commission grouped all minerals together in the 2023 Update, Western Australia's assessed capacity would have been higher, and its GST lower.⁷ Its effective royalty rate (across all its minerals) was less than the all state average royalty rate for all minerals.
- 37 Under an external standard approach, the dominant state's royalty rate would be replaced with an externally sourced rate, for example an international rate. If the external rate is higher than the dominant state's rate, this approach will overstate the dominant state's revenue raising capacity. If the external rate is lower, it will understate its revenue raising capacity. In addition, when the rates differ, the total assessed revenue will not sum to states' total actual revenue. To balance the

⁶ An external standard could be a royalty rate from another country or a royalty rate chosen by judgment. In the previous review, a state suggested a uniform fixed standard royalty rate (5% or 6%) be applied to all minerals.

⁷ This would have happened because Western Australia taxes most of its high value minerals at the same rate as the average rate for a grouped assessment, but that average rate is higher than the rate it applies to its low value minerals.

assessed budget with the actual budget,⁸ the Commission would need to make an adjustment by assessing any difference equal per capita in a new mining component.

- 38 During the 2020 Review, one state proposed alternative assessment approaches that would give more weight to policy neutrality, including a global revenue assessment, a uniform fixed standard royalty rate, a policy neutral measure (land area) and a rotating standard. This state also expressed concern that the observed value of production data were not fit for purpose because they were affected by state policies, such as the level and stability of royalty rates, regional developments and approval processes. In response, the Commission noted that these alternative proposed approaches would represent a different form of revenue equalisation, which would significantly understate the revenue raising capacity of states with significant high value mineral endowments. In addition, the Commission did not agree that the value of production data are too policy influenced to be used. The Commission noted the main drivers of value of production are states' natural endowments, commodity prices and mining company production decisions. The Commission's view is that these drivers are likely to exert substantially larger effects on state value of production than state policy settings.
- 39 The Commission considers that grouping minerals is not an appropriate way to deal with the policy neutrality concerns when mineral production is concentrated in one state. The mineral by mineral approach provides an accurate reflection of states' capacities to raise mining revenue, including in cases where mining activity is concentrated. Grouping minerals would undermine the accuracy of the mining assessment for all states every year, irrespective of whether the dominant producer state changed its royalty rate.

Preferred approach to the dominant state issue

- 40 The Commission's preliminary view is that the most appropriate and direct way to deal with the situation where a dominant state changes its royalty rate would be for a proportion of the dominant state's revenue change, arising from the royalty rate change, to be assessed equal per capita. This would apply to both rate increases and rate decreases. While judgment is required, the Commission considers that a proportion of 50% would strike an appropriate balance between the Commission's objectives of appropriately assessing relative state fiscal capacities and addressing policy neutrality concerns.

⁸ A feature of the Commission's assessment approach is that, for each assessment, states' total assessed revenues equals their total actual revenues. This ensures a function's weight in the assessed budget is the same as its weight in the actual budget. If the external rate differs from the dominant state's actual rate this will not happen. However, if any difference is assessed equal per capita, their weights in both budgets will be the same.

Consultation question

Q3. Do states agree that where a dominant state changes its relevant royalty rate, assessing 50% of that state's revenue arising from the royalty rate change equal per capita would represent an appropriate balance between assessing relative state fiscal capacities and policy neutrality concerns?

Assessing revenue capacity when revenue bases are uncertain or policy influenced

- 41 When states choose to either restrict taxable activity or not to tax activity, it can affect the Commission's choice of capacity measure. For example, when states do not tax activity, the size of their tax bases is not readily identifiable.⁹ In these situations, the Commission generally has 3 assessment options:
- Option 1 – to assess capacity for states that tax the activity, but to assess no capacity for states that do not. This is the current approach for coal seam gas and uranium.
 - Option 2 – to estimate the missing tax base for states that do not tax the activity. This is the approach taken for the Northern Territory in the land tax assessment.
 - Option 3 – to assess every state to have the same revenue capacity – that is, an equal per capita assessment. This is the approach taken for non-real property transfers in the conveyances assessment.
- 42 The Commission's choice will depend on the circumstances in each case, taking into consideration, for example, the number of states not taxing the activity and the reliability and materiality of estimating missing tax bases. Option 3 may be appropriate when it is difficult to reliably estimate the missing tax bases.
- 43 The Commission's preferred capacity measure for mining revenue is value of production. However, when states' policies impose restrictions on mining activity (for example, bans or moratoriums) those restrictions can materially affect their value of production. This means their value of production is no longer a reliable indicator of their mining capacity. These situations also conflict with the Commission's policy neutrality supporting principle which aims to ensure a state's policy choice does not impact the Commission's assessments and GST distribution.
- 44 For the 2025 Review the Commission needs to decide the most appropriate option for assessing coal seam gas and uranium royalties. These are 2 revenue streams extensively affected by state policy restrictions. Most states have uranium endowments, but production occurs only in 2 states. New South Wales, Victoria, Queensland and Western Australia currently prohibit uranium mining meaning their lack of production is a reflection of their policy choice. Similarly, coal seam gas

⁹ This occurs in assessments where the Commission relies on state data to measure the size of revenue bases.

endowments exist in most states, but production is limited to New South Wales and Queensland. Restrictions exist in most states, with New South Wales having coal seam gas exclusion zones, Victoria prohibiting all onshore unconventional exploration and development, Western Australia prohibiting fracking across 98% of its land area, South Australia prohibiting fracking across the Limestone Coast Region, Tasmania having a moratorium on the use of fracking until 2025 and the Northern Territory prohibiting fracking across 49% of its land area.

- 45 The current assessment approach assesses revenue capacity for states that allow uranium and coal seam gas production using their value of production. States that prohibit production are assessed to have no capacity because they have no value of production. In these circumstances, states' value of production may not appropriately capture their mining capacities. The Commission considers it cannot reliably estimate the missing tax bases. This is because where exploration has been banned or discouraged, known reserves may be incomplete, and not all reserves have the same economic value.¹⁰
- 46 Given that it is not possible to reliably estimate the revenue bases of states that prohibit uranium and coal seam gas production, and the influence of state policies on actual production, the Commission's preliminary view is to assess coal seam gas and uranium revenue equal per capita. Assessing these revenues equal per capita would require the Commission to introduce a new equal per capita component into the mining assessment for these royalties.
- 47 There is an additional issue in relation to uranium because these royalties are raised by both the Commonwealth (in the Northern Territory) and states. Currently only South Australia raises uranium royalties, but other states have considered approving uranium projects.¹¹ The Commonwealth's payment to the Northern Territory is assessed as grants in lieu of royalties. South Australia's uranium royalties are assessed in the other minerals component.
- 48 Changing the assessment of state uranium royalties requires the Commission to consider changing the treatment of the Northern Territory's grants in lieu of royalties. Assessing state uranium royalties equal per capita would suggest the Commission should relocate the Northern Territory's grants in lieu of royalties to the new component and assess them equal per capita.¹²

¹⁰ The economic value of mineral resources depends upon a range of factors, such as the grade of the mineral deposit along with the ease (or otherwise) of access to the deposit (affecting production costs). The relevant commodity price is a major influence on whether a deposit is viewed as economic.

¹¹ The previous Western Australian government gave approval for 4 uranium projects, one of which is still proceeding.

¹² When the Commission applies a non-deliberative equal per capita assessment (as is the case here) in other assessments, it treats the related Commonwealth payments in a way that does not affect state relativities (a no impact treatment). The same GST outcome can be achieved by relocating these payments to the new component.

Consultation question

Q4. Do states agree that uranium and coal seam gas royalty revenue should be assessed equal per capita?

Proposed assessment

Differences from the 2020 Review approach

49 Subject to state comments, the Commission proposes to retain the 2020 Review assessment method with 2 changes. The first change is that where a dominant state changes its royalty rate, 50% of any revenue change would be assessed equal per capita. The second change is to assess revenue from mining activity that is materially affected by production restrictions in some states equal per capita.

Proposed assessment structure

50 Subject to state views, Table 5 presents the proposed structure of the mining assessment for the 2025 Review.

Table 5 Proposed assessment structure, mining revenue

| Component | Driver | Influence measured by driver | Change since 2020 Review |
|-----------------------------|---------------------|---|--------------------------|
| Iron ore | Value of production | Recognises states with greater value of production have greater revenue capacity. | No |
| Coal | Value of production | Recognises states with greater value of production have greater revenue capacity. | No |
| Gold | Value of production | Recognises states with greater value of production have greater revenue capacity. | No |
| Copper | Value of production | Recognises states with greater value of production have greater revenue capacity. | No |
| Coal seam gas and uranium | Population | These revenues are assessed equal per capita. They do not differentially affect states' relative fiscal capacities. | Yes |
| Other minerals (a) | Value of production | Recognises states with greater value of production have greater revenue capacity. | No |
| Grants in lieu of royalties | Revenue received | Recognises states with a greater share of these payments have greater revenue capacity. | Yes (b) |

(a) Includes assessed royalties for bauxite, onshore oil and gas and lithium. These royalties are assessed separately and, for confidentiality reasons, the results are reported with the other minerals assessment.

(b) Northern Territory's uranium payment would be relocated and assessed in the coal seam gas and uranium component. Part of the revenues from a dominant state's royalty rate change would also be relocated to that component.

Consultation

- 51 The Commission welcomes state views on the consultation questions identified in this paper (outlined below) and the proposed assessment. State submissions should accord with the 2025 Review framework. States are welcome to raise other relevant issues with the Commission.
- 52 The Commission will seek to expand its mining data request to collect information on royalties and value of production for uranium and coal seam gas.

- Q1. Do states agree the Commission should continue to assess mining revenue capacity using a mineral by mineral approach?
- Q2. Do states support the dominant state for a mineral being identified having regard to a state's share of the revenue base, its population share, and the extent to which its GST distribution would be impacted by a change in the royalty rate for that mineral?
- Q3. Do states agree that where a dominant state changes its relevant royalty rate, assessing 50% of that state's revenue arising from the royalty rate change equal per capita would represent an appropriate balance between assessing relative state fiscal capacities and policy neutrality concerns?
- Q4. Do states agree that uranium and coal seam gas royalty revenue should be assessed equal per capita?

Attachment A: State royalty rates

Table A1 State royalty rates

| Mineral | NSW | Vic | Qld | WA | SA | Tas | NT |
|---------------------|---|--|---|---|--|--|---|
| Iron ore | 4.0% of ex-mine value (value less allowable deductions). | 2.75% of net market value. | \$1.25 per tonne plus 2.5% of value above \$100 per tonne. | Beneficiated 5%, Direct shipping 7.5%. | 5.0% of ex-mine value. | 1.9% on net sales plus profit royalty up to max of 5.35% of net sales. | Greater of 20% of net value (less \$10,000) or 1% to 2.5% of gross revenue. |
| Coal | Open cut: 8.2% of ex-mine value. Underground: 7.2% of ex-mine value. Deep underground: 6.2% of ex-mine value. | Brown coal: 22.8c per kilojoule of energy, adjusted by CPI. Other than brown coal: 2.75% of net market value. | Tiered rate based on average sales price and volume of coal produced. | If exported: 7.5%. If not exported: \$1 per tonne, adjusted with price increases. | 3.5% of net market value. | 1.9% on net sales plus profit royalty up to max of 5.35% of net sales. | Greater of 20% of net value (less \$10,000) or 1% to 2.5% of gross revenue. |
| Onshore oil and gas | 10% of the well-head value. | 10% of the net well-head value. | Sliding rate scale based on average sales price and volume of gas produced. | 10% or 12.5% of the well-head value. | 10% of the net well-head value. | 12% of the well-head value. | 10% of the well-head value. |
| Bauxite | 35c per tonne. | 2.75% of net market value. | Non-domestic: the higher of 10% of the value of the bauxite or \$2/tonne. Domestic: the higher of 75% of the calculated rate for non-domestic bauxite or \$1.50 per tonne. | Bauxite 7.5%, Alumina 1.65%. | 3.5% of net market value if in a metal form, concentrates at 5.0%. | 1.9% on net sales plus profit royalty up to max of 5.35% of net sales. | Greater of 20% of net value (less \$10,000) or 1% to 2.5% of gross revenue. |
| Gold | 4.0% of ex-mine value (value less allowable deductions). | 2.75% of net market value. | Variable rate (between 2.5% and 5.0%) depending on average metal prices. | 2.5% of royalty value. | 3.5% of net market value if in a metal form, concentrates at 5.0%. | 1.9% on net sales plus profit royalty up to max of 5.35% of net sales. | Greater of 20% of net value (less \$10,000) or 1% to 2.5% of gross revenue. |

Table A1 State royalty rates

| Mineral | NSW | Vic | Qld | WA | SA | Tas | NT |
|---------|--|----------------------------|--|--|--|--|---|
| Copper | 4.0% of ex-mine value (value less allowable deductions). | 2.75% of net market value. | Variable rate (between 2.5% and 5.0%) depending on average metal prices. | Crushed and screened ore: 7.5%. Concentrate: 5%. Metallic form 2.5%. | 3.5% of net market value if in a metal form, concentrates at 5.0%. | 1.9% on net sales plus profit royalty up to max of 5.35% of net sales. | Greater of 20% of net value (less \$10,000) or 1% to 2.5% of gross revenue. |
| Lithium | 4.0% of ex-mine value (value less allowable deductions). | 2.75% of net market value. | 2.5%. | 5% feedstock royalty, 7.5% direct shipping. | 3.5% of net market value if in a metal form, concentrates at 5.0%. | 1.9% on net sales plus profit royalty up to max of 5.35% of net sales. | Greater of 20% of net value (less \$10,000) or 1% to 2.5% of gross revenue. |
| Nickel | 4.0% of ex-mine value (value less allowable deductions). | 2.75% of net market value. | Variable rate (between 2.5% and 5.0%) depending on average metal prices. | 2.5% of royalty value. | 3.5% of net market value if in a metal form, concentrates at 5.0%. | 1.9% on net sales plus profit royalty up to max of 5.35% of net sales. | Greater of 20% of net value (less \$10,000) or 1% to 2.5% of gross revenue. |

Source: Government of Western Australia, Department of Treasury, *Overview of State Taxes and Royalties 2022-23*, December 2022.