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To The Manager of the Resource Tax Unit - The Treasury

Magnetite Network Submission on Proposed MRRT Repeal Legislation

Thank you for the opportunity to make a submission on the repeal of the Minerals Resource Rent Tax (MRRT) legislation. The Magnetite Network supports the repeal of the Minerals Resource Rent Tax 2012 as it relates to tax liabilities imposed on the minerals sector.

It has no comment to make regarding the repeal of that part of the legislation that is ancillary to the collection of the mining tax – that in the words of the Treasury “effectively discontinues or re-phases the measures that were intended to be funded by the MRRT”.

The Magnetite Network supports the repeal of the MRRT but wishes to make it clear that none of its member companies’ magnetite projects were assessed as liable to pay the tax on the production of magnetite. Note some member companies have had liabilities for hematite or Direct Shipping Ore (DSO) production.

It welcomes the removal of the compliance cost burdens of maintaining separate records, accounting and other professional fees as part of reporting obligations.

Since the MRRT and its predecessor the Resource Super Profit Tax were first proposed the Magnetite Network has maintained that:

- Magnetite has more in common with minerals excluded than those included in the MRRT.
- Prior to beneficiation magnetite ore is not a saleable product, and has very little value therefore MRRT liability should be negligible. Negative unintended consequences include but are not restricted to:
  - Companies would incur significant compliance costs;
  - Lack of commercial certainty about liability – valuation methodology;
  - Investment uncertainty for this emerging, jobs intensive industry; and that
  - Investment has already been affected by the MRRT with a decline in the level of investment in new projects having occurred since May 2010.

Application of the MRRT to magnetite generated no revenue for the Commonwealth to the best of my knowledge and member companies maintain that it impacted negatively on the development of the magnetite sector - a new and important industry for Western Australia.

The previous Federal Government had assessed a very low level of taxation to be likely to ever be paid on the basis that the ore was to be valued as close as possible to the point of extraction.

This valuation methodology was always unclear given that there is no seaborne trade in magnetite ore currently. It is only saleable as concentrate or pellets.

The Magnetite Network member companies consider that Australia's national interest is best served by repealing the current MRRT legislation.

### **Background**

This submission has been prepared by the Magnetite Network (MagNet), an industry body representing the interests of five member companies and the wider emerging Australian magnetite industry. These member companies CITIC Pacific Mining Pty Ltd, Atlas Iron Limited, Gindalbie Metals Ltd, Iron Ore Holdings and Extension Hill Pty Ltd are currently developing, financing and commissioning separate greenfields magnetite projects in regional Western Australia with an expected collective capital investment in excess of AUD\$16 billion for the first stages alone.

These projects each have a life span best measured in decades rather than years and represent a significant, new, long term, value adding industry for the nation. Magnetite is an emerging industry in Western Australia and underpins massive proposed infrastructure development in the regions such as Oakajee port. Gindalbie Metals and Ansteel's joint venture – Karara project is the first new magnetite producer in the MidWest followed by CITIC Pacific Mining in the Pilbara with its Sino Iron project now commissioning.

MagNet is keen to recommend to the Treasury and to the Federal Government that there be adoption of a definition of "iron ore" that acknowledges and distinguishes between hematite or direct shipping iron ore (DSO) ( $Fe_2O_3$ ) and magnetite concentrate or pellets which only become saleable after extensive processing of low grade iron ores to extract the mineral magnetite ( $Fe_3O_4$ ).

Such terms already exist in Western Australian legislation in the royalty regime and adoption of such a definition of iron ore provides a simple and effective means to exclude magnetite concentrate or pellets from any future taxation measures that may occur in years to come.

This submission is not intended to affect the submissions lodged by those members that are also producing hematite or direct shipping ore.

For more detail of MagNet see [www.magnetitenetwork.com.au](http://www.magnetitenetwork.com.au)

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Megan Anwyl', with a stylized flourish at the end.

Megan Anwyl

Executive Director

Magnetite Network

31 October, 2013