BURIED TREASURE

THE WEALTH AUSTRALIAN MINING COMPANIES HIDE AROUND THE WORLD

Uniting Church in Australia
SYNOD OF VICTORIA AND TASMANIA

tax justice network Australia

OXFAM Australia

Acknowledgements: Oxfam Australia, Tax Justice Network Australia and the Uniting Church in Australia Synod of Victoria and Tasmania thank Chao Liu, Jessie Cato, Muheed Jamaldeen, Roberta Graham, Nana Kofi Acquah, Dan Mule, Rachel Etter-Phoya and two anonymous reviewers. Many colleagues helped to develop this report, including those working for Oxfam in Sierra Leone, Oxfam in Ghana and Oxfam in the Democratic Republic of Congo, as well as Dawn Anderson, Amanda Banks and Nina Collins.

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Editor: Melanie Scaife

Published by Oxfam Australia, Tax Justice Network Australia and Uniting Church in Australia, Synod of Victoria and Tasmania, Melbourne, July 2019

Designer: Stina Johansson
Printer: Finsbury Green
Printed with vegetable-based inks on Revive, an unbleached coated paper made from 100% recycled post-consumer waste.

OXFAM RESEARCH REPORTS

Oxfam research reports are written to share research results, contribute to public debate and invite feedback on development and humanitarian policy and practice.

All currencies in Australian dollars (AUD) unless otherwise indicated.

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Front cover image: Ayanfuri, Ghana: The town of Ayanfuri and the proximity of the Persues Mining Gold Mine are seen from above.
Photos: Nana Kofi Acquah/OxfamAUS

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Ayanfuri, Ghana: Job is the head teacher at St John's Catholic Basic School in Ayanfuri, Ghana. His classroom lacks basic things like desks and books that would help the children learn. Photo: Nana Kofi Acquah/OxfamAUS.

EXECUTIVE SUMMARY

Job, 33, is a head teacher in the only school at Ayanfuri, a small and poor town that sits atop a gold mine owned by an Australian company in the Central Region of Ghana. He dreams of having enough desks, books and other basic resources for his students — things that the Government of Ghana could better afford if more tax was paid and collected from some of the big companies that operate across the nation. But the Australian mine that nearly swallows Ayanfuri has never paid a cent in tax to the Government of Ghana.

Taxes fund vital public services and can help to combat poverty and inequality. When governments make the right decisions on public spending, tax can fuel sustainable and inclusive economic growth that builds countries and communities over the long term, lifting entire countries out of poverty by funding schools, hospitals, roads, other services and infrastructure that people need every day.

However, tax avoidance by multinational companies — including Australian firms — deprives countries around the world of much needed funds, undermining the potential for revenue-stricken governments to improve the lives of children like those at Job's school in Ayanfuri.

Globally, recent estimates show that $8 trillion[1] in financial wealth was hidden in tax secrecy jurisdictions (tax havens)[2] at the end of 2013, meaning $190 billion a year in tax revenues was lost to governments around the world. Of this, $15 billion in tax revenues a year was ripped out of the African continent.[3] Others suggest the tax loss could be as high as $650 billion a year to countries right around the globe.[4]

One industry that has come under increased scrutiny for its tax practices is the mining sector. The sector is largely characterised by firms owned in wealthy countries, like Australia, but operating in poorer ones to dig up their precious non-renewable resources.

Oxfam Australia, the Tax Justice Network Australia (TJN-Australia) and the Uniting Church in Australia, Synod of Victoria and Tasmania have come together to call for better tax practices. We have joined forces to shine a light on the tax practices of Australian mining companies in this report, and put figures on the lost revenues that could benefit the communities where these companies operate. In this report, we estimate that as much as $1.1 billion in profits was shifted out of Africa in 2015 alone[5] by the Australian mining sector[6] through the use of tax secrecy jurisdictions. This means Australian mining companies may be responsible for the loss of an estimated $289 million in government tax revenues in some of the poorest countries in the world (many of which are in Africa) in one single year alone. This tax could have been used for schools, hospitals and other vital services.[7] For example, $289 million is almost seven times the total cost of national malaria control programs in nine of the sub-Saharan African countries — among the poorest countries in the world — where Australian mines operate.[8] To crack down on this, countries including Canada and the United Kingdom as well as the European Union are initiating tougher laws and requirements for companies, demanding greater transparency about exactly what taxes are paid, and where.[9] But so far, Australia is a laggard when it comes to global mandatory tax transparency.

Australia is a global mining giant: Australian mining companies[10] have one of the largest global mining footprints, with 88 mining projects currently operating across Africa, Asia, Latin America and the Caribbean involved in gold, oil and gas,

In 2015 alone, as much as AUD $1.1 billion in profits may have been shifted out of Africa by Australian mining companies using tax havens — avoiding paying AUD $289 million to some of the poorest countries in the world.

and copper mining. And this only covers projects in operation — there are many others in exploration stage.[11] Our research has revealed that most projects are shrouded in secrecy due to the complexity through which companies publicly report their financial data. Right now, it is near impossible to get a clear picture of the tax revenues gained by the people of the countries hosting Australian mines. The reported data is so unclear, incomplete and patchy that no definitive, accurate amounts of global tax payments across the entire industry can be identified. Reporting in this way can help to veil unethical tax practices and enable companies to hide their profits in order to avoid paying the right amount of taxes in some of the poorest countries in the world.

Mandatory tax transparency is an important antidote to such unethical tax practices because it shines a light on the companies' behaviours and brings it to the public's attention. Our research showed that it is rare for Australian mining companies to reveal enough tax data for the public to easily understand their full global tax practices. Those that do reveal global tax data have mostly made this move in the context of laws changing in countries other than Australia.[12] What is remarkable about this is that there are a range of global initiatives that do focus on the mining industry and tax transparency, such as the Extractive Industries Transparency Initiative (EITI). In many ways, mining and extractives companies have taken more steps to be transparent, and reveal more global data, than other industries that operate around the world. Yet still, the picture is messy and full of holes.

It is time for Australia to catch up and introduce a strong system of public tax transparency. And it is time for Australian companies to step up and publish much more information about the tax they pay around the globe.

It is rare for Australian mining companies to reveal enough tax data for the public to easily understand their full global tax practices. Those that do reveal global tax data have mostly made this move in the context of laws changing in countries other than Australia.

We've taken a closer look at Australian mining companies' tax practices in Africa. Australia is a mining superpower in Africa — developing countries in the region host 32 of the 88 Australian mines that were in operation in 2016 and 2017: that's more than one-third of all overseas Australian mines. As a result, Australian mining companies have possibly one of the largest impacts on African communities in terms of their tax contributions, and Australia's domestic regulation of mining companies can have a significant impact. At the moment, Australian mining companies are not required by Australian law to report on their tax payments in African countries or in any other overseas country or region in which they operate. Instead, in order to obtain this information, the public needs to rely on foreign countries' tax transparency laws and luck as to whether the project happens to be covered. This has to change if developing countries are going to be able to push for their fair share of tax revenue.

Oxfam, the Uniting Church in Australia and TJN-Australia analysed in detail three mines owned by Australian-headquartered companies and listed on the Australian Stock Exchange (ASX) — Perseus Mining, Iluka Resources and MMG Ltd — and found several red flags. Our investigation indicates these mines have financial and corporate arrangements that may have led them to pay significantly less tax than the public should expect. While Iluka Resources has more recently purchased the mine in our study and now has a chance to turn things around, MMG Ltd and Perseus Mining have been in full control of their mines for the period of our examination.

Overall, we conservatively estimate that the three mines could have paid $149 million more in corporate income tax than they did over five to seven years across Ghana ($57 million), Democratic Republic of Congo (DRC) ($52 million) and Sierra Leone ($40 million).[13] These tax revenues could have gone a long way towards improving the lives of citizens:

- $57 million in Ghana is enough to pay the annual salary of more than 8,000 nurses;[14]
- $52 million in the DRC is the full cost to respond to the 2018 Ebola outbreak 1.5 times[15] over; and
- $40 million in Sierra Leone is enough to cover the healthcare of more than 67,000 Sierra Leonean women and children for one year under the country's Free Health Care Initiative.[16]

A lack of transparency means it is not entirely possible to know if this money was not paid because of aggressive tax practices or due to legitimate deductions on mine costs. However, we do understand that these mines are privy to special or secretive tax arrangements and that each company has subsidiaries located in tax havens, which raises serious questions about their tax practices.

All three Australian companies provide no public financial details of their subsidiaries in tax secrecy jurisdictions (tax havens). And all of the company financial reports show consolidated, total tax payments rather than reporting in which countries taxes were actually paid around the world. Since each mine began operating, they all appear to have exploited some form of tax concession or loophole.

For example, Iluka Resources operating in Sierra Leone holds about USD $500 million in rolling tax offsets, which means the company can use this to deduct huge amounts of tax payable to the Government of Sierra Leone, with no end date.[17] Perseus Mining in Ghana may have been receiving about $4 million in royalty offsets each year since 2014 — a practice discouraged by the EITI;[18] and MMG Ltd pays almost no tax in the DRC and has an effective tax rate of zero just about everywhere it operates around the world.[19]

Despite huge mine revenues (turnovers of more than $150 million a year in most cases) for each of these Australian-based companies, the governments of Ghana, Sierra Leone and DRC have received on average 0–0.9% of these revenues in corporate income tax from 2009 to 2015.[20] The remaining 99% stayed with the companies. While revenues do not always result in profits, given the corporate tax rate is at least 30% for mining companies in Sierra Leone, Ghana and the DRC, and given these mines have been operating for some time, it is not unreasonable to expect that a higher proportion of revenues from these mines should have gone to governments in the form of taxes.[21]

Instead, our calculations show:[22]

- Edikan Gold Mine in Ghana (owned by Perseus Mining) does not appear to have paid a single cent in tax in Ghana since the mine began operations in 2011.
- Kinsevere mine in the DRC (a copper mine owned by MMG Ltd) paid on average 0.9% of total revenues in tax in the DRC from 2011 to 2015 (and has been operating since 2006).
- Sierra Rutile mine in Sierra Leone (extracting rutile, and acquired by Iluka Resources in 2016) has paid on average 0.4% of total revenues in tax in Sierra Leone since 2009 (this mine has been operating since early 1990s).

Ghana, Sierra Leone and the DRC are among the poorest countries in the world, with the DRC and Sierra Leone being among the 10 poorest countries.[23] For these African governments, the promise of using their country's non-renewable resources to beat poverty and drive sustainable economic development has so far not become a reality.

It is time for Australia and Australian companies to become leaders, not laggards, in corporate tax transparency. Teachers like Job — and his students — are waiting for Australia to step up to the mark.

KEY RECOMMENDATIONS[24]

The Australian Government should:

1. **Introduce legislation requiring public country-by-country reporting** of revenue, profit, tax paid and other payments to government, number of employees and assets by large ASX-listed companies and other major Australian firms.[25] These new laws should also define what is a payment to government, stipulating precise categories of payments including, but not limited to, corporate income tax, royalties, infrastructure payments, land taxes, local government fees, and "all other", with requirements that "all other" be defined in a note. It should require that companies submit this information to the Australian Tax Office (ATO), which should publish this information in a searchable, easy-to-use spreadsheet format on an annual basis.[26] These requirements would largely be met if the Australian Government was able to persuade other governments to agree to publicly release existing high-level reports produced under the Organisation for Economic Cooperation and Development (OECD) country-by-country reporting regime.
2. **Introduce legislation requiring public project-by-project-level reporting** of tax affairs for all ASX-listed and other large extractive (mining) companies operating in or from Australia,[27] **and implement the Extractive Industries Transparency Initiative (EITI) in Australia.** These project-by-project reports should be consistent and harmonised with other systems of project-by-project reporting overseas to the greatest extent possible, disaggregated by mining/extractives projects, and include sector-specific payments.[28] This would ensure specific project-by-project-level information is reported by large companies with multiple mines in a single country. Similarly, these should be published by the ATO in an easy-to-use, searchable format, in keeping with best-practice standards. Australia has thus far failed to implement the EITI within our own country, and this should be rectified immediately.

Companies should:

1. **Be proactively transparent** by annually publishing data on profits, tax paid, revenue and tangible assets as well as number of staff on a country-by-country basis (including for all subsidiaries and the economic function of these subsidiaries). Extractives firms should also publish this information on a project-by-project basis, including sector-specific payments; adopt full contract disclosure policies and proactively disclose contracts on their websites.[29]

   Responsible tax behaviour returns long-term dividends to companies because the tax they pay contributes to a country's economic development and therefore creates future business opportunities. Being transparent helps build investor confidence as investors can perceive the level of transparency around this data as a barometer of company trustworthiness, and as a reflection of company risk appetite around political and social conflict. Publishing tax information transparently will also attract ethical investors that hold ethical concerns about how their equity investments behave in poor countries. Businesses that subject themselves to public scrutiny in this way could benefit from a more robust business structure and operation over the long term.
2. **Pay a fair share of tax** by aligning tax payments with actual economic activity, in keeping with the spirit of a country's tax law. Companies should publicly commit to pay tax on profits where value is created and economic activity takes place, publicly renounce the use of tax havens and stop artificially shifting profits to low-tax jurisdictions.

   Companies should tangibly demonstrate that they are unwinding unambiguously artificial tax structures that involve significant taxable profits in a low-tax jurisdiction where they have little or no staff or operational presence. Companies should be able to publicly justify their tax-planning choices against the reality of their operations.

AUSTRALIA MUST ACT ON TAX TRANSPARENCY

Australia is falling far behind in the global movement towards greater transparency on tax.

The world continues to see examples of tax avoidance and tax haven use. Just a year after the Panama Papers went public, we saw the Paradise Papers[30] detail numerous further examples of corruption and tax avoidance. Oxfam, the Uniting Church in Australia and TJN-Australia have also outlined cases where we saw questionable tax arrangements affecting our own economy — and developing countries alike. In 2018, Oxfam revealed that four of the world's largest pharmaceutical companies,[31] also operating in Australia, systematically stashed their profits in overseas tax havens and may be avoiding more than $146 million every year in developing countries. And, TJN-Australia partnered with the Australian Nursing and Midwifery Federation to show that six of the largest for-profit aged care providers in Australia received more than $2 billion in Australian Government subsidies but paid low or no tax due to tax avoidance tactics — collectively paying only about $154 million in 2015–16.[32]

Tax avoidance is not simply a 'handy trick' that wealthy individuals and companies can use to ensure more profits for themselves. It has a real impact on all of us, especially on the poorest and most vulnerable people in our communities. While Australian companies, executives and shareholders may benefit financially when tax havens are used to rip money out of developing countries, it is the poorest people who are deprived of essential services they need. Oxfam estimates that in 2014, USD $2.3 billion ($2.5 billion) was ripped out of developing countries around the world due to the use of tax havens by Australian-based multinationals alone.[33] Globally, it is estimated USD $100 billion in corporate tax revenues a year were lost to governments worldwide.[34] Imagine what that kind of money could do for health systems, public transport and education. Tackling tax avoidance means tackling one of the key drivers that is fuelling inequality and poverty in Australia and around the globe.

Transparency is a necessary condition for putting pressure on multinational companies to reform unethical tax practices. But Australia is falling far behind the global movement towards greater mandatory transparency on tax. While Australia has participated strongly in the OECD Base Erosion and Profit Shifting (BEPS) program, there is little in Australian legislation to compel companies to be publicly transparent in their global tax practices. Also, while the ATO publishes some data on corporate income tax payments, it is only at a consolidated company level and limited to taxes in Australia. ASX and Australian Securities and Investments Commission regulations do not require tax transparency for Australian companies, and Australia has no mandatory law requiring disclosure of beneficial owners.[35] This means Australian companies are allowed to operate in a shroud of secrecy due to an absence of Australian regulation — with the risk they are hiding their profits in overseas tax havens rather than paying their fair share of tax in countries where they are making profits.

Meanwhile, the rest of the world has forged ahead in pursuit of greater tax transparency. This includes the formation of the Extractive Industries Transparency Initiative (EITI), the Open Government Partnership (OGP) and revenue transparency legislation in Canada (in 2015), the European Union (2013), Norway (2013) and the United Kingdom (UK) (2016), all focused on boosting transparency around tax revenues — covering the powerful mining and banking sectors.[36] Countries are also taking steps to ensure that companies and wealthy individuals cannot so easily hide the ways in which they benefit financially from tax arrangements by introducing public beneficial ownership registries, including in the UK, Denmark, Slovenia, Ukraine and Ghana.[37] The Australian Government committed as part of Australia's first Open Government National Action Plan to improve transparency of information on beneficial ownership and control of companies,[38] but so far has not delivered any outcome in this area.

In 2018–19, the Australian Government also allocated more than $65 million to help developing countries "improve governance and revenue management" of extractives industries, including "multilateral approaches [that] have proven effective to reduce corruption and improve the transparency, accountability and management of extractives-related payments, benefitting both host countries and investors".[39] Yet, the government's stated development agenda is undermined by its own lack of domestic transparency regulation that could help developing countries.

Unless Australian firms have operations that are covered by a foreign government's tax transparency laws, the Australian public and the people of the countries where the companies are operating have no way of knowing about Australian firms' tax practices abroad. Other countries' rules, not Australian rules, take precedence in shaping how Australian companies listed on multiple stock exchanges report.

Transparency serves as a source of truth that companies claiming to be fully compliant with the tax laws in the places where they operate can use to demonstrate compliance. Transparency is also essential if the mining industry is to be the catalyst for equitable and accountable development that lifts communities out of poverty.

Right now, companies mostly publish income tax data on an aggregated (global) level or conflate it with other types of expenses. For example, the headings used in company reports for data are not always indicative of the exact types of payments to governments that have been made. It is common to find a single aggregated income tax expense for the whole company rather than by project or country, and mining companies sometimes lump payments like royalties into general operating expenses. Gold mining companies, for example, often report "cash costs" to indicate how much it has cost the company to produce each ounce of gold. This category lumps together capital investment in mine

infrastructure, royalties and local business taxes as standard practice, making it impossible to distinguish royalties from business expenses and understand how the host government benefited from opening its resources to the private sector. Companies are also not always forthcoming when asked about this information. When we approached the Australian mining companies to get clarification on key tax data and information, most refused to participate.[40]

These data gaps and this tax secrecy only serve the interest of firms that can then use unethical tax planning practices as they please. It means that ordinary people, who should be benefitting from the taxes paid to their governments by large companies, are unable to understand company tax arrangements or hold governments or companies to account. It also limits investors' ability to assess company financial performance and the effectiveness of company management. At worst, deliberately misleading labelling can be used to disguise payments to government that are illegal or that would embarrass a company or government.

It shouldn't be this hard for the public — including shareholders, investors, communities, and civil society — to obtain basic financial information for Australian companies, including exactly how much tax they are paying in countries where they are operating. The data we gathered for Australian mining companies for this report is to date the most comprehensive any general member of the public could access, yet there are many data gaps and obstacles. Without clear information on the tax affairs of these firms, it is extremely difficult to scrutinise and hold Australian companies to account over their tax practices.

There is a better way to ensure all companies pay their fair share of taxes in the countries in which they make their millions. Overseas experience shows tax transparency can help in making sure companies pay their fair share of taxes. The EU's country-by-country reporting requirement for the banking sector led to a marked increase in tax payments by multinational firms that had a presence in tax secrecy jurisdictions.[41] Tax transparency has been encouraged by the UK Government in its 2018 review

Abenabena, Ayanfuri, Ghana: Cindy and Florence fill large containers with bore water to carry back to their homes. The bore pump is one of only four pumps that cater to a community of 3,000 people. The community lives next to Perseus gold mine. Perseus hasn't paid any tax to the Government of Ghana, despite annual revenues of up to AUD $250 million in most of its seven years of operation. Photo: Nana Kofi Acquah/OxfamAUS.

of its project-by-project reporting legislation for the mining sector, which concluded that "this type of reporting does not disadvantage company business interests, including their relationships with governments".[42]

The reality is that companies are coming on board with public tax transparency and most already expect it is inevitable. In a recent Deloitte survey of tax and finance managers and executives from multinational companies, 80% of respondents said they expect public country-by-country reporting to be adopted globally in the next few years.[43] And as expressed by the Mining Association of Canada, which includes some members listed on the ASX, its members are "proud to have played an active role in collaboration with the Government of Canada and civil society in the promotion and design of this important legislation", following the introduction of Canada's Extractive Sector Transparency Measures Act.[44] The Australian Government has the opportunity to leapfrog into being a global leader in tax transparency by introducing a model standard that harmonises various global reporting regimes by scrutinising laws in Canada and the UK, and the EITI, and taking lessons from them. An industry standard that is consistent with and improves on existing tax transparency laws around the world — and that satisfies governments, civil society and end-users in local communities — will solve the current patchwork of tax transparency regulation that can confuse stakeholders and add to company reporting burden.

Where the Australian Government has left a void, there is also space for forward-thinking companies to publish this information themselves. Australian companies BHP and Rio Tinto already publish tax transparency reports, which detail tax and other payments to government on a project-by-project basis. Being transparent is good for business as it builds investor confidence and ensures business structures are sufficiently robust to withstand public scrutiny or regulatory changes. All Australian mining companies should follow suit and become global leaders in tax transparency.

JOB'S STORY

Photo: Nana Kofi Acquah/OxfamAUS

Job Nyarko, 33, is the head teacher at St John's Catholic Basic School in Ayanfuri, Ghana.

Job has been teaching at the school for six years. The school has 17 teachers for more than 600 children, aged 4 to 17 years old, and relies on government funding.

Job says, "Teaching and being part of the community is a joy, but we have a problem with furniture [a lack of desks and chairs for students]. We don't have enough textbooks. We have 50-plus students in the class and about 20 textbooks."

Job says that his school needs more funds for basic equipment, like desks and chairs: "Sometimes there are four students sitting on one small bench and table, so they don't have enough space to write in their books. It's very hot sitting so close and the students become tired."[45]

Some students travel from other nearby villages to attend the school. With no school bus, these students have to walk (up to 8 kilometres each way), making them late to class every day.

Australian mining companies, like the one that is mining gold in Ayanfuri, are highly secretive and use various means to avoid paying tax in countries like Ghana. Without vital tax flows, teachers like Job are not able to provide a high-quality education to students.

"Our future wish is for a double stream for the school: Primary A, Primary B, Junior High School A and B," Job explains. "This would increase our enrolments and have a positive impact. Now, we have 50 to 60 students per class. When we have double stream, we would split them so there would be a teacher for a class of about 30 students. Then the teachers would have enough time to deliver [the lessons] and work with the children."

AUSTRALIAN ASX-LISTED MINING COMPANIES IN AFRICA AND AROUND THE WORLD

> **"Governments rightly expect the industry to be a reliable partner for sustainable development for their people and economies. Beyond the profit motive, mining companies are looking for stability, security and certainty. Getting these two agendas to add up to stronger economies based on sustainable growth over the long term is what we should all be working for — no matter which perspective we bring."[46]**
>
> **— Anita Marangoly George, Senior Director, Energy & Extractives Global Practice, World Bank**

Developing countries with large mineral and other valuable resource deposits often look to the mining and extractives industry as a source of economic growth and a pathway out of poverty. Mining can encourage construction of infrastructure (such as transportation and electricity), create jobs and facilitate technology transfer, and has the potential to fund education and health through tax payments to governments. Given this, developing country governments are often eager to encourage extractives industry investment.

Despite the promise of mining sector revenues, the risk of becoming simply a conduit for profits is significant for some of the poorest countries in the world.

Tax avoidance undermines the prospect of extractives sector-driven economic development. It deprives countries of invaluable revenues to invest in public services and exacerbates inequality. This is particularly damaging for developing countries because it undermines the opportunity for revenue-stricken governments to collect taxes and improve citizens' livelihoods.

AFRICA IS BLEEDING TAX REVENUE

Tax avoidance is extremely damaging for Africa — a region that is home to half of the world's people living in extreme poverty. The mining and extractives industry is a relatively more significant part of the African economy compared to other regions. The sector's share of GDP in sub-Saharan Africa in 2015 (8.8%) is almost three times larger than the world average (3.2%), and it has the third-highest GDP share compared to other regions (outranked only by the Arab world, and the Middle East and North Africa, where the extractives sector makes up 28.8% and 26.6% of GDP, respectively).[47] The extractives sector in Africa was the top business activity by capital investment in 2015, accounting for 23% of all foreign investment.[48]

The significance of the mining sector to sub-Saharan Africa's development is clear in the context of its social issues. Half of the world's people living in extreme poverty (413 million) still call the region home — more than all other regions combined.[49] Given this trajectory, nearly 9 out of 10 of the extreme poor will be in sub-Saharan Africa by 2030. Access to education, healthcare, sustainable energy and safe water, and other essential services — the critical elements to breaking the poverty cycle — remain elusive for this cohort.[50] For example, 40% of people living in sub-Saharan Africa still do not have access to reliable, clean sources of drinking water.[51]

So far, Africa has not been able to capitalise on opportunities to use extractive revenues to fuel sustainable development. It made miniscule gains from the 2000–2010 natural resource super-cycle compared to mining companies. By one estimate, tax revenues for African governments only increased by a factor of 1.15, while turnover in the mining sector increased globally by a factor of 4.6. It is estimated that African governments could have collected USD $70 billion in additional tax from 2003 to 2008 if they were able to improve tax collection from the mining sector.[52]

Tax loss due to tax secrecy jurisdictions across all developing countries is estimated to be three times more than they receive in international aid each year.[57]

These astronomical tax losses are not limited to Africa's mining sector, or to Africa alone. It is thought that the continent may be losing more than USD $50 billion every year to illicit financial flows[53] — this is double the foreign aid assistance that Africa receives.[54] From 2001 to 2010, African countries are estimated to have lost up to USD $407 billion from trade mis-pricing alone (USD $40 billion per year). A single country, Kenya, is believed to have been deprived of USD $1.5 billion between 2002 and 2011 because of trade mis-invoicing.[55] The tax loss due to tax secrecy jurisdictions across all developing countries is thought to be three times more than they receive in international aid each year.[56]

AUSTRALIAN MINING SECTOR'S ROLE AROUND THE WORLD AND IN AFRICA

Australian mining firms have potentially one of the largest global mining footprints.

To help identify the tax practices of Australian-based companies in the mining and extractives industry around the world, Oxfam, TJN-Australia and the Uniting Church in Australia undertook a process of mapping the projects in operation.

We identified 88 publicly listed Australian resource projects around the developing world that were operating in 2016 and 2017 (Figure 1).[58] Australian mining projects were found across a range of regions and resources, focusing on 16 different

Figure 1: Number of operating Australian mining and extractive projects around the world in 2016 and 2017 per country

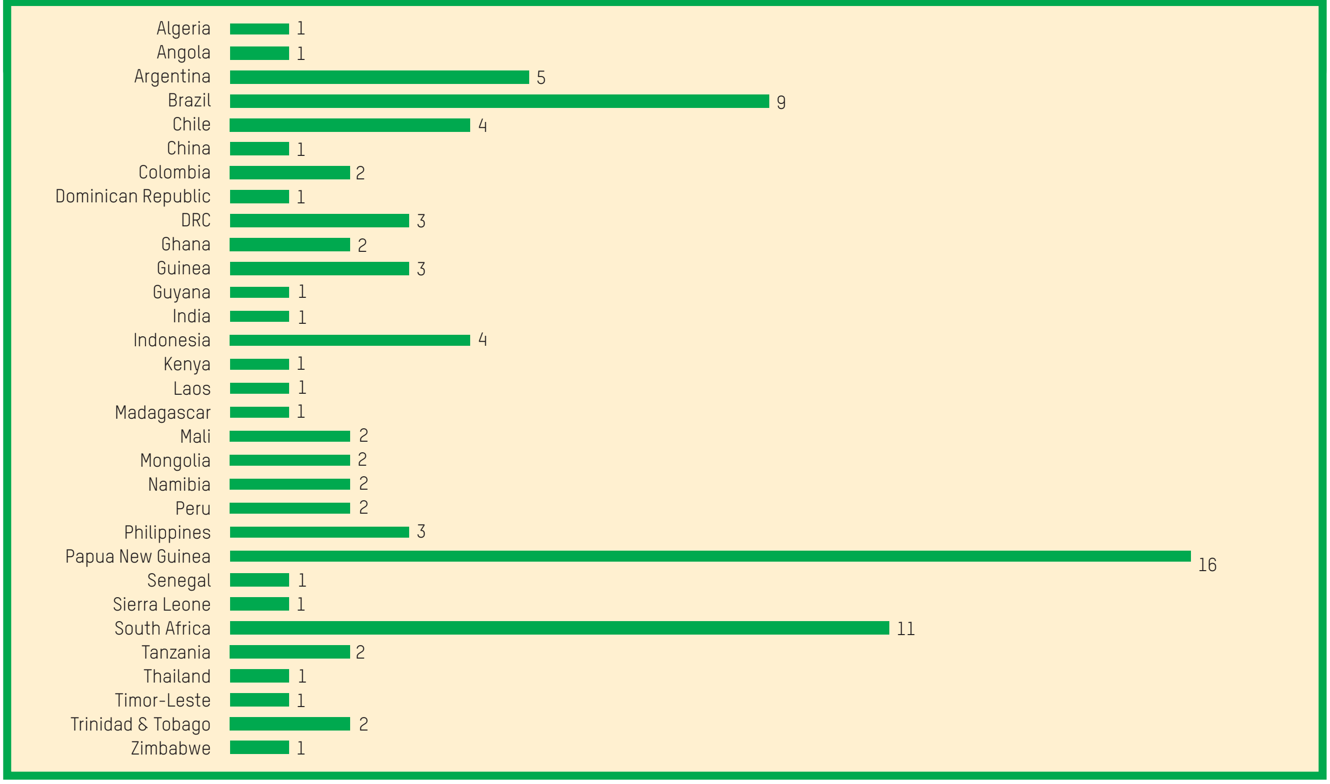


Table 1: Mining revenue as a proportion of major African mining countries' GDP in 2015		
Country	**GDP (USD billions)**	**Extractives sector % of GDP**
Botswana	14.4	2.15
Burkina Faso	10.4	8.82
Cote d'Ivoire	39.6	3.43
Democratic Republic of Congo	37.9	19.55
Ghana	49.2	8.59
Mali	13.1	8.22
Mozambique	14.8	5.70
Namibia	11.7	1.92
Sierra Leone	4.2	29.09
South Africa	317.5	5.15
Tanzania	45.6	2.69
Zambia	21.2	12.50
World	74,916	3.19

primary resources. The three key resources account for 68% of projects: 30 gold projects (34% of total projects), 20 oil and gas projects (23% of total) and 10 copper projects (11% of total). The 88 projects were distributed roughly equally between the three regions: 32 projects in Africa, 31 in Asia and 25 in Latin America and Caribbean.[59] Four companies (AngloGold Ashanti, OilSearch, Rio Tinto and BHP) account for 44% of all projects in operation, and three countries host 40% of all projects: Papua New Guinea (PNG), South Africa and Brazil.[60] Australian mining investment overseas was estimated at $143 billion in 2013 – the largest share (29%) of Australia's total foreign direct investment abroad.[61]

Notwithstanding the Australian mining sector's significant global footprint, in this report we use Africa as a study region for the impact of tax practices by the Australian extractives sector. According to the Australia-Africa Minerals & Energy Group (AAMEG), the total value of Australian mining projects in sub-Saharan Africa was estimated to be about $40 billion in 2015.[62] Australian companies are in aggregate the largest exploration investors in Africa,[63] and potentially more numerous than all other mining giants including Canada, UK and China.[64] And, it's expected that Australian mining presence in Africa will expand in the future. The Department of Foreign Affairs and Trade (DFAT) in 2018 indicated that Australia's major future trading opportunity with Africa is in the extractives sector, and that this is the sector in which Australian firms' presence in Africa so far has almost exclusively been.[65] DFAT has also committed millions in the budgets from 2018–2019 and 2019–2020 to promote private-sector investment in the extractives sector of developing countries, and to "support developing countries to maximise sustainable benefits from their natural resources".[66]

However, Australia lacks regulation that would allow the public to clearly understand Australian mining firms' tax practices. This means the push by the Australian Government to support continued expansion of Australian extractives presence abroad — including in Africa — could lead to poor outcomes for developing countries as they miss out on substantial extractives tax revenues.

The lost development opportunities for sub-Saharan Africa due to extractives sector tax avoidance is clear when considering the size of the mining sector in that continent. For the African countries identified by AAMEG as having the highest number of Australian mining projects,[67] the extractives sector generally makes up a large proportion of the GDP compared with the world average (Table 1). This means the mining industry has a greater economic significance in sub-Saharan Africa than anywhere else in the world. We have also identified three mid-tier Australian firms operating in the DRC, Ghana and Sierra Leone where the extractives sector represents a share of GDP several times the world average. (In the sections below, we present detailed case studies of these firms' tax practices in the three countries.)

AUSTRALIAN MINING FIRMS MAY HAVE SHIFTED AS MUCH AS $1.1 BILLION IN PROFITS OUT OF AFRICA

Oxfam, TJN-Australia and the Uniting Church in Australia estimate that in 2015, $1.1 billion in profits may have been shifted out of Africa by the Australian mining and extractives industry as a whole. This results in an estimated $289 million

Ayanfuri, Ghana: A student carries a classroom table on his head. The headmaster of the local school in Ayanfuri, Job Nyarko, says they don't have enough tables and desks for all of the students.
Photo: Nana Kofi Acquah/OxfamAUS.

in tax revenues being ripped out of developing countries in Africa, through the tax-avoidance practices of Australian firms.[68] The estimated $289 million is seven times the total cost of national malaria control programs in nine of the poorest sub-Saharan African countries where Australian mines exist.[69] Malaria control is an essential part of these countries' health programs, and the tax loss means governments in this region are deprived of desperately needed funds to fight malaria — a disease that kills hundreds of children under the age of five on a daily basis.[70]

In fact, our estimates are likely to be conservative. Illicit financial flows by all sectors and individuals are estimated to have cost the DRC 3% of its GDP in 2015 — approximately USD $1 billion.[71] And in 2011, only one of five major mining companies in Sierra Leone paid any corporate tax at all.[72] Illegal financial flows from Africa overall are estimated to cost the continent USD $50 billion annually.[73]

AUSTRALIAN MINING COMPANIES ARE HIGHLY OPAQUE IN THEIR TAX PRACTICES

We examined the tax data available for mines operating around the world that were owned by ASX-listed companies and found, by and large, a lack of transparency over the financial and tax affairs of Australian mining firms operating in developing countries. This is in some ways surprising, because it can easily be argued that the mining industry has been under greater scrutiny on tax practices than almost any other industry (apart from perhaps banking) in recent years. Some Australian mining companies are already leaders in tax transparency, and many mining companies reveal more about their global tax practices than companies in other industries. But there is great room for improvement by many, and Australia also needs to catch up on laws to ensure strong global tax transparency is the norm.

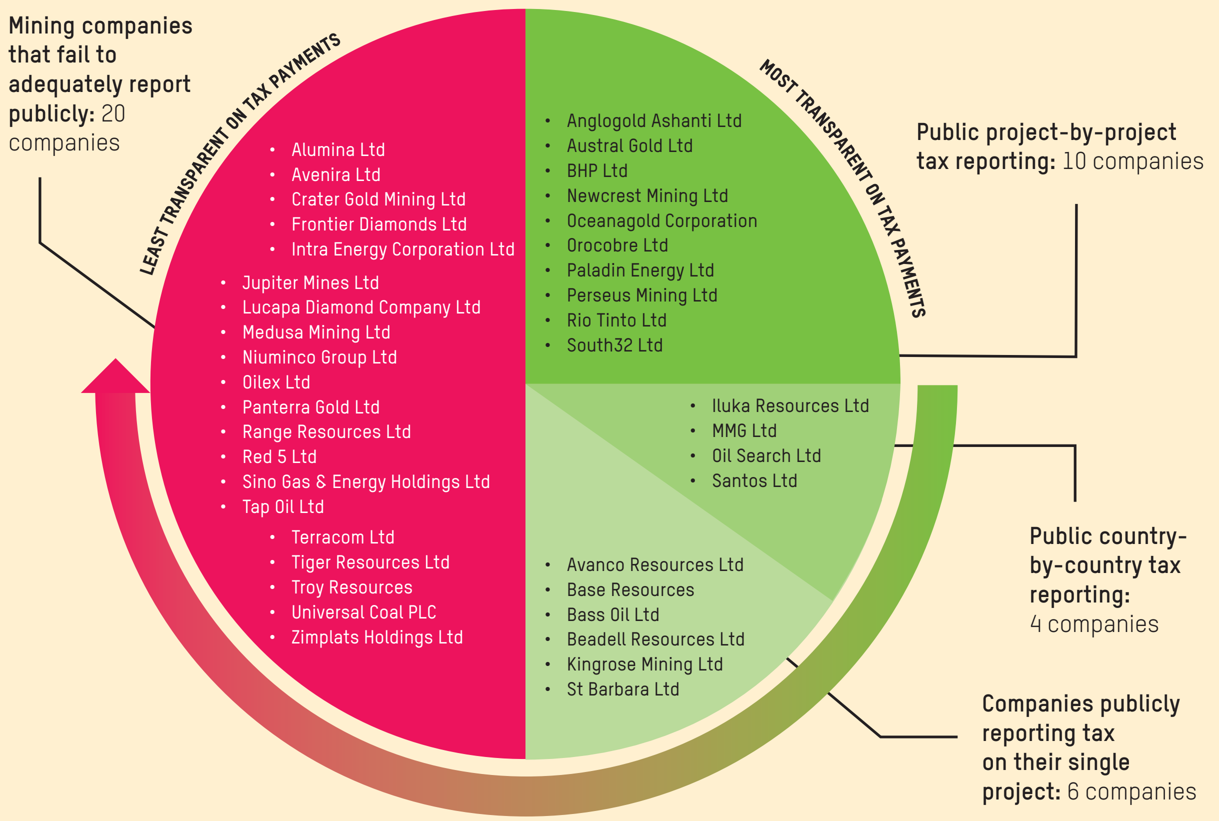
We found that out of the 88 Australian mining projects we identified that were operating in developing countries in 2016 and 2017, 38 had project-by-project data publicly available. This was mainly by virtue of the projects being owned and operated by companies that are also listed in the UK or Canada. Unlike Australia, these countries have project-level reporting regulations for mining firms listed on their stock exchanges. The vast majority of the 88 mining projects were owned by just four dual-listed companies subject to UK or Canadian laws — AngloGold, BHP, Rio Tinto and South32.

Some projects (48) were covered by countries that have implemented the Extractive Industries Transparency Initiative (EITI).[74] The EITI is an important tax transparency reporting initiative. It is a global standard that provides a minimum floor of public reporting requirements for all implementing countries, and an extractive firm operating in a country that signed up to the EITI must submit annual reports to that government detailing its tax and other government payments made for its projects in the country, and this data is published by the government. The initiative gives an important picture of taxes paid inside each implementing country. It does not give a global picture of a company's tax affairs by country or by project, and there remain some areas for improvement such as the way in which a country implements EITI rules. Still, data reported under the EITI serves as a good source of truth to test against financial information published in company reports.

Using company reports and reports available in the UK and Canadian tax transparency repositories,[75] we have sorted ASX-listed firms into different levels of transparency to understand how companies currently perform in terms of tax transparency. This exercise revealed that, in spite of the foreign legislations on tax reporting, of the 40 Australian mining companies examined (which own the 88 projects in developing countries) half still only report income taxes in no further detail than at a consolidated company level — meaning they are not captured by the foreign government rules on tax transparency (Figure 2).[76] This is the case for all other payments to government (like royalties) taking into account the separate tax or sustainability reports companies sometimes produce in addition to regular company annual reports.

While it is fortunate that several Australian mining projects are covered by some form of tax transparency reporting requirement in a foreign country, this analysis highlights the inadequacy of Australia's own transparency regulations, and the large number of Australian mining companies that fall

Figure 2: More than half still hiding where they pay taxes: Australian mining companies' income tax reporting practices



Even some of the companies in the 'most transparent' category are only there because of their listing in the Canadian or UK stock exchange, which requires them to report on a project by project basis their tax payments for countries where they have a mining operation (but not for their operations in tax havens). Other companies, like Rio Tinto and BHP, have been producing dedicated project by project reports for several years which increased in detail over time.

through the cracks of foreign countries' tax transparency laws. It is ironic that, despite Australia being a global mining superpower, in order for the Australian public, citizens of countries these mines operate in, and shareholders to understand how Australian mines are performing on tax transparency, they need to rely on luck and some foreign countries' laws as to whether the project happens to be covered. Right now, other countries' rules, not Australian rules, determine the way companies listed on multiple stock exchanges report.

Project-by-project-level reporting for mining and extractives firms

About 3.5 billion people live in countries rich in oil, gas or minerals.[77] Natural resources can be a country's pathway to economic wealth and better living standards if the tax revenues are properly collected and governed well. Due to the significant development potential for a country when it opens its natural resources to exploration, there is a case for more detailed, dedicated focus on mining revenue governance. For this reason, public project-by-project reporting has become the gold standard for extractives industry tax reporting, as recognised in the International Monetary Fund's Fiscal Transparency Code on Natural Resource Revenue Management.[78] This imperative also saw the evolution of tax transparency initiatives for the mining sector, like the EITI, which requires tax payments and receipts to be published on a project level so that all stakeholders — governments, companies and citizens alike — can gain an insight into who is operating in the sector, how much tax revenue is being generated, where it ends up and who it benefits.[79] However, Australia has thus far failed to implement the EITI within our own country. This should be rectified, and the Australian Government should immediately implement the EITI. Further to the EITI and public country-by-country reporting, the Australian Government should also require Australian mining companies to report on a project-by-project basis.

AUSTRALIAN MINING FIRMS IN AFRICA: THREE CASE STUDIES

To demonstrate common difficulties in understanding the complex tax practices of Australian-headquartered mining companies operating in Africa, we conducted detailed analyses of three case studies: Perseus Mining Ltd in Ghana, MMG Ltd in the DRC, and Iluka Resources in Sierra Leone.

We found numerous red flags that pointed towards the three case study mines having financial and corporate arrangements that may have led to these mines paying significantly less tax than should be expected. We estimate the tax lost to the host governments by the three mines to be $149 million over five to seven years. In Ghana ($57 million), the DRC ($52 million) and Sierra Leone ($40 million), this equates to between 0.5% to 2.5% of the country's extractives GDP.[80] It's also interesting to observe that, while all three firms have subsidiaries in tax havens, no financial data at all was reported for any of these subsidiaries. And, while mines usually take a few years to reach profitability and would only start paying taxes then, we note these mines have been in operation for several decades (or, in the case of the Perseus mine, almost a decade), so it is expected that they would reach profitability in at least some of these years.[81]

On average, from 2009 to 2015, the host governments received an appalling rate of 0–0.9% of annual mining revenues in corporate income tax from the case study mines we analysed.[82] The Ghanaian Government has not received a cent of tax from Perseus Mining's Edikan Gold Mine since it began operations in 2011; the DRC Government received an average of 0.9% of total revenues in tax from MMG Ltd's Kinsevere mine (and MMG Ltd appears to pay an effective tax rate of zero just about everywhere else);[83] and the Government of Sierra Leone has received on average 0.4% of annual revenues in tax for the Sierra Rutile mine, which was acquired by Iluka Resources in 2016.[84]

These countries also lose a substantial amount of extractive revenues due to the firms using various tax incentives, such as lenient tax write-offs offered to mining companies in an attempt to attract investment, or loopholes in the country's laws. For the Edikan Gold Mine (owned by Perseus Mining) and Sierra Rutile (owned by Iluka Resources), we found their contracts or host government regulations permitted tax concessions that companies appear to have used to accumulate large income tax offsets. The Sierra Rutile mine in Sierra Leone was able to accumulate a massive USD $500 million in tax offsets that have no expiry date for use against future profits,[85] while the Edikan Gold Mine in Ghana seems to have offset $4 million a year in royalty liabilities with other tax credits, which undermines the purpose of royalties as a guaranteed payment to the country for its non-renewable resources.[86] Royalties are an important early-phase revenue stream for governments. In our case study for Anvil Mining (which owns MMG Ltd's Kinsevere mine), we understand that, prior to 2012 when MMG Ltd acquired Anvil Mining, sales of copper to Anvil Mining's related party commodity trader in Singapore appear to be significantly under-priced, which reduces the reported taxable income in the host country and may have allowed profits to be shifted abroad.[87]

Here we present a summary of key findings for each case study, and full details can be found in Appendix II. For all three firms we have engaged in good faith and sent letters to their corporate head offices in Australia requesting information and confirmation of our data.[88]

Ayanfuri, Ghana. Photo: Nana Kofi Acquah/OxfamAUS.

NEVER PAID A CENT: PERSEUS MINING'S EDIKAN GOLD MINE IN GHANA

DIANA'S STORY

Diana Asante, 64, has six children and 19 grandchildren. She sells vegetables, fish and small goods in Ayanfuri market.

Ayanfuri market where Diana works is located near thelarge open-pit gold mine owned by Australian company, Perseus. Perseus has reported an annual turnover of $250 million for most of the gold mine's seven years of operation, but the company hasn't paid any tax to the Government of Ghana.[89] Even though the town of Ayanfuri has large gold deposits, its public infrastructure has deteriorated with a lack of investment, creating a daily challenge for women like Diana.

"If Perseus paid tax, the government would think about us and provide the facilities that we are missing, like the schools, toilets, public water and hospital," Diana says. "We don't even have a hospital in this town. If someone should fall down this instant, there is nowhere to send them. Meanwhile, the work they [Perseus] are doing is bringing in a lot of money, so why can't they think about this town and the wellbeing of the people in it?"

The marketplace is dilapidated without proper shelter. The council is hesitant to erect a new market building, because Perseus has indicated it intends to mine nearby. Without permanent shelters, a heavy rain downpour spoils goods.

In many parts of the community, the direct impact of the mine compounds problems caused by a lack of public services, like access to clean water.

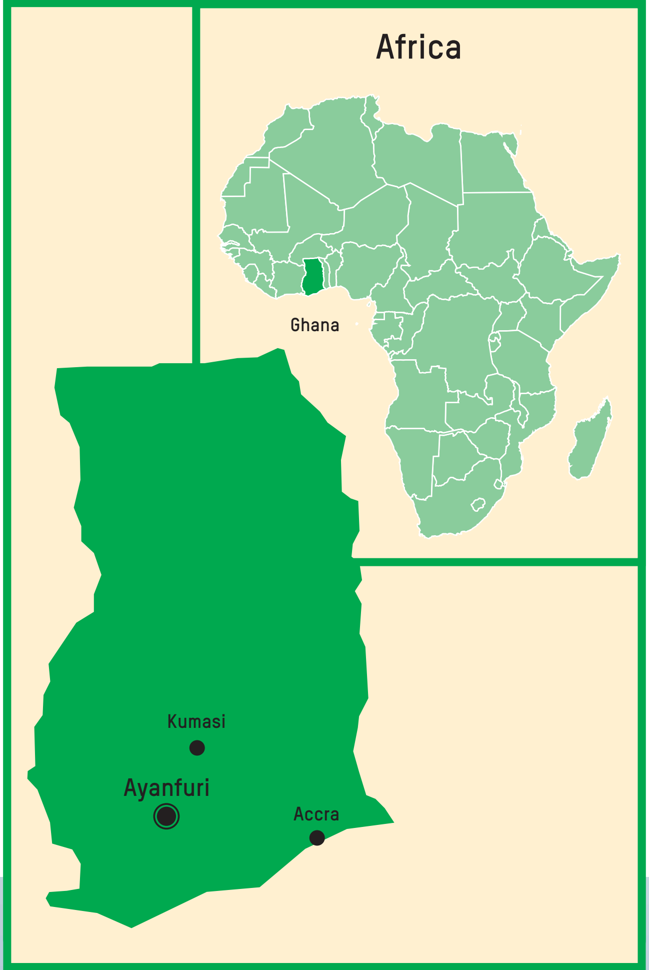
Diana says, "Before the mining started, we had a stream that provided us with clean water for all household activities. After they came, they polluted all that water and now it's completely useless. It can't be used for bathing or drinking." Diana and her family now have to spend $2.45 a week on water in individual 500ml plastic bags.

The regular blasting from the mine has damaged Diana's home, cracking the walls in one bedroom to the extent that she has moved some of her grandchildren from a particularly damaged room. "I had three grandchildren in the [damaged] room, so I've moved all of them to another room, which is also cracked but not as bad as theirs. It's really been a problem for me. Yesterday with the wind, we were all scared of the building collapsing."

Diana hopes that with more tax dollars from Perseus, the Government would invest in basic services like public toilets in Ayanfuri. She says, "If you should want to ease yourself and need a washroom, there are no public toilets here for us, unless you beg someone to allow you into their home."

Figure 3: Location of Ayanfuri township in Ghana

Perseus Mining's Edikan Gold Mine is located in Ayanfuri, a cocoa farming township in Ghana's Central Region, seven hours' drive north-west from the capital Accra.



Because the town sits right atop the gold reserve, residents were moved aside for Perseus Mining to dig out the gold lying under their homes. As a result, the mine sits uncomfortably on the edge of the town and from the air it looks like Ayanfuri is being swallowed by the mine.

Rich with mineral wealth, the Central Region of Ghana has produced and exported gold for centuries. But after seven years of mining in Ayanfuri, the promised wealth and opportunities have failed to materialise. Marked by intermittent violence and protest, the relationship between the community and the mine has soured as promises of jobs and wealth went largely unmet. Oxfam spoke extensively with community leaders and members in Ayanfuri and they expressed to us their disappointment at promises of wealth generation and livelihood programs from the mining company failing to live up to expectations.

Ayanfuri relies heavily on cocoa plantations that surround the town, and which are passed down generation to generation to support extensive family networks. When Perseus started clearing cocoa plantations, it promised to employ the eldest son of each family. To the great frustration of community leaders in Ayanfuri, almost no locals have been employed by the mine, despite participating in the infrequent re-training opportunities.[90]

Diana Asante, a local market trader, told Oxfam that after the mine came, their stream became so polluted they are no longer

Figure 4: Perseus Mining's Edikan Gold Mine in Ayanfuri. Photo: Nana Kofi Acquah/OxfamAUS.

able to use it. Many people in Ayanfuri, including Diana and her family, are now forced to buy water in plastic bag s every week. The regular blasting from the gold mine is a reminder of the presence of the mine. According to Diana, the mine blasting "has caused the building [her home] to lose strength. My family and I were scared to stay in the building when the winds blew ... As for this mining company, it has brought so many problems for me and this town".

Community discontent at mining towns like Ayanfuri has simmered and built to the point that the Ghana Lands and Natural Resource Minister in mid-2017 announced the government will begin providing military protection to various mining companies, including Australia's Perseus Mining.[91]

When miners like Perseus Mining set up operations in a country, local communities rightly expect to see an improvement in their livelihoods via better public services such as clean water, hospitals and roads funded by increased extractives tax revenue collected by the government. This is especially so for people living close to the mine who endure significant disruption to their lives.

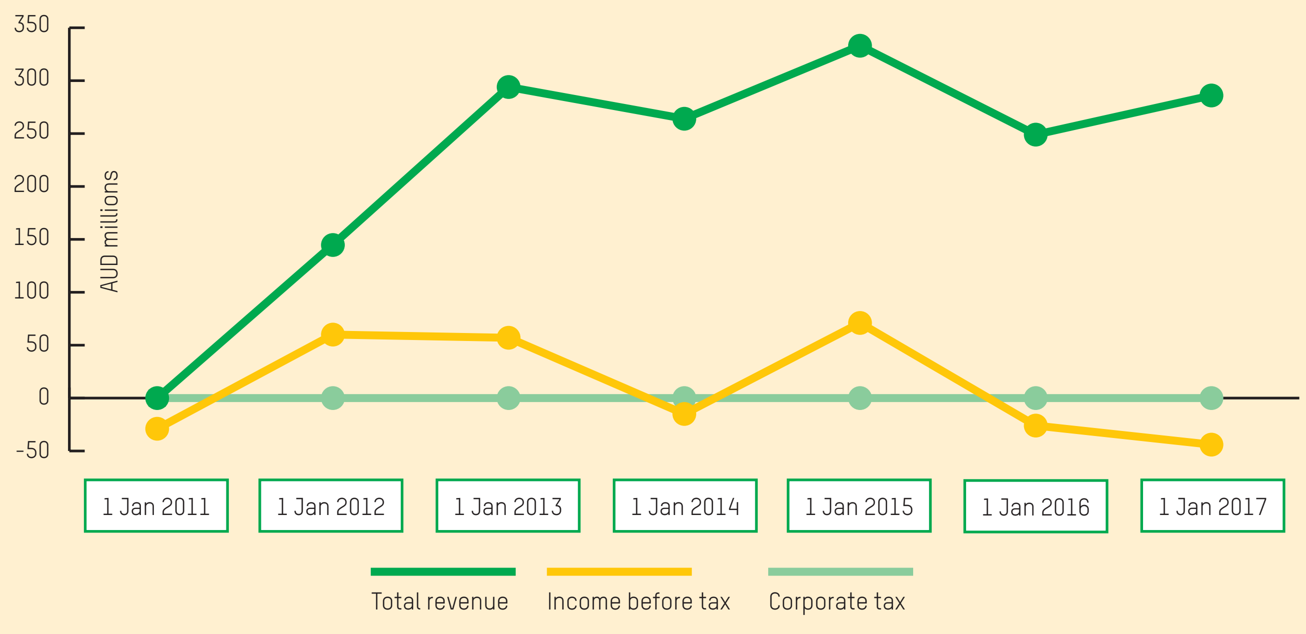
Instead, communities regularly see their hopes and expectations dashed. This Australian mine has paid not a single cent in corporate tax since the beginning of operations in 2011. This is despite Perseus making more than $250 million in revenue annually in most of its seven years of operation in Ayanfuri, a combined total of $1.6 billion. Perseus also paid no taxes in the years that it reported taxable income through making a profit — although those were during early years of operation, when the company may have been recovering costs (Figure 5).[92] In any case, because of a lack of transparency, it is not possible to know for certain whether tax has been avoided due to aggressive tax practices or due to additional costs at the mine. It is possible the mine has exploited the Ghanaian rules on carry-forward losses and capital allowance to continuously offset millions in profits and not pay any income tax.[93] It has also been potentially receiving royalty liability offsets valued at $4 million annually since 2014, meaning the Ghanaian Government has received very little from the mine so far.[94]

The lack of tax payment in Ghana also raises questions about the role of Perseus Mining's subsidiaries located in tax secrecy jurisdictions (tax havens). We found two of its subsidiaries are located in tax secrecy jurisdictions: one in the British Virgin Islands (Winston Mining Ltd) and one in Jersey (AUMJ Ltd).[95] Company financial reports provide no information for these subsidiaries, so it is unknown how much taxable profit is actually booked in those tax havens and whether there are any legitimate staff, resources or company activity there. While it is impossible to determine if the mine is making losses and therefore not paying taxes because it is poorly managed, or if it is because of intentional tax avoidance tactics, it is questionable why a company would have subsidiaries in tax havens in its corporate structure — especially given the company states it principally operates in Australia, Ghana and Cote d'Ivoire.[96] Considering Perseus Mining's consolidated financial reports do not break down tax paid by country, nor does it contain any financial information for the subsidiaries in tax havens, its corporate structure appears questionable.

Oxfam, TJN-Australia and the Uniting Church in Australia estimate that the mine could have paid at least $57 million in income tax from 2012 to 2017. This amount is enough to pay for more than 8,000 Ghanaian nurses' annual salaries.[97] This figure of lost tax revenue has been estimated using Perseus Mining's own reported life-of-mine plan, which sets out key

Figure 5: Perseus Mining's Edikan Gold Mine tax revenue and taxable income compared to actual tax paid

Source: Thomson Reuters database, Extractive Industries Transparency Initiative



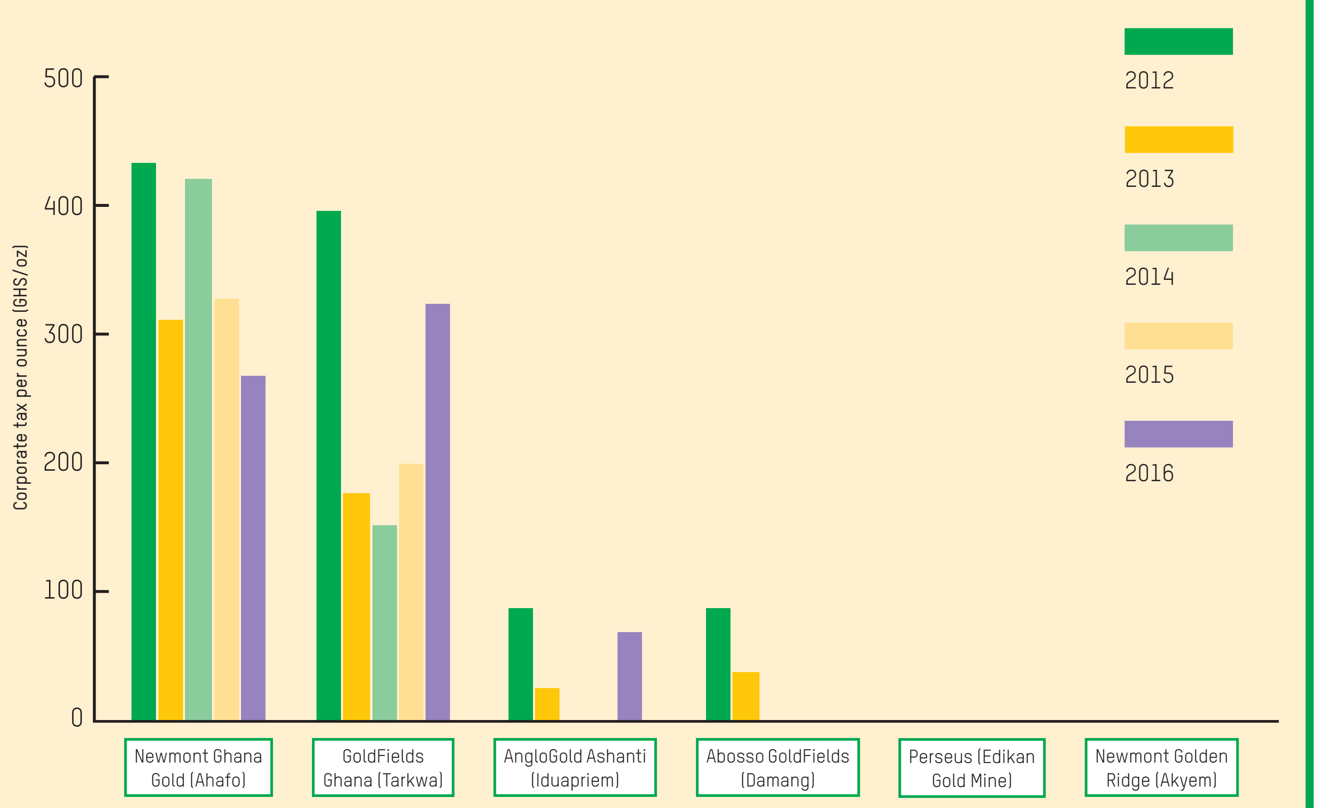
parameters and forecasts its expected future profitability from 2012. It also sets out how much tax it is expected to pay over the life of the mine (10 years).[98] By comparing the company's actual profitability with the mine plan's own forecasts, we were able to estimate the corporate income tax that should have been paid annually according to the company's own calculations.[99]

Perseus' financial statements are also very unclear, making it impossible to know how much tax was actually paid in which country of operation. The picture is conflated by the different ways in which companies report to tax administrators. For example, the way Perseus records income in its consolidated financial statements is different to the income in income tax assessments submitted for its Australian tax group to the ATO. This is a problem not exclusive to this company (or to the mining sector), and such differentiated reporting makes it extremely difficult for the public and shareholders — as well as tax administrators — to grasp a company's global tax practices clearly.[100] Public country-by-country reporting, which requires companies to accurately state how much tax was paid in every country where they have a presence, would go a long way towards increasing tax transparency and company accountability. And, extra taxes that could have been paid would go a long way towards addressing poverty and reducing inequality in a country like Ghana, where the richest man earns more in a month than the poorest woman could in 1,000 years.[101]

While Perseus' zero income tax payment is unusual, it is also important to note that it is not the exception. Several other mines in Ghana have paid zero in income taxes in multiple years despite huge revenues. In the years in which these other mines did pay taxes, the tax is but a portion of the larger mines' tax paid per ounce of gold produced despite having been in operation for several decades (Figure 6).[102] However, as can be seen in Figure 6, some mines owned by Gold Fields (a South African company) and Newmont Goldcorp (a US company) have paid significantly higher rates of tax than Perseus, even though they have been in operation for a similar amount of time as the other mines. The people of Ayanfuri, Ghana, and of Australia, deserve an answer to one question: why is this the case?

Figure 6: Income tax paid per ounce of gold produced by Ghana's major gold mines (in Ghanaian cedi)

Source: Ghana EITI reports



Note: Newmont, AngloGold, and GoldFields are not Australian companies.

WHERE HAVE THE TAXES GONE? MMG LTD'S KINSEVERE MINE IN DEMOCRATIC REPUBLIC OF CONGO

Photo: John Wessels/Oxfam

APOLLINAIRE'S STORY

Apollinaire, 28, is a nurse at Mangina health centre in the north-east of Democratic Republic of Congo (DRC), the area most affected by the latest Ebola outbreak.

The DRC is the seventh poorest country in the world on a GDP per capita basis.[103] The DRC consistently ranks as one of the lowest countries in the Human Development Index and two-thirds of its population live on less than USD $1.90 a day.[104]

In 2018, the DRC experienced its tenth outbreak of Ebola, the worst the country has ever experienced. It is the second-most severe outbreak the world has ever seen, claiming more than 1,600 lives as at July 2019.[105] In part, this is due to the area being in an active conflict zone, but also the lack of government resources to adequately respond to the emergency and address community distrust of health workers amid the conflict.

The area affected in North Kivu and Ituri provinces is along a main trade route in eastern Congo, which links major population hubs including Beni, Bunia and Butembo. Access to basic services across this region is poor due to minimal state capacity and poverty, and active conflict makes the areas difficult to access.[106]

Healthcare professionals like Apollinaire are on the frontline in North Kivu and Ituri, fighting to control the spread of Ebola with limited resources in the impoverished region.

This pressure is acutely felt by nurses like Apollinaire, who are desperately trying to halt the spread of Ebola before it reaches highly populated regional centres.

Despite a coordinated international response to the outbreak, Apollinaire reports that even basic supplies like mattresses are lacking for patients.

He says, "We lack equipment, like mattresses in health centres. Moreover, we feel forgotten. We're not being paid for all the overtime we do and the risks we incur. We work days and nights in constant stress. More than a dozen of our nursing friends are sick, some are already dead."

Oxfam has partnered with nurses like Apollinaire to help stop the spread of the virus through education and by providing sanitation services.

The DRC should be in a position to build a more resilient and disaster-ready health system and provide better support to nurses. However, the country is currently missing out on millions of dollars every year through companies mining in the region, but failing to pay their fair share of tax. Companies like the Australian mine MMG Ltd operating in the DRC appear to be depriving the country of funds that could be used to improve the health system and boost other basic services.[107]

The DRC experiences periodic outbreaks of Ebola, yet the country's seriously under-resourced health system is ill-equipped to handle the outbreaks. Nurses often have little training and even less equipment. Health centres are often incapable of handling the crisis, with delayed referrals to treatment centres of up to several days due in part to insufficient medical staff training.[108]

While the DRC grapples with an underfunded healthcare system, Australian mining companies like MMG Ltd are paying almost no tax — funds that are desperately needed by the government to afford basic services. Since MMG Ltd acquired the Kinsevere mine in late 2011, the mine has paid on average 0.9% of total revenues in tax.[109]

MMG Ltd reports very odd tax payments for its operations globally and there are many questions to answer. We conducted an analysis to verify whether the inferred profits from the company's reported tax-paid data makes sense. MMG Ltd paid an effective tax rate of zero almost everywhere else it operates, including in Australia where its headquarters are based, and in Hong Kong where it has its primary listing (Table 2). The company claims to have paid between USD $65 million and USD $210 million annually as a consolidated amount of income taxes to governments globally from 2011 to 2017.[110] However, there is no information to explain where these consolidated income taxes were incurred and paid. Looking at other reliable sources of evidence showing how much tax has actually been paid by the company in various countries where it has operations, the numbers simply do not seem to stack up. Apart from paying no tax in Australia or Hong Kong, according to the EITI, MMG Ltd has only paid miniscule amounts of tax in the DRC in most years.[111] This means that, based on the company's reported figures showing they paid between USD $65 million and USD $210 million annually in income taxes to governments globally from 2011 to 2017, the rest of the consolidated income taxes (at least USD $80 million a year) would have been paid in Laos (Sepon mine), where its only other operating mine is located. Such an amount in income tax paid in one country (Laos) seems very large and potentially unlikely, compared with Kinsevere and Australia. Sepon has been turning over around USD $330 million in revenue annually since 2009, but there is no data on taxes paid for this mine up to 2015 and the company didn't provide this data when requested.[112] But, assuming that the remaining consolidated income tax expense the company reported to us for 2011 to 2015 (after deducting tax payments reported for other mines) were all paid to the Laos Government, on the basis of the country's 24% corporate income tax rate, the mine would have been making more than USD $320 million in annual taxable profits while turning over USD $620 million in annual revenue for those years.[113] This would equate to profit margins of more than 50% every year, which is astronomical compared with the best industry average of 25% observed between 2011 and 2015.[114]

Table 2: Numbers that simply don't add up: MMG Ltd's reported tax paid data for its operations around the world

Corporate tax USD millions	2011	2012	2013	2014	2015	2016^	2017^
Reported global consolidated income tax paid*	210	124	111	94	89	65	87
Income tax expense paid in Hong Kong*	-	-	-	-	-	-	-
Century Mines (Australia)**	No data	No data	-	-	-	Closed	Closed
Golden Grove Mines (Australia)*	-	-	-	-	-	-	-
Rosebery Mines (Australia)*	-	-	-	-	-	-	-
Income tax paid in Australia*	12.7	-	-	-	-	-	-
Las Bambas (Peru)*	Not operating	Not operating	Not operating	Not operating	Not operating	128	193.3
Sepon Mines (Laos)*	na (inferred: 196.9)	na (inferred: 123.6)	na (inferred 110.5)	na (inferred: 86.1)	na (inferred: 78.5)	42.4	20.1
Kinsevere (DRC)***	0.07	0.39	0.38	7.85	10.49	38.8	44.1

* Data from annual reports (consolidated income tax paid data drawn from reported 'income tax paid') and company letter of response, both of which show identical figures. Las Bambas only started production in 2016. Sepon mine has been in operation since 2009, but MMG Ltd did not provide all annual tax payments data for this mine (marked with na).

** Century Mines closed in 2014–15 but operated for 16 years before it closed.[116] ATO entity corporate tax information shows MMG Ltd paid no taxes for its Australian operations for FY2014 to FY2016.

*** Sourced from DRC EITI data for 2012–2015. MMG Ltd provided tax paid data for 2016 and 2017 but EITI reports for these years are not yet available to verify these taxes paid.

^ Consolidated income tax paid is less than the sum of the tax paid for the mines in this year. The Las Bambas payments in 2016 and 2017 appear to correspond to a royalty rate of 3% paid on sales after production began in 2016. It is not possible to access exact information on MMG Ltd payments in Peru because the financial statements of Las Bambas are not published. This is another reason why country-by-country reporting on taxes is important. Furthermore, for the Las Bambas mine in Peru, the income tax paid shown here are the numbers MMG Ltd has reported to us, but the numbers are so large, and do not add up with the payments in Laos and DRC to the total global consolidated income tax paid.

The Las Bambas mine in Peru. Photo: Alamy.

As can be seen in Table 2, in 2016 and 2017, MMG Ltd claims to have paid more in taxes for its Peru mine than the total consolidated income tax paid for all its operations.[115] However, Oxfam understands that the amounts paid during 2016 and 2017 on the Las Bambas mine may in fact be royalty payments rather than tax payments. The lack of clarity on the purpose of these payments shows the imperative for clearer country-by-country tax reporting. The numbers, shown below in Table 2, simply don't add up. In its right of reply, MMG Ltd states, "All payments disclosed by MMG Ltd have been produced in accordance with International Accounting Standards, audited in line with International Accounting procedures and the consistent [sic] with the requirements of our listing rules under both the Hong Kong Stock Exchange, and our secondary listing under the Australian Stock Exchange." MMG Ltd also notes that the company includes "corporate income taxes, royalties and other indirect taxes imposed by Governments" in its figures, so a range of payments to governments outside of corporate tax payments are conflated. We recommend the company clarify and separate these payments, which are not the same as corporate tax, in future reporting.

Overall, MMG Ltd's global mining operations turned over USD $2–2.5 billion in revenue every year between 2012 and 2015, yet the amount of tax paid never exceeded 0.5% of total revenue for years with EITI data (2012–2015). The DRC's corporate tax rate is 30%, so it's reasonable to expect a greater share of revenues would be paid in taxes (Figure 7).

By assuming that the Kinsevere mine actually makes profits on par with the industry average of 12%[117] (MMG Ltd does not report taxable profits for the Kinsevere mine), and applying the DRC's corporate tax rate, we have estimated that MMG Ltd could have paid at least USD $39 million (AUD $52 million) extra in taxes between 2012 and 2015. Even assuming a more conservative profit margin of 10%, given that copper prices appear to have performed less well during this period,[118] the lower bound for the extra tax that could have been paid is USD $29 million (AUD $39 million). We note that in its right of response, MMG Ltd states it is "simplistic to apply an industry average profit margin to revenue, as there are different factors impacting the financial performance of a mine" and referred us to the company's reported earnings before interest and tax (EBIT). We agree that this is a simplistic method, even though it is based on industry averages noted across a range of PwC reports. However, in the absence of clear, reported data, relying on the data available is the best way for the public to currently understand what payments potentially

Democratic Republic Of Congo: Health workers carry out the corpse of an unconfirmed Ebola case, from the Ebola treatment centre in Mangina. Oxfam was one of the first organisations to respond to the Ebola outbreak in North Kivu and Ituri provinces, a region affected by conflict. Oxfam is working closely with local leaders and communities to stop the spread of the virus, with community engagement and sanitation activities. Photo: John Wessels/Oxfam.

should have been made. We note that MMG Ltd has not revealed what the taxable profit should have been for Kinsevere, except that "taxable profits for Kinsevere in those years were less than EBIT as the company also incurred interest to fund the operation of the mine". However, EBIT is not the same as taxable income so is not directly comparable to our calculation of profit margins.

The $52 million in potential tax lost would be enough to pay the full cost of responding to the latest Ebola outbreak 1.5 times over.

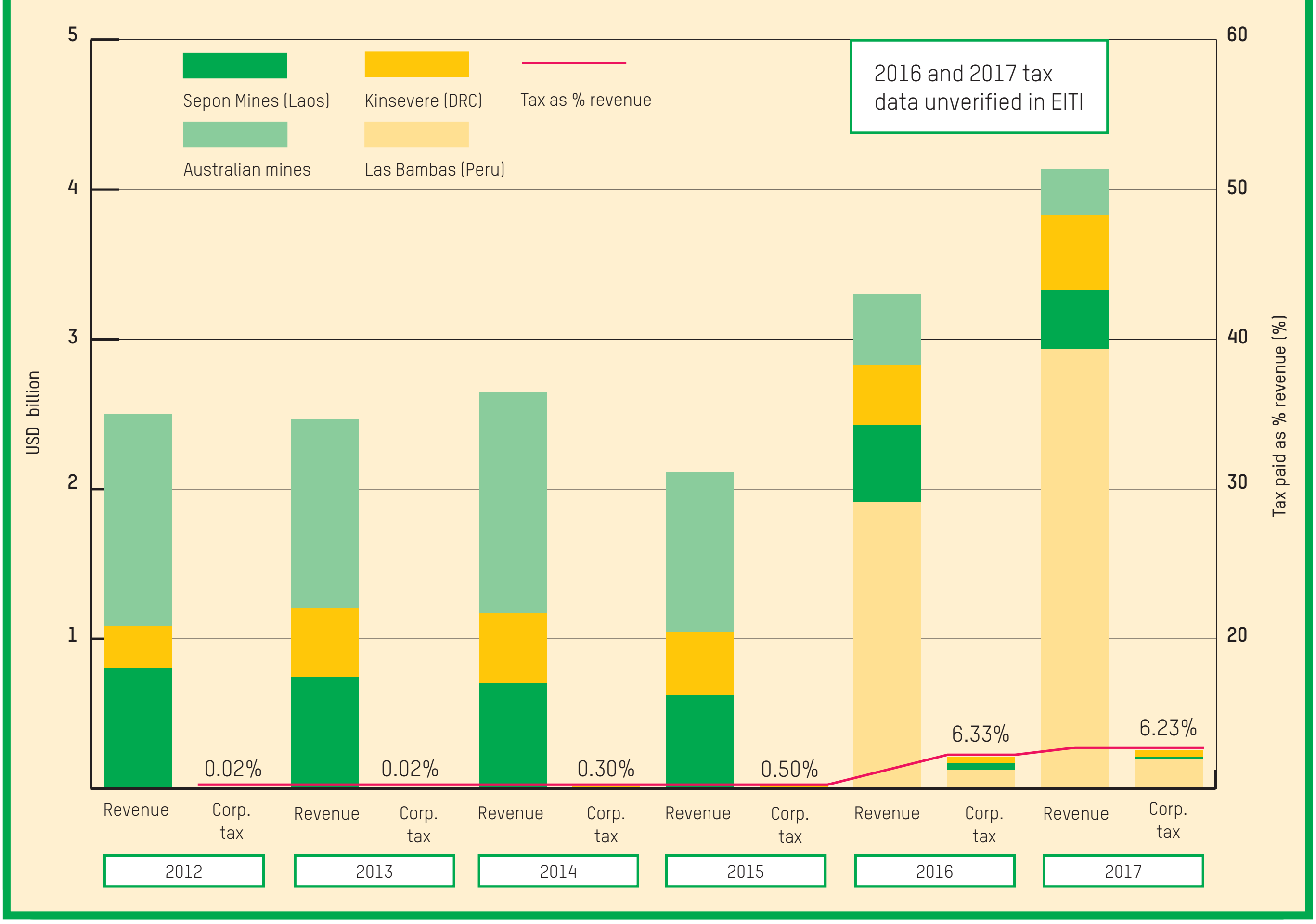
No EITI data was available for 2016 and 2017, so we rely on tax data provided by MMG Ltd for these years. But based on MMG Ltd's data, the tax paid in 2016 and 2017 as a proportion of revenues is much greater than what was paid in previous years — a sudden increase from less than 0.5% prior to 2015 to more than 6% after 2016. The royalties paid for the Kinsevere mine reported in the company's annual reports are also double those recorded in EITI, which raises questions over the figures the company is reporting.[119]

The tax loss estimate of AUD $39–$52 million in the DRC could go a long way towards improving the country's poorly funded health system. For example, the $52 million in potential tax lost would be enough to pay the full cost of responding to the latest Ebola outbreak 1.5 times over.[120] It could also go towards other poorly funded public health services. For example, in 2015, at one of the country's health facilities, one in two women who had given birth were detained for the non-payment of fees. Many were held for months and were denied ongoing healthcare until their bills were settled.[121]

MMG Ltd also has numerous tax haven links including direct relationships with firms known for offshore tax planning services.[122] MMG Ltd's wholly owned subsidiary Anvil Mining, which owns the Kinsevere mine, shares the same registered address as the firm at the centre of the ICIJ Paradise Papers expose, Appleby, in the British Virgin Islands,[123] and prior to 2012, Anvil Mining (before being acquired by MMG Ltd) appears to have been under-pricing copper sales to its overseas trading arm in Singapore.[124] The company has noted that "MMG Ltd engages the Appleby law firm, and its affiliate, Estera for advice on legal and corporate secretarial matters".[125] This is the same Appleby and Estera at the centre of the Paradise Papers expose: Estera used to be a part of Appleby and they still work closely, with former Appleby employees now working for Estera from the same address they occupied before.[126]

Such unusual tax practices and incomprehensible reporting methods — including being at odds with other reporting, such as through the EITI — illustrate the muddled picture of tax payments that current company reporting and a lack of clear legislation can create. This highlights the need for companies to take seriously the global call for greater and more reliable tax transparency; and for governments to implement mandatory and public tax transparency reporting. Notwithstanding the unusual tax practices we identified, it is worth acknowledging that, of the three case study firms, MMG Ltd was the first to engage with us in good faith by providing detailed data in response to our initial letter of request for information. In its right of reply, MMG Ltd also highlighted the crucial role of good governance over mineral revenues in delivering long-term sustainable development outcomes.[127] Companies like MMG Ltd have the opportunity to further illustrate leadership by engaging with the DRC Government and civil society in the DRC to ensure greater extractive revenue transparency, and taking up some of the recommendations in this report.

Figure 7: MMG Ltd mining projects revenue compared with tax paid



A CHANCE FOR CHANGE: ILUKA RESOURCES' SIERRA RUTILE MINE IN SIERRA LEONE

Photo: Tommy Trenchard/ Oxfam

ISHA'S STORY

Isha is a local market stall holder at Waterloo market, Sierra Leone

Sierra Leone's civil war destroyed the country's infrastructure, including its health and education systems. When Ebola struck in 2014, the crisis quickly became one of the worst outbreaks in equatorial Africa, in part due to the severely underfunded and inadequate healthcare, sanitation and education systems.

During the Ebola crisis, markets were identified as risk areas due to the ease of spreading the deadly disease from poor hygiene and crowds. Isha, a local vegetable seller in Waterloo Market, lost access to her local market as well as markets in neighbouring towns.

She says, "I've been trading here for five years. From 6am to 6pm, I come here, I wash my grain and tie it up. People used to bring drinking water from the factory for us to wash the grain."

The local Port Loko's Educaid High School was forced to close during the Ebola crisis because there were only three toilets for 600 students.

During the outbreak, Oxfam stepped in to provide better access to sustainable, safe and sufficient water, sanitation, and hygiene services for markets and local schools. Before the crisis, the nearest source of water for Isha was two miles away, but now she prepares her vegetables for sale by washing them in clean water drawn by solar pump from a well to the market's new 10,000-litre storage tank.

Through building water pumps and toilets, and investing in health education, Oxfam has worked to minimise the isk of future outbreaks while protecting key sites for social interaction.

The Government of Sierra Leone should be able to mobilise its own funds for basic services like clean water. But African countries like Sierra Leone have less money to spend on water, sanitation and schools because large multinational mining companies like those from Australia are paying less than their fair share of tax.

Iluka's Sierra Rutile mine in Sierra Leone is the story of a chance for change. The mine has a chequered history but, since its acquisition by ASX-listed Iluka Resources in 2016, both the country and the company itself offer a positive chance to turn things around.

Sierra Leone is the ninth poorest country in the world by per capita GDP.[128] It is a country that many people associate with dire poverty despite its huge natural resource wealth. Sixty percent of its population lives below the poverty line,[129] and the country still carries the scars of the 1990s civil war. Social issues linger, including high youth unemployment, widespread impoverishment, poor infrastructure and unstable governance.[130]

The country may be entering a new phase of revitalisation with elections in 2018 seeing the rise of a new President, Julius Maada Bio, and his Sierra Leone People's Party. The group was voted in on an anti-corruption platform, and the demise of the incumbent President of 10 years, Ernest Bai Koroma. However, there is thought to be little left in the national coffers for the new government to fulfil its election promises of providing free secondary education and school supplies for families.[131]

"The exploitation of extractive resources has regrettably financed some of Africa's most brutal armed conflicts. More worryingly, rogue actors and rogue beneficiaries have squandered wealth from extractives through opaque ownership arrangements and illicit international financial flows … promoting transparency and accountability in the extractive industries is not only about promoting good governance. It is about doing good business. It attracts credible and identifiable investors into the sector and it enhances transparency and accountability for the proceeds from the extractives sector."

— Sierra Leone President Julius Maada Bio, 2018[132]

The new President's mandate is to crack down on corruption and increase revenue transparency, including in the mining and extractives sector to increase the Government's revenue share from the sector. At the 2018 EITI conference in Senegal, President Bio emphasised the missed opportunities for Sierra Leone due to tax avoidance in the extractives industry and the crucial role of transparency in combating corruption and increasing accountability.

The new Government is doing several things to improve extractives sector governance. It has passed the Extractive Revenue Act to better track extractive revenues, including by creating a separate account at the country's central bank to help ensure money can be tracked.[133] It has committed to establishing a specialist tax unit to stem revenue loss from multinational tax avoidance[134] and allocated significant funding to a number of government departments responsible for auditing, anti-corruption, revenue management and law enforcement.[135] It is also strengthening the independence, investigative and prosecutorial mandate of Sierra Leone's Anti-Corruption Commission.[136]

Sierra Leone's new Government plans to tackle extractives sector tax avoidance

In March 2019, Oxfam's team in Sierra Leone interviewed Abu Tarawalie, the Director of Extractives at the National Revenue Authority, about the new government's plans to tackle tax avoidance in the extractives sector.

Mr Tarawalie spoke in particular of the need for greater tax administration capacity to deal with tax tricks that multinationals like those in the extractives sector use. He says that the government has a hard time ensuring that multinationals are paying their fair share because the country's National Revenue Authority lacks appropriate skills and expertise to adequately identify and address tax avoidance risks like exploitation of transfer pricing rules.[137]

According to Mr Tarawalie, existing anti-tax avoidance legislation is open to wide interpretation, which makes it harder for tax authorities to enforce the law effectively. Sierra Leone has basic laws in place dealing with transfer pricing in various legislation, including in Section 95(1) of the Consolidated Income Tax Act 2000, Mines and Minerals Act 2009, and Mining Lease Agreements. Despite these provisions, there are no appropriate practical transfer pricing guidelines in place to draw the boundaries of acceptable practices. Until the enactment of the Finance Act 2016, Sierra Leone did not even have rules or regulations for requesting multinationals to submit documents defending their use of transfer pricing rules.[138] To address this, the government with support from Oxfam is setting up a transfer pricing unit with appropriate expertise to help ensure better administration of the rules, and to produce practical transfer pricing guidelines.

Australia could play its role in better supporting governments like Sierra Leone's to monitor tax practices and stem illicit financial flows by introducing strong tax transparency legislation, as well as supporting initiatives like Tax Inspectors Without Borders, a joint initiative of the OECD and United Nations Development Programme.

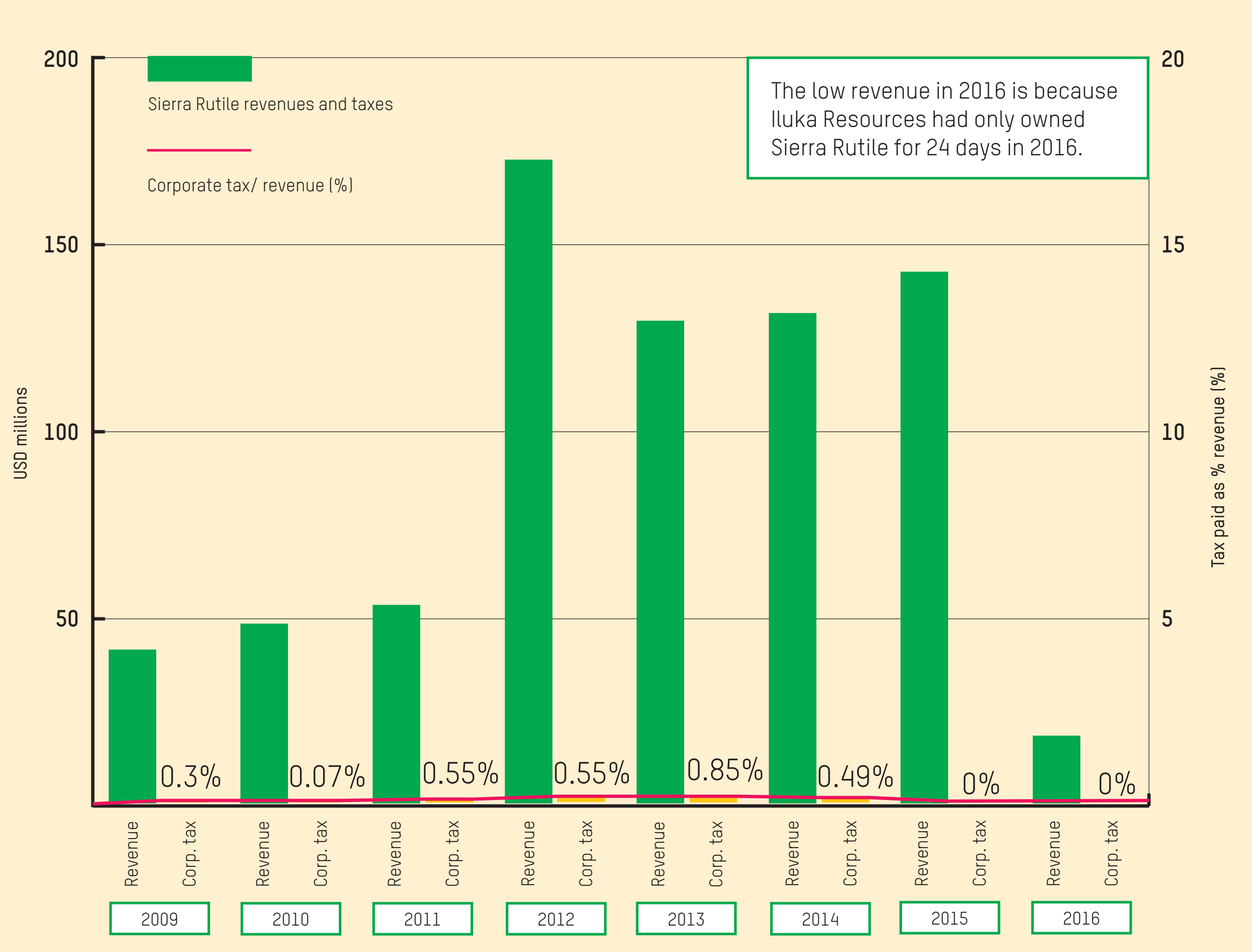
> “As a government, we are going to proactively implement and enforce the Extractive Revenue Act, promote more disclosure and enhance on beneficial ownership disclosure.”
>
> — Abu Tarawalie, Director of Extractives at the Sierra Leone National Revenue Authority[139]

The new government has demonstrated through these changes its commitment to turning things around for the country. For reforms to succeed, it requires the cooperation of multinational firms. But so far, many multinational firms have done little to help the revenue-stricken country get back on its feet.

The Sierra Rutile mine has been operating for decades. It was newly acquired by Australian company Iluka Resources in late 2016. Before this, between 2009 and 2015, the mine paid on average only 0.4% of total revenues in tax (Figure 8 – note for 2016, the figure shows revenue for Sierra Rutile attributable to Iluka Resources for the short amount of time it owned the mine in 2016). This was largely due to tax concessions that the previous owners strongarmed the Government of Sierra Leone for, which waived corporate income taxes in preference of a 0.5% turnover tax and royalty rate.[140] As a result, the government collected just $3.1 million in corporate income tax from 2009 to 2015, while the company turned over more than $700 million in revenue during the same period.[141]

Assuming the special concessional tax rate of 0.5% under the First Amendment Agreement did not apply and that the mine was operating under the 3% tax rate as per the standard applicable law (Sierra Rutile Act 2002), we estimate Sierra Rutile should have paid $40 million in income tax from 2009 to 2016, the period before Australia’s Iluka Resources took

Figure 8: Sierra Rutile revenue compared to tax paid



over ownership.[142] This $40 million in tax lost to Sierra Leone would be enough to cover the health cost of more than 67,000 Sierra Leoneans for one year under the country's Free Health Care Initiative.[143]

Sadly, Sierra Leone has a history of companies gaining and exploiting legal tax incentives in this way. A 2014 civil society report estimated that the revenue loss from tax incentives in Sierra Leone equated to 59% of the country's entire budget — more than eight times the country's public spending on health and seven times the spending on education. The vast bulk of these incentives went to a handful of foreign mining companies, including Sierra Rutile.[144]

Importantly, these tax losses are largely before Iluka Resources' acquisition of the Sierra Rutile mine in late 2016 and before the election of President Bio. We believe that these two changes offer an opportunity for the mine's new owners Iluka Resources to turn the mine around. Right now, however, the mine continues to be privy to beneficial tax arrangements. Sierra Rutile is subject to a stabilisation clause in its government contract,[145] which means new laws on tax will not apply to the company. This means the new President's attempts to reform the extractives sector to raise more tax revenue could be undermined. Furthermore, Iluka Resources inherited almost USD $500 million in carry-over losses when it acquired Sierra Rutile, and these can be used to reduce future taxable income.[146] It is usual for mining companies to use carry-over losses from year to year when they are legitimate, but these carry-over losses are not subject to any end date. This means the company can continue to claim these losses over a number of years and the Government of Sierra Leone could be set to lose hundreds of millions in future tax revenue for this Australian-owned mine.

Furthermore, Iluka Resources currently has some structural arrangements that appear to have an unclear business purpose. For example, the company lists a warehouse in Amsterdam in a number of its annual reports. In its company reports, the warehouse is said to be related to selling or marketing goods to customers, and the company states in its response to this report that the warehouse is a "third party warehouse arrangement in the Netherlands to store Iluka and Sierra Rutile products such that it is close to our European customer base".[147] Iluka also notes that "the product stored in the warehouse is sold by Iluka / SRL [Sierra Rutile Ltd] direct to our customers and is not subject to any intra-group transfer pricing arrangements". In the course of our investigation about the warehouse, we also found Iluka Resources has three subsidiaries registered in the Netherlands. All of these subsidiaries are at the exact same office address – and this same office address is also the same office address of the financial planning firm Intertrust.[148] While we appreciate the clarifications on the use of a warehouse in the Netherlands by Iluka Resources, and the assurances provided by the company that its Netherlands subsidiaries have no relationship with Sierra Rutile or other Iluka operations in Africa, we note that it remains possible that these activities and subsidiaries in the Netherlands could allow the company to assign marketing or other activities to the Netherlands, which may in turn minimise the overall taxable profit that the company is liable for in Sierra Leone.

Importantly, Iluka Resources has recently demonstrated good leadership in the wake of a corruption scandal. Upon taking over Sierra Rutile, the company uncovered suspected bribe payments to senior government officials to secure Sierra Rutile's mining licences by the former Chief Executive John Sisay, who also ran for presidency in the country's 2018 election.[149] Iluka Resources uncovered this during a post-acquisition analysis, upon which Iluka self-reported this suspected bribery to international authorities. In a statement to the ASX, Iluka's Chairman Greg Martin indicated the company self-reported this scandal for the purpose of being a good corporate citizen:

> **"Although these licences did not have value attributed to them during the acquisition process, and while the outcome of the re-application is not financially material to Iluka, the company considers it is vitally important to be 'walking the talk' in relation to expected standards of conduct."[150]**
>
> **— Iluka Resources Chairman Greg Martin**

The Australian public and local communities in the countries in which Australian mines operate need to be assured that when Australian companies acquire mines with a chequered history, they are not going to continue operating in the same unethical manner — in terms of the company's tax practices, but also in terms of its treatment of communities affected by the mine.[151]

It is the responsibility of Sierra Rutile's new Australian owners to wipe the slate clean and — as Iluka Resources' chairman puts it — be "walking the talk" in relation to expected standards of conduct.[152] Iluka Resources has shown clear leadership on the issue of corruption; it is now time to show the same leadership on tax transparency. The company should commit to transparently publishing its taxes paid, profits and income for every country in which it operates (and for every mine), including Sierra Leone, Australia and its registered operations in the Netherlands.

KNOWLEDGE IS POWER — WHEN TRANSPARENCY FIGHTS POVERTY

Transparent, public data and information enables communities to hold truth to power, holding extractive companies and governments to account. Oxfam and the Tax Justice Network work across Africa together with local civil society organisations, using publicly available data and information in ways that empower local communities to create positive change.

PETROLEUM CONTRACT RENEGOTIATIONS IN MALAWI

Oxfam's recent work in Malawi illustrates how communities can hold powerful government figures to account and drive positive changes for people living in poverty by exposing information to the public.

Oxfam in Malawi and its partner organisations discovered secret resource contracts entered into between the government and two (non-Australian) oil companies in 2014, for production rights to three blocks of lucrative petroleum exploration areas in central and southern Malawi. It is understood that several government officials suddenly signed contracts, just nine days before the election in 2014 against the advice of the Solicitor General. The secretly signed contracts were exposed to the public, placing pressure on the Government of Malawi to cancel and renegotiate the contract terms that were not in the best interest of the country. As part of the process, the Oxfam team conducted an economic analysis showing the revenue outcomes for the country based on the terms of the signed contracts, and released the findings as a report to prove these contracts were not in the country's best interests.[153]

To further the renegotiation process, Oxfam's team commissioned additional reports to ensure adequate public scrutiny over the new proposed fiscal terms.[154] The new reports compared the initial contract terms, the new draft contract fiscal terms, and the government's own fiscal modelling, showing the outcomes under all three scenarios. On the basis of these reports, Oxfam was able to convince the Parliamentary Committee on Natural Resources to summon the Ministry of Energy, Natural Resources and Mining and the Ministry of Justice for an update of the contract renegotiation.

While renegotiation is still ongoing and the status of these remains somewhat secretive,[155] the team has effectively exposed the government for misconduct, and those involved are starting to be held to account due to the effective use of publicly available data and uncovering of information.

The public has the right to information and to stand up for themselves. Making data and information public helps ensure communities have the knowledge and confidence to negotiate on a more even footing with powerful actors like multinational companies. Oxfam's other work in Malawi to promote Free, Prior and Informed Consent (FPIC) further illustrates this point: local members of the Phalombe community have been able to use their new knowledge about their rights to confidently negotiate with the mining company exploring rare earths in their area.

MINERAL REVENUE TRANSPARENCY AND KEEP THE PROMISE CAMPAIGN IN GHANA

Ghana is the second largest gold producer in Africa. It also has reserves of manganese, oil and gas, and has the ninth largest reserves of diamonds in the world.[156] But, despite this wealth, almost seven million Ghanaians live on the national poverty line and in one region of the country, less than half of households have access to electricity.[157]

According to Oxfam and Ghanaian civil society groups like Africa Centre for Energy Policy (ACEP), Friends of the Nation and International Budget Partnerships, there is not enough

Phalombe, Malawi: Dorothy Bonongwe is an extractives advocacy facilitator. Thanks to an initiative funded by Oxfam Australia, Dorothy and the locals are learning about their rights so they can negotiate with mining companies. Photo: Aurelie Marrier d'Unienville/Oxfam.

transparency and accountability for the revenue flowing from the mineral extraction to the Government of Ghana.[158] This mining revenue is urgently needed to improve road, schools, hospitals and other essential services for communities across the country.

Ben Boakye, Executive Director of ACEP, is keen to ensure that Ghanaian communities start to see some of the wealth from the extractives sector: "Today, if I asked you, 'What do [we get] from mineral extraction?', you wouldn't know. Meanwhile, [Ghana is producing] over GHS 1.5 billion annually from extraction of gold and other minerals. How do we ensure that we can track these revenues that are coming in and ensure that we also account for the interest of our future generation as well, because the resources don't just belong to those of us living today but the yet-to-be-born."

ACEP, Oxfam, Friends of the Nation and Muse Africa are part of a Mineral Revenue Management Act campaign that has been engaging the Government of Ghana to introduce legislation to improve mining revenue transparency and accountability for several years.[159] Since early 2017, the civil society coalition has been running the #KeepThePromise campaign to call on the then newly elected New Patriotic Party (NPP) Government to introduce a Mineral Revenue Management Law that would ensure mineral revenues are effectively and transparently managed to align with local and national development priorities.[160] This includes investment in communities in close proximity to mines to compensate for the environmental and social harm they endure from mining activities.[161] This campaign continues in the lead up to the 2020 national elections.

The #KeepThePromise campaign builds on the success of the civil society coalition's efforts during the 2016 national elections, which pressured the NPP to adopt as its party platform to improve mineral revenue transparency and accountability for the extractives sector.[162]

The civil society coalition believes their efforts can be better supported if developed country governments like Australia mandate tax transparency reporting by multinationals like mining companies from Australia on a country and project basis. Abdul Karim Mohammad, Ghana Country Manager for International Budget Partnerships, says this type of information would help Ghanaian civil society hold their own government to account: "It would be wonderful [to have project-by-project reporting by Australian companies]. We currently don't know how much they [Australian companies] are making in Ghana."

CALEDONIA'S BLANKET MINE IN ZIMBABWE

Positive changes can be made when local people are empowered with economic data. While Zimbabwe is not a member of the EITI, Oxfam's team in Zimbabwe were able to take other publicly available information to conduct sophisticated economic modelling of Caledonia's Blanket Mine project in Zimbabwe to demonstrate how much the firm should have paid the government. The analysis evaluated the past and projected future economic performance of the mine, and analysed what the company was doing that explains why the government received what it did.

> **"Zimbabwe is failing to secure significant potential revenues [from the Blanket Mine]. The use of a UK subsidiary allows Caledonia to pay reduced dividend withholding taxes and could cost Zimbabwe between [USD] $10 million and $25 million over the life of the project. As Caledonia does not pay a withholding tax on interest payments, it appears that more than $3.5 million in annual interest payments on the indigenisation loans leaves the country tax-free. Finally, the Blanket mine pays extremely high management fees (+7% of annual project revenue) to Caledonia's South African subsidiary, at the expense of greater tax payments to the government and greater dividend payments to indigenous partners."[163]**

This analysis is being used by Oxfam's team in Zimbabwe to engage the government to help uplift extractive revenues, and for facilitating discussion with the Ministry of Finance and the Revenue Authority to improve revenue disclosure in Zimbabwe. However, the analysis did draw the ire of the company in question. In 2018, Caledonia hired a lawyer to contact and quiz the Oxfam office in Zimbabwe on the report findings as the report had been picked up by investors and the revenue authority, which were both seeking explanation from company executives over company revenue figures. That one report can have this traction with revenue authorities and investors is testimony to the power of public economic data to help ensure improved revenue transparency and accountability.[164]

This example of the Blanket Mine in Zimbabwe demonstrates how powerful economic data can be for effective engagement with governments and companies, empowering communities to hold mining companies to account, and raising shareholder awareness to add greater scrutiny over company practices. But it shouldn't take so much effort for the general public to find and use tax data to hold firms and governments to account. Making tax data public, transparent and easily accessible through public country-by-country and project-by-project reporting is crucial for empowering the public, shareholders and governments alike.[165]

CONCLUSION AND RECOMMENDATIONS

Tax avoidance and minimisation is a global problem, and one which the Australian Government can help to curb. In particular, extractives sector tax avoidance can leave resource-rich developing countries high and dry. If tax avoidance is occurring for any of the resource projects, it denies the governments of those countries the funds for basic services like schools and hospitals. Australia is currently falling behind in the global move towards greater mandatory transparency for multinational companies and for the mining and extractives industry specifically — and it is time to turn this around.

Transparency is a crucial antidote in helping developing countries and communities to ensure that vital tax revenues are being paid where they should be, and that money can then be directed to help tackle poverty and inequality. Transparency on tax payments to governments and public access to reliable and clear data is fundamental in holding corporations accountable for their practices overseas, ensuring the integrity of Australian companies operating globally and especially the extractives sector, and improving business certainty. Greater transparency helps companies that are doing the right thing, by making it harder for other companies to gain a competitive advantage through aggressively minimising tax to reduce operating costs.

There are important roles for the Australian Government, private sector and host developing country governments to play to improve tax transparency and the governance of extractive revenues, to ensure the promise of economic growth through natural resources is realised by developing countries like those in Africa.

THE AUSTRALIAN GOVERNMENT SHOULD:

1. Introduce legislation requiring public country-by-country reporting of revenue, profit, tax paid, other payments to government, number of employees and assets by large ASX-listed companies and other major Australian firms.[166] These new laws should also:

    a. define what is a payment to government, stipulating precise categories of payments including, but not limited to, corporate income tax, royalties, infrastructure payments, land taxes, local government fees, and "all other", with requirements that "all other" be defined in a note;

    b. conform with and improve on established tax transparency standards overseas;

    c. require each payment to government be displayed succinctly in a table that is comparable from year to year; and

    d. require company reporting of payments to government, whether in an annual report or other document, be published as a dedicated section and in a searchable format in keeping with best-practice data standards. It should also require this information be submitted to the ATO, which should publish this information in a searchable spreadsheet format.[167]

    These requirements would largely be met if the Australian Government was able to persuade other governments to agree to publicly release existing high-level reports produced under the OECD country-by-country reporting regime. See Appendix I for other attributes to consider in designing Australia's tax transparency regulation.

2. Introduce legislation requiring public project-by-project level reporting of tax affairs for all ASX-listed and other large extractives (mining) companies operating in or from Australia,[168] and implement the Extractive Industries Transparency Initiative (EITI) in Australia. The project-by-project reports should be consistent and harmonised with other systems of project-by-project reporting overseas to the greatest extent possible, disaggregated by mining/extractive projects and including sector-specific payments.[169] This ensures specific project-by-project-level information is reported by large companies with multiple mines in a single country, and should similarly be published by the ATO in a searchable format in keeping with best-practice standards, detailing the revenue, profit, taxes and other sector-specific payments to government, and the number of employees by project and by company subsidiary. Australia has also thus far failed to implement the EITI within our own country — and this should be rectified immediately. Appendix I contains a review of the EITI that could be used to inform its design.

3. Increase foreign aid spending on helping developing countries build tax capacity to address aggressive tax avoidance by multinational companies. This includes keeping to Australia's funding commitments under the Addis Tax Initiative to increase funding for Domestic Revenue Mobilisation (DRM) to $32 million by 2020.[170] The Australian Government should provide funding to OECD and UNDP's 'Tax Inspectors Without Borders' and ensure support is given to developing countries like those in Africa where Australian mining firms have a large presence. The Australian Government should also ensure the DRM funding is used in a way that creates a tax system that is pro-poor and equitable, which empowers women and girls, reduces inequality and enhances accountability of public finances.[171]

4. Establish an online open registry of ultimate beneficial owners of all firms incorporated in Australia, similar to that in the UK, mandating the naming of beneficial owners and directors represented by nominee directors, including their place(s) of residence.

5. Amend Australia's Controlled Foreign Company (CFC) rules to dissuade companies from avoiding tax in the places they are carrying out business. Currently, profits from mines in developing countries are not subject to tax when transferred into Australia. That means that if a mining corporation can avoid paying tax in the developing country where the mine is, they can shift the profits back to Australia and pay tax nowhere. The Australian CFC rules should be amended so that if the corporation has not paid at least 15% in the country where its operations are located, then profits brought back to Australia would be taxed in Australia at a rate to ensure that at least 15% tax has been paid on the profits either in the source country or Australia. This would reduce the incentive for Australian mining corporations to avoid paying corporate income tax in the countries where the mines are located.
6. Follow through on the commitment to introduce Director Identification Numbers, so that directors are more easily identifiable. The introduction of Director Identification Numbers should not result in a decrease in the publicly available information about companies' directors, including name, address, date of birth and place of birth.
7. Require that ASX adopt best-practice open data standards for listed firms' annual reports or other company documents, including searchable formats.
8. Require companies list all subsidiaries in their annual reports, including the jurisdiction of incorporation and companies owned by those subsidiaries.
9. Follow through on reforms proposed by the Australian Accounting Standards Board to require large companies to produce general purpose financial statements. Australia is out of step with global trends in allowing companies to produce special purpose financial statements and is the only country in the world that allows corporations to self-assess what type of financial statement they are required to produce. Special purpose financial statements limit the transparency of a corporation's financial accounts.

COMPANIES SHOULD:[172]

1. Be proactively transparent in the following ways:
   a. Annually publish data on profits, tax paid, revenue and tangible assets as well as number of staff on a country-by-country basis, including for all subsidiaries, and list the economic function of these subsidiaries. This data should break down all taxes and other payments to government in clear categories, showing income taxes paid, royalties, infrastructure payments, land taxes, local government fees, and "all other", with requirements that "all other" be defined in a note.
   b. Extractive firms should also publish this information on a project-by-project basis including sector-specific payments.
   c. Adopt full contract disclosure policies and proactively disclose contracts on their websites.[173]

   Responsible tax behaviour returns long-term dividends to companies because the tax they pay contributes to a country's economic development and therefore creates future business opportunities. Being transparent helps build investor confidence as investors can perceive the level of transparency around this data as a barometer of company trustworthiness, and as a reflection of company risk appetite around political and social conflict. Publishing tax information transparently will also attract ethical investors that hold ethical concerns about how their equity investments behave in poor countries. Businesses that subject themselves to public scrutiny in this way could benefit from a more robust business structure and operation over the long term.
2. Pay a fair share of tax by aligning tax payments with actual economic activity, in keeping with the spirit of a country's tax law. Companies should publicly commit to pay tax on

Photo: Abbie Trayler-Smith/OxfamAUS

profits where value is created and economic activity takes place, publicly renounce the use of tax havens and stop artificially shifting profits to low-tax jurisdictions.

Companies should tangibly demonstrate that they are unwinding unambiguously artificial tax structures that involve significant taxable profits in a low-tax jurisdiction where they have little or no staff and operational presence. Companies should be able to publicly justify their tax-planning choices against the reality of their operations. The most useful social contribution companies such as Australian mining firms can make is to pay their taxes so that governments are able to provide health and education services that meet their citizens' needs. Companies sometimes promote their corporate social responsibility contributions and community expenditure payments as proof of their positive social contributions, but they are not a replacement for payments to government that are required by local laws. Paying taxes should be a company's first responsibility.

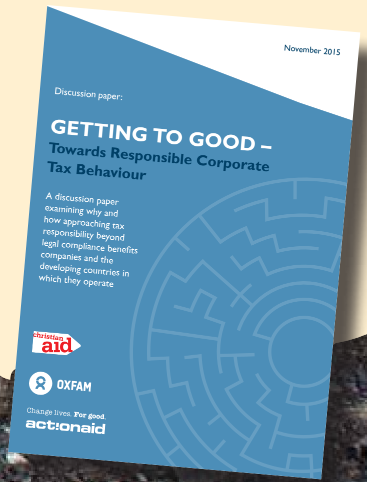
3. Organise their business structure so more of their income, profits and functions are incurred in poorer countries where companies have their operations. Where the company has an operation in a poorer country, and is unwinding tax-driven transactions and structures, the company can opt for more of the gains from high-value employment and tangible and intangible assets already associated with that operation to be booked for tax purposes in that poorer country. This improves the international equity of the company's tax payments and value creation so that its operations maximise benefits to less developed countries where they do business.

4. Be transparent in their relations with the tax authority in every jurisdiction where they operate, setting clear boundaries for themselves in any tax negotiation or dispute resolution to ensure that they do not use their economic or political power to obtain preferential or extra-statutory treatment in tax rulings or settlements. Companies should go beyond statutory disclosure requirements, working with tax authorities in poorer developing countries where they operate to identify what information the tax authorities need: not only to respond to those authorities' current information needs, but to alert them proactively to tax events and transactions of interest. Firms should also report tax avoidance schemes they have used, including uncertain tax positions as required by the International Financial Reporting Standards.[174]

5. Make available to affected mining communities one-page data summaries of payments to government in local languages. This would go a long way towards helping and showing local communities affected by mining companies that companies takes corporate social responsibility seriously.

Corporate social responsibility is not a replacement for tax payments. Paying taxes should be a company's first responsibility.

To help companies make the transition towards being a responsible corporate tax citizen, Oxfam, Christian Aid and ActionAid have developed a discussion paper, Getting to Good — Towards Responsible Corporate Tax Behaviour, that provides a range of positive behaviours and actions companies can take towards responsible corporate tax behaviour. This discussion paper contains a set of propositions and a number of examples for what responsible corporate tax behaviour looks like, and how to get there.



HOST DEVELOPING-COUNTRY GOVERNMENTS SHOULD:

1. **Invest in improving the governance of extractive revenues.** A key weakness in many developing countries' extractive resource governance is poor public accountability over government spending, which is one driver of the resource curse whereby bad government spending decisions contribute to poor economic outcomes in resource-rich countries.[175] Developing country governments like those in Africa generally perform poorly in terms of budget transparency,[176] and these governments should invest in building capacity to manage and spend extractive revenues in a way that ensures economic growth benefits both current and future generations.

In particular:

a. The Government of Ghana should:

   i. introduce a comprehensive Mineral Revenue Management Act to ensure open governance of mineral revenues similar to that for the petroleum sector.

   ii. ensure that the new laws clearly contain beneficial ownership provisions that require mining companies to fully disclose their beneficial ownership structures before they are awarded a government mining lease (given the mining codes are currently under review in Ghana).

   iii. ensure that it exercises its rights to conduct financial auditing of a mine from the early stages of mine development. Doing so would help the government assess if the right amount of tax is paid throughout the life of the mine.

b. The Government of DRC should become a participating country to the Open Government Partnership.

c. The Government of Sierra Leone should follow through with its commitment to create a specialised, well-funded transfer pricing unit to counter harmful tax avoidance tactics, and formalise the artisanal (small-scale) mining sector by fully implementing the Artisanal Mining Policy for Sierra Leone,[177] released in late 2018.

2. **Commit to forging durable extractives contracts,** which contain terms that ensure long-term fair sharing of natural resource revenues, and fully commit to publishing extractives contracts in the first instance. Ensuring contracts set out terms that lay out the fair sharing of natural resource revenues between the company and government over the long term would prevent the need for contract renegotiations, thereby increasing long-term business certainty and attracting foreign investment. Contracts should also be published in the first instance to ensure public accountability over the agreed terms, rather than several years later. This is a key principle in the draft OECD Guiding Principles for Durable Extractive Contracts, which states that contractual terms should be clearly defined at the outset — including how revenues would be shared given market fluctuations — to minimise future renegotiations and hence investment risks.[178]

APPENDIX I REVIEW OF TRANSPARENCY INITIATIVES

PUBLIC COUNTRY-BY-COUNTRY AND PROJECT-BY-PROJECT REPORTING

Tax transparency reporting has gone through significant changes over the past 15 years, including the introduction of initiatives like the EITI, the Open Government Partnership (OGP), the Open Data movement and tax transparency legislation in Canada and the UK — all focusing on boosting transparency around government revenues. Extractives firms listed in the UK and Canada, and unlisted extractives firms that meet certain criteria, are required to report financial data on a project-by-project basis. [179] These initiatives evolved from initial pressure on governments to be transparent about the revenues they were getting from mining companies — and pressure has since shifted onto companies to report payments to government data at the country and project level, as well as transparency on beneficial owners.[180]

There is now evidence that public country-by-country reporting can drive tangible changes in tax behaviour. A 2018 study looked at the impact of the EU country-by-country reporting requirement for multinational banks,[181] and found it increased tax payments by European multinational banks — and this effect was pronounced in banks that had significant activities in tax secrecy jurisdictions. The tax rate paid by EU multinational banks increased by 2.31% and the tax paid by tax-haven exposed banks was even higher — 3.7% more than multinational banks without presence in European tax havens.[182]

During the course of our research, we observed that from 2015 — soon after public tax transparency reporting was mandated for listed countries in some foreign jurisdictions[183] — more disaggregated payments to government data were present in company annual reports. Take the example of South32, which was spun-off from BHP in 2015 with operations for commodities, including alumina, coal, manganese and nickel. South32 is listed on the ASX with secondary listings in Johannesburg and London (which has mandatory public tax reporting for UK-listed companies). South32's Cerro Matso nickel project in Colombia historically did not make tax data publicly available, but now we find annual payments to government data being published each year from 2016 onwards. In response to our letter of inquiry, South32 also sent us payments to government data for 2015 (the first year it was formed).

It is hard to deny the importance of public tax transparency in the face of this evidence. More companies should follow this lead and report publicly, and the Australian Government has the opportunity to set a model standard for tax transparency reporting by introducing a system that harmonises, and improves on, the various tax reporting regulations around the world. While the Australian Government has not yet committed to such reporting (and this means companies should take such steps in their own right), we have explored some of the key attributes government reporting should include. This uniform industry standard would help minimise company reporting burden and be a valuable source of truth that meets governments, civil society and shareholder needs. In addition to requiring companies to submit the tax transparency data to the ATO for publication online as a searchable spreadsheet, the tax transparency standard should include some other attributes, which are presented in Table 3.[184]

Table 3: Attributes of reporting standards

Attribute of reporting standards	Description
Require the company to reflect its full tax contributions in a simple manner that is easy to comprehend by the public, and require the reported figures be audited	The reporting standard should require that companies publish tax transparency information as a dedicated section or report separate from regular annual or financial information. Not only will this make it easier for the public to see this information at a glance, it also helps minimise reporting burden by allowing companies to provide a uniform report to all jurisdictions that have mandatory tax reporting legislation. For example, BHP demonstrates its economic contribution to countries by pulling together all the data about money paid to the government of a specific country and any other contributions in that country (such as to local communities) into a dedicated economic contribution report (separate to annual reports). It has been publishing information on tax payments since early 2000s and has been increasing its level of disclosure since. BHP does this because it believes that "being open about the taxes and royalties we pay to governments is in the best interests of our shareholders, employees, customers, host communities and other stakeholders. Transparency allows for an informed debate on the integrity of tax regimes and the contribution we do — and should — make in the countries in which we operate".[185] Publishing dedicated reports in this way also helps the public understand the full picture of a firm's contribution because current tax transparency legislation that exists in different countries can contain nuances that make published data confusing for the public. For example, under the UK regulation, if a company is not the direct operator of the mine, then information on the tax paid for the mine is required by the regulation to be left out even if it is a controlling parent company. Requiring companies to publish a dedicated tax transparency report would help paint a complete picture of their economic and tax contributions for all resource projects they have a stake in.
Be consistent with existing foreign regulations	The companies themselves can get confused by what they have reported, so making sure reporting requirements are in line with existing foreign rules would help ensure companies are reporting consistently. Otherwise, the mix of varying jurisdictional requirements can overcomplicate internal corporate finance record-keeping of payments to government and create confusion internally and for the public. For example, Alumina Limited told us it did not publish payments to government data for the two projects we analysed as it was commercial-in-confidence. Yet Alumina's shareholder partner in its Sangaredi Bauxite Mine, Compagnie des Bauxites de Guinée, actually reports this data to the Guinea EITI where it is publicly available on the organisation's website. Range Resources told us it makes additional payments to government beyond taxes and royalties such as land fees, but these "are not readily extractable from our annual accounts and there is no public source for this information".[186] MMG Ltd also told us that it doesn't keep payments to government data in the form we requested for the years prior to 2016. On this basis, it didn't provide tax paid data for its Kinsevere mine except for the two most recent years because other years were "not readily available". It is not clear if MMG Ltd was aware its subsidiary's EITI reports submitted to the DRC Government contained this information for back years.
Should not contain exemptions from reporting tax information on the basis of commercial sensitivity	Exemptions should not exist for tax transparency reporting requirements other than on legitimate national security grounds. Commercial confidentiality is often put forth by companies as a counter-argument against disclosure of data, but it is possible to draw the boundaries for commercially sensitive company data and publish certain tax information without breaching confidentiality. The International Finance Corporation, for example, has included an outline of what materials are considered commercially sensitive or confidential and will not be subject to disclosure requirements.[187] It should also be straightforward to apply such principles and publish parts of the OECD country-by-country reports shared between tax administrations under the Base Erosion and Profit Shifting (BEPS) project. It is important that "commercial sensitivity" is not permitted to be used in a broad-brush manner that firms can hide behind to not publish tax information.

EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (EITI)

The EITI is 17 years old and 52 countries are implementing its Standard.[188] Countries that are members publicly publish tax and other payments made by companies for resource projects in their country. While tax disclosures have been required by the Standard for more than a decade, a revision to the EITI Standard, expected to be ratified in 2019, includes new requirements on contract disclosure, commodity trading, gender, beneficial ownership, environmental disclosures and a range of cutting-edge transparency measures. These requirements have been agreed by the EITI board, which includes notable oil, gas and mining majors, including BHP, Rio Tinto, Freeport McMoran, Chevron, BP and Shell, many of Australia's diplomatic and trading partners, and countries that host Australian companies.[189] The EITI is generating unprecedented levels of data transparency and debate about natural resource governance.

The strength of the EITI lies in the strength of its Standard, its strict governance, its global network and the generally consistent presentation of payments to government data for extractives projects all around the world. If all countries became members and adhered to the EITI Standard, it would be possible to aggregate a company's payments across the world, making it possible to compare against company statements about its tax practices. This increased transparency applies pressure on companies to be clear and honest in public reports. However, it would still leave a hole in where profits are located if they have been shifted to tax secrecy jurisdictions, as these would not be EITI reporting countries as most have no mining operations in their jurisdiction.

Australia is a partner to the EITI both as a supporting country and as a new implementing country.[190] However, having implemented a limited pilot of the EITI Standard in Western Australia in 2014, Australia has sat on the sidelines of the EITI and has not adopted the EITI Standard. Despite the Australian Government announcing its intention to join the EITI in May 2016,[191] it has not progressed further EITI implementation. The progress for Australia to implement EITI has stalled since 2017.[192]

By not implementing EITI, the Australian Government has not set a good example to other governments to increase transparency in the extractives sector globally. If not for EITI data for the various member countries, it would have been impossible for Oxfam, the Uniting Church in Australia and TJN-Australia to conduct this research. For example, EITI reports were available for just two out of four countries where MMG Ltd's mines are based. It was only fortunate that we had ATO's public report of entity tax information[193] to glean country-level data for Australia, thereby showing MMG Ltd was paying hardly any taxes to any government. Had Australia implemented the EITI, it would have been possible for us to see at a glance which mines in Australia MMG Ltd had paid taxes for.


Freeport Mcmoran Copper Smelter. Photo: Phil Coman/CC.

Iron ore mine at Tom Price, Western Australia. Photo: Bäras/CC.

The EITI is not bulletproof, but it is an important institution. We have identified several areas for improvement in the course of this research:

- **Not all data is disaggregated by project.** Not all data was disaggregated to the project level. That is, payments to government across all projects held by a company were sometimes bundled together for reporting purposes, even though the payments were derived from multiple projects. This makes it impossible to determine payments to government by project. By contrast, the EU Accounting and Transparency Directives and the Canadian Extractive Sector Transparency Measures Act (ESTMA) reports are significantly more effective and transparent because they require all data by project. This discrepancy should improve in future reporting years after the reform of the EITI Standard (to standardise the definition of a "project" in line with the EU's law) is ratified in June 2019.[194]
- **Not all data disaggregates ownership.** Not all data was disaggregated by all corporate owners for a single project. If the Australian public are to know their contribution to development, it is necessary to know the percentage ownership held by different investors to know their share of payments to government. This information is not always clearly available or accessible, especially given the use of subsidiary companies and joint ventures. While it is possible for the operator of the joint venture partnership to make payment on behalf of the other partners, requiring that joint venture companies publish proportional ownership information as an EITI Standard would help clarify the picture.
- **Publication of data is delayed.** There are delays of up to four years for the publication of some data. This means the data cannot be used to analyse or understand the current situation. This is a significant obstacle given the dynamic nature of the extractives industry — ownership of projects and production, revenue and payments fluctuate considerably during a four-year period. In October 2018, when we were gathering EITI data to conduct the analysis, the most recent EITI report for most countries was 2015.
- **Data is self-reported.** The self-reporting nature of the EITI process means there is no guarantee the payments to government data presented reflects the amount companies should have paid. In simple terms, EITI reconciles reported taxes paid by companies with reported taxes received by the government. While the process is helpful for the purposes of understanding how much is being paid and where the payments end up, it is less helpful for the purpose of ensuring that the correct amount of tax is being paid. The EITI itself has recognised the need to improve data quality.[195] EITI reports in several countries have pointed out discrepancies in payments and that auditing by government is essential. The need for strengthening the effectiveness of government fiscal audits has also been highlighted in Oxfam's 2018 report Examining the crude details.[196]

Despite these areas for improvement, it is imperative that the Australian Government now takes the steps needed to fully implement the EITI domestically.

BENEFICIAL OWNERSHIP INFORMATION

The governments of tax secrecy jurisdictions (tax havens) put in place laws to conceal the owners and transactions of businesses owned by foreigners, which often helps those owners in tax evasion, tax avoidance, money laundering, fraud and other cross-border serious criminal activity. There are legitimate reasons to own a subsidiary in a secrecy jurisdiction, but we reason that the registration of one in a known secrecy jurisdiction could be a red flag for improper behaviour.

Parent companies may use subsidiaries in tax secrecy jurisdictions to avoid tax through transfer-mispricing schemes, stilted intra-group loans[197] and tax loophole structures[198] in which profit is transferred to a jurisdiction with low or no corporate income tax.

Identifying who is ultimately benefiting from a resource project is a cornerstone in the movement towards full transparency. Public beneficial ownership registries covering all sectors would introduce transparency into the whole economy and help prevent illicit financial flows overall.

There is already global momentum towards greater beneficial ownership transparency. The UK was the first in the world to publish an open register of beneficial owners of companies in 2016,[199] and the UK Department for International Development is supporting the OpenOwnership platform, which is an open global beneficial ownership register aiming to serve as a central source of data about who owns companies. The public "beta" platform was launched in April 2017, and is linked across jurisdictions, industries and other databases — the original source of data coming from regulatory sources in the UK, Denmark, Slovakia, Ukraine, and the EITI.[200] Germany has a beneficial ownership registry that provides information only by request.[201] Ghana's Company Act of 1963 was amended in August 2016 to introduce a beneficial ownership disclosure regime, which would apply to all companies in Ghana.[202] Furthermore, the EITI identified beneficial ownership obscurity as a significant issue and prioritised the explicit inclusion of reporting on beneficial ownership in the EITI Standard 2016.[203]

The World Bank points to the economic importance of making beneficial ownership public, as this could strengthen business confidence and fight illicit financial flows. This is because the transaction cost to start a business is higher in economies with lower transparency due to the cost of seeking legal advice, time taken to inquire with various government offices for reliable information, and bribery. The World Bank further points to illicit financial flows out of developing countries being at almost USD $1 trillion, and that "transparent data on company ownership are vital in combating money laundering, tax evasion, corruption and other illegal activities".[204]

> **"Transparent data on company ownership are vital in combating money laundering, tax evasion, corruption and other illegal activities."**
>
> **— World Bank (2018), Doing Business 2018, Washington D.C., p.39**

Photo: Abbie Traylor-Smith/OxfamAUS

In this research, we wanted to understand whether the presence or use of a subsidiary[205] in a tax secrecy jurisdiction had any impact on payments to government and the availability of this data. We gathered data from both the parent companies' annual reports as well as via web search.

We found that while companies generally report subsidiaries' names, it is less straightforward to discover where they are located and what resource project they actually own. Because we were unable to collect enough data on subsidiaries locations, we were unable to conclude if there was a link between subsidiary presence in tax secrecy jurisdictions and payments to government levels. However, what we did find was that:

- **Subsidiaries are generally identified.** Our searches for the names of the subsidiaries were both fruitful and, when the information was available in the annual reports, fairly consistent across both search methods, with the exception of some joint ventures listed only on the web (annual reports usually clarified these had been inoperational during the previous financial year). However, not all companies publish a complete subsidiary list, such as subsidiaries owned by subsidiaries.
- **Most are private entities, so place of incorporation is unreported.** While identifying subsidiaries was relatively straightforward, determining where those subsidiaries were incorporated was not. Discovering the location of incorporation is only possible for the subsidiaries that are also publicly owned. The majority of subsidiaries are private companies and therefore are under significantly fewer reporting and regulatory obligations.
- **Beneficial ownership of resource projects is extremely obscured.** As discussed, using a subsidiary to operate a mine creates problems when attempting to identify beneficial ownership of the mine. For example, Medusa Mining Limited's subsidiary that operates the Co-O Project in the Philippines is Philsaga Mining Corporation, and Medusa Mining itself does not appear in EITI reports. Additionally, as many subsidiaries are private companies, they are not subject to the same reporting standards as their publicly owned parent company and are therefore not required to publish the subsidiaries they own, which creates further issues for identification of beneficial ownership.

Despite the challenges posed by subsidiaries for extractives industry transparency, there are some positive trends. Some companies, such as BHP,[206] now declare subsidiaries that are incorporated in tax havens and also include their activities in economic contribution reports (which detail profit/loss before tax, taxes paid on at least a country-by-country basis, and the nature of their activities). The publication of such information in these reports is significant for three reasons: (a) it shows that the industry agrees that transparency is paramount to good business practice; (b) companies are offering subsidiary-related information voluntarily, suggesting it is not a burden; and (c) subsidiary information can improve the reputations of individual companies and the sector in general. We recommend that more companies follow this lead.

APPENDIX II CASE STUDIES — FURTHER DETAILS

Perseus Mining Ltd — Ghana

Company background

Perseus Mining Ltd was incorporated in Australia in October 2003 and its corporate office is in Perth, Western Australia. It listed on the ASX in September 2004 and Toronto Stock Exchange in 2010.[207]

Since 2011, the group has had operations in Australia and West Africa (Ghana and Cote d'Ivoire). Its Australian operation is responsible for investing activities and corporate management, while mining exploration takes place in West Africa.[208] Perseus Mining's Edikan Gold Mine in Ghana started commercially producing gold in January 2012,[209] and Perseus owns 90% of the mine, with the remaining 10% owned by the Government of Ghana. Perseus' two other mines are based in Cote d'Ivoire, one of which started production in early 2018. The other is yet to begin production.[210]

ZERO CORPORATE TAX PAID TO GHANAIAN GOVERNMENT SINCE EDIKAN GOLD MINE STARTED OPERATIONS

Since Perseus Mining's Edikan Gold Mine began operation in 2011, it appears to have not paid a single cent in corporate tax, despite revenues in excess of $250 million for most years. There were also three years in which Perseus reported taxable income ("income before tax") but no corporate taxes were paid.[211] While it can be normal that a newly operating mine will make losses in the first few years, we'd expect to see taxes paid for the years where profit was made, and that in general a mine should be making a profit after a number of years of operation.

When we approached the Ghanaian Chamber of Mines in early 2018 about the fact that Perseus has not paid any corporate income tax since 2011, it inferred that the company has been operating at a loss and has yet to report profits since it began operation.[212] The amount of taxes the Ghanaian Government is potentially foregoing from Perseus, and other miners, is tremendous. Even if there is no tax avoidance happening and the mines are genuinely running as permanent net loss-making operations, it means that the people of Ghana are getting virtually nothing for the exploitation of their non-renewable natural resources.

Mining companies in Ghana are allowed to carry forward losses arising in one year to the next to offset against taxable profits for a maximum of five years from when the expense was incurred.[213] Perseus is potentially using this arrangement to continuously offset its annual profits every year, but there's insufficient information in company reports to verify if this is the case. The 2016 EITI report for Ghana states that five companies paid corporate taxes in 2016 (Perseus was not among these) and that Perseus reported losses (so it did not pay corporate tax).[214] As noted earlier, mines often carry forward losses legitimately from year to year, but doing this continuously over five years appears to be a stretch.

In addition to carry-forward losses, Ghana's 2016 EITI report also highlighted that in 2016, mining companies were granted hundreds of millions in capital allowances (amounts claimed for depreciation of capital assets), ranging from USD $10 million to USD $105 million.[215] This means that companies like Perseus Mining may be writing off substantial amounts of taxes on carry-forward losses as well as claims on capital allowance, lowering their final income tax amounts due even further.

In comparison to other gold mines operating in the same area, zero corporate tax paid by Perseus Mining for all years of operation is unusual — but it is not the exception. Golden Ridge mine, owned by US-based company Newmont Goldcorp, has not paid any corporate income tax since it started operations in 2013, despite being one of the largest gold producers in Ghana. (Under Ghana's "capital allowances associated with the development capital invested" policy, companies are allowed to pay back their capital investment before paying income taxes — see Table 4.) The Abosso Goldfields mine and AngloGold Ashanti (Iduapriem) mine are similar-sized mines in terms of production to Perseus' Edikan Gold Mine and paid zero corporate income tax for two to three years (Table 4). Even when corporate tax was paid, the rate per ounce of gold produced is but a fraction of the rate paid by the largest mines.

The uneven terms among companies creates an uncompetitive setting for miners and comes at huge expense to the government and the people of Ghana as well as very minimal, if any benefit to the country. The question of why so few miners in Ghana — including Perseus Mining — reached a stage of profitability required to pay corporate income taxes has been raised in recent studies.[216] It points to a broader problem that profit-based taxes are an illusion in many countries where mining companies use a variety of tax avoidance strategies to avoid contributing to the country's tax base.

Table 4: Comparison of royalty paid per ounce of gold production between gold mines in Ghana (Ghanaian cedi)
Source: Ghana Extractive Industries Transparency Initiative reports; company annual reports and quarterly activity reports.

Mine*	Perseus (Edikan Gold Mine)	AngloGold Ashanti (Iduapriem)	Abosso GoldFields (Damang)	Newmont Golden Ridge (Akyem)	Newmont Ghana Gold[217] (Ahafo)	GoldFields Ghana (Tarkwa)
Licence issued	2009	1988	1995	2010	2001	1997
Gold produced (ounces)						
2012	193,852	180,238	166,448	0	561,356	718,876
2013	202,398	212,465	153,117	129,211	570,202	632,240
2014	181,981	187,558	177,742	471,654	442,020	558,223
2015	191,531	190,809	167,579	472,632	331,507	586,050
2016	150,406	214,196	147,722	470,312	348,860	568,037
Corporate tax (GHS millions)						
2012	0	15.6	14.4	0	244.2	285.1
2013	0	5.3	5.6	0	178.1	112.6
2014	0	0	0	0	187	85.3
2015	0	0	0	0	109.1	118
2016	0	14.7	0	0	93.7	185
Corporate tax per ounce (GHS/oz)						
2012	0	87	87	0	435	397
2013	0	25	37	0	312	178
2014	0	0	0	0	423	153
2015	0	0	0	0	329	201
2016	0	68	0	0	269	326
* GHS 1 = AUD 0.41 on average across 2012–2016						

WHERE ARE PERSEUS' REPORTED INCOME TAX EXPENSES BEING PAID?

Perseus' financial statements show considerable consolidated income tax benefits and expenses since 2012 although it is unclear in what country these are being incurred because income tax expenses are not broken down by country — and it is unclear why reported tax paid is so low compared to revenues in some countries, and vice versa in other countries. It is also uncertain what role its subsidiaries in tax secrecy jurisdictions play in financial arrangements because no financial data is reported for subsidiaries either.

Table 5 demonstrates this point. For its Australia segment, the company reports substantial tax expense/benefits despite very low revenues. In contrast, Perseus paid no income taxes in Ghana from 2012 to 2017 based on EITI and ESTMA[218] data, despite millions in revenue each year reported in its company reports. Perseus also reports some tax expense/benefits in foreign jurisdictions, but Perseus' only other operations in Cote d'Ivoire were not in production from 2012 to 2015 so it is not expected to have paid any income tax. It begs the question of where the reported income tax expenses were actually incurred and why these figures seem to be so disconnected from the company's revenues.

Furthermore, the company's public financial reports paint a muddled picture because they assign income to different business segments as the company chooses, and the company appears to report on a different basis to its shareholders and official tax administrators. In Table 5, in 2015, the implied profit for Perseus' Australian operations was $116 million — which means the company's revenue in Australia exceeds the ATO threshold for inclusion in its domestic entity tax information database (above $100 million in revenue) — however, Perseus does not appear in the ATO database. This suggests that the way Perseus records income in its public consolidated financial statements may be different to the income it records in income tax assessments to the ATO for its Australian tax group (it is up to the firm to determine what "Australian activities" count towards "Australian income"[219]). That is, Perseus' income is counted towards other countries' activities, yet it is impossible to know which since we don't have access to information on actual tax paid on a clear country-by-country basis.

If the company were to follow leading extractives companies and embrace clear tax transparency measures through consistent, global country-by-country and project-by-project reporting, many of these questions could be answered.

Table 5: Confusing picture of Perseus' tax and revenues painted by the company's financial reports

Financial report statements (AUD millions[220])	2012	2013	2014	2015	2016	2017
Australia						
Total revenue — Australia	12**	0.1	0.2	0.6	0.7**	0.4**
"tax at the Australian tax rate of 30%"*	18.1	18.7	-11	34.9	-13.3	-28.4
Implied profit (author's calculations)~	60	62	-	116	-	-
West Africa						
Total revenue — Ghana	145	294	264	333	249	286
Total revenue — Cote d'Ivoire	-	-	-	-	2.3**	2.1**
"Effect of tax rates in foreign jurisdictions"***	1.15	2.75	-0.82	3.4	-1.1	-2.2
Consolidated tax expense						
"Current tax expense"*	3.1	0.005	0.54	0.26	0.12	0.23
"Income tax expense" *	7.8	21.0	-4.7	24.8	-6.8	-15.2
EITI/ESTMA reported tax paid in Ghana ^	-	-	-	-	-	-

* Tax expense is not broken down by country. Quotation marks means exact wording in the company financial statements. In the consolidated financial statements, it states that: "income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses." Note 'income tax expense' is also referred to as 'provision for income tax' by the company. Negative figures indicate tax benefit.

** other income only (revenue is zero) *** Perseus does not generate income in any other country than Australia, Ghana and Cote d'Ivoire ^ EITI data for years 2012–2015, and ESTMA data for 2016–2017

~ implied profit derived by dividing by 30% the line above titled "tax at the Australian tax rate of 30%".

PERSEUS HAS BEEN USING TAX CREDITS TO OFFSET ROYALTY PAYMENTS SINCE 2014

Perseus has been legally allowed to use Value Added Tax (VAT)[221] credits to offset royalty liability from 2014 to 2017, but this shouldn't happen since royalties are payments to the government in exchange for the nation's non-renewable resources, irrespective of how the company performs financially. The Ghana EITI report raised concerns about this practice, saying it "should be discouraged as it has the potential of reducing royalty disbursements from Central Government to impacted mining communities".[222] VAT and royalties serve different purposes, so VAT credits should be used to offset other business-related expenses — not to offset royalty liability.

This has been occurring since 2014 when Perseus used VAT credits to offset almost its entire $4 million royalty liability that year. Since then, the company has received more than USD $27 million in VAT credits each year, and given that production in subsequent years has been similar to 2014,[223] it is possible Perseus offset about $4 million in royalty payments in each of the following three years with the VAT credit with plenty to spare (Table 6). So instead of Perseus making payments to the Ghanaian Government, it seems the government has been refunding much of what it has received.

Table 6: VAT tax credits used to offset royalties	
Year	**Information on VAT tax credits used to offset royalties**
2017	"payments of employment taxes, withholding taxes and royalties have been offset against the VAT receivable." Amount unknown
2016	"payments of employment taxes, withholding taxes and royalties have been offset against the VAT receivable. During the year, the group received GHS 35.4 million (USD $9.3 million) of Treasury Credit Notes ... In early July 2016 a further two cheques from the GRA totalling GHS 44.9 million (USD $11.4 million) were received from the GRA for the VAT receivable." Total VAT credits received: USD $29.7 million
2015	"payments of employment taxes, withholding taxes and royalties have been offset against the VAT receivable. During the year, the group received a partial payment of the outstanding VAT debt from the GRA, totalling GHS 17.6 million (USD $5.8 million) and GHS 77.6 million (USD $21.3 million) of Treasury Credit Notes" Total VAT credits received: USD $27.1 million
2014	"Perseus Mining Ltd set off its tax credit on VAT against royalty liability resulting in the payment of GHS 410,000 [AUD 152,000] instead of GHS 10,686,543 [AUD 3,954,000]" Total royalties offset: AUD $3.8 million

2015–2017 sources: Perseus Mining 2015–2017 annual reports; 2014 source: Ghana Ministry of Finance (2015), Final GHEITI report on the mining sector 2014, December 2015

PERSEUS' EXPECTED TAX PAYMENTS FROM 2012 TO 2017

Given it's not clear what the reasons are for Perseus' reported losses, rather than using the company's reported loss/profit for calculating the amount of corporate income tax the company should have paid, we provide an estimate of how much corporate income tax payments would have been expected based on an assumption about the company's profitability.

The estimate for tax payable is based on the company's own "life-of-mine plan" set out in its 2010 financial report.[224] The mine plan sets out key parameters, which determine its profitability and how much tax it is expected to pay over the life of the mine (10 years), setting out different scenarios depending on the market gold price.

Table 7 compares key parameters in the company's 2010 mine plan against actual financial outcomes. We make an estimate of the corporate income tax that would have been paid based on profitability as measured by EBITDA,[225] whereby the "tax paid" estimated in the mine plan is weighted by the ratio of EBITDA from the mine plan and actual EBITDA.

Since Perseus began production in 2012, EBITDA has been the closest to mine plan scenario 2 (gold prices at USD $800/oz).[226] We therefore estimate the corporate tax payable based on the EBITDA of this scenario, and estimate that Perseus would have paid $57 million in corporate income tax from 2012 to 2017 on these assumptions of profitability.

It is not clear why this level of potential tax due was not paid. It could be poor management of the mine, problems that have arisen since the mine started operating that were not foreseen in the predictions by the company about the profitability of the mine, tax avoidance activities or some combination of the three. There is a lack of information provided by the mine or the EITI report to explain why this is the case.

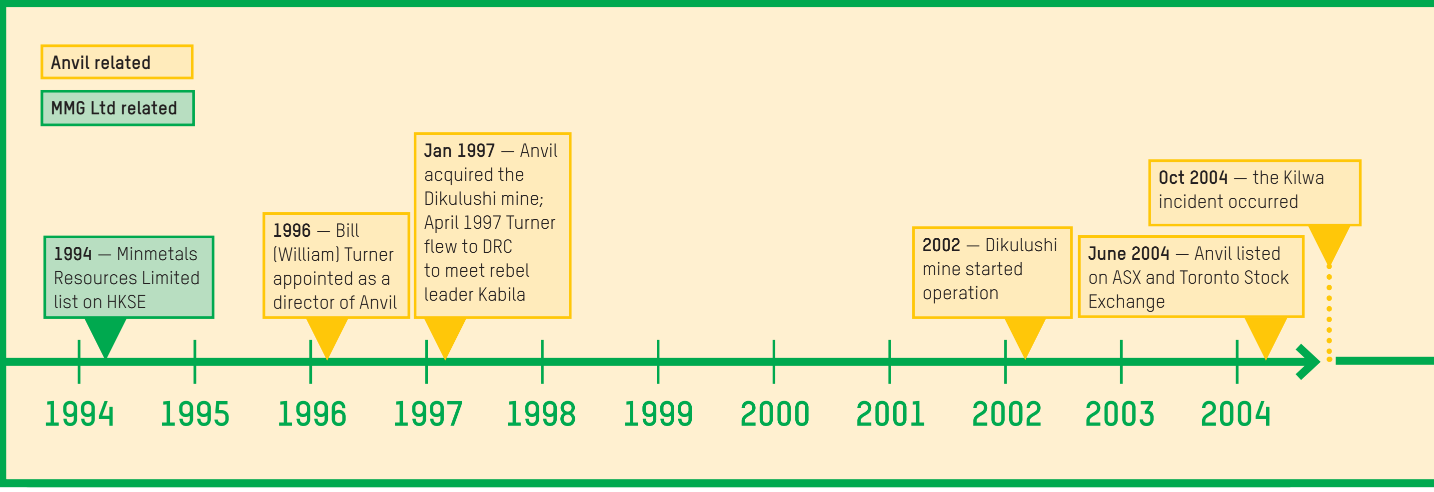
Table 7: Perseus' 2010 Life of Mine Plan tax payment estimates compared with actual taxes paid

	2010 Life of Mine Plan*			Actual company financial outcomes***					
	Scenario 1	Scenario 2	Scenario 3	2012	2013	2014	2015	2016	2017
Gold price USD/oz	$850	$800	$950	1600	1250	1200	1100	1200	1200
EEBITDA AUD millions/yr	$685	$591	$872	238.9	536.6	540.5	601.6	557.7	658.6
Tax/yr AUD millions**	$13.1	$10.7	$17.7	0	0	0	0	0	0
Estimated tax expense AUD$mill				4.3	9.7	9.8	10.9	10.1	11.9
Expected tax payments from 2012-2017 AUD$mill				**56.7**					

* Life of Mine Plan is for 10 years. Source: Perseus (2010), Annual information form, p.40
** Life of Mine Plan estimate for tax due is annualised in this table. The tax paid estimates in the life of mine plan was reported as an aggregate for the entire 10 years of the expected mine life. This is probably because mines usually take a few years to reach profitability and would only start paying taxes then. As we only have data on this aggregate tax paid amount, we annualised the tax paid to arrive at an estimate for annual tax payable. The actual tax paid (zero) are based on EITI data.
*** gold price source https://goldprice.org/gold-price-history.html

Photo: James St. John /CC

Figure 9: Anvil Mining Ltd and MMG Ltd corporate history



MMG LTD — DEMOCRATIC REPUBLIC OF CONGO

Company background

MMG Ltd is an Australian-headquartered multinational corporation, with about half of its subsidiaries based in Australia. It is dual listed in The Stock Exchange of Hong Kong (primary listing) and the Australian Stock Exchange (ASX): it was incorporated in Hong Kong in 1988, with secondary listing on the Australian Securities Exchange taking place in December 2015 (Figure 9).[227]

Anvil Mining Ltd is a 100% owned subsidiary of MMG Ltd and owns the Kinsevere mine in the Democratic Republic of Congo (DRC). Anvil Mining's principal assets were copper mines in the DRC — including Dikulushi, Kulumaziba ("Mutoshi") and Kinsevere — with mining operations starting at the Kinsevere mine in December 2006.[228] Anvil Mining sold Dikulushi in 2010 to another Australian mining company, Mawson West[229] (the mine went into care and maintenance in 2015),[230] and after Anvil Mining was acquired by MMG Ltd in September 2011,[231] MMG Ltd divested the Mutoshi mine.[232] Anvil Mining continues to own the Kinsevere mine under MMG Ltd.[233]

The Kinsevere mine is operated through Anvil Mining's subsidiary, AMCK Mining, which sits under MMG Ltd Africa Investments Ltd.[234]

Anvil Mining's chequered history in the DRC involving human rights abuses has been well documented. Importantly, the case relates to Anvil Mining's actions in 2004 before MMG Ltd took over, but remains unresolved.[235]

During significant civil unrest in the DRC in 1997, Anvil Mining's Director Bill Turner met with the then rebel leader Joseph Kabila , who went on to become president. Like many other mining firm directors, Bill Turner was keen to ensure his firm's mining contracts with the overthrown government would be honoured.[236] In 2004, Anvil Mining was reportedly linked to the massacre of about 70 people in the DRC. The firm was accused of supplying logistical support to the Kabila government's military to quell a rebel uprising at the town of Kilwa, 50km from Anvil Mining's Dikulushi mine.

Since 2005, several criminal proceeding attempts have been made against Anvil Mining for its role in the massacre.[237] In late 2010, the case was brought to the African Commission by non-government organisations on behalf of the victims. This led to the African Commission's ruling in 2017, which attributed responsibility for the massacre to the DRC Government. The commission recommended the victims be paid USD $2.5 million in compensation and for the DRC Government to prosecute and punish agents of the state and Anvil Mining staff. It also urged Anvil Mining to contribute to the compensation to victims,[238] but as of May 2019 it is not clear if Anvil Mining or its key management staff involved in the incident have done so.

MISMATCH BETWEEN ROYALTIES REPORTEDLY PAID AND RECEIVED FOR KINSEVERE

Mining companies pay royalties to governments for the right to extract the country's minerals, which should guarantee the country will benefit financially from their natural resources. However, we found that the royalty amounts reported in MMG Ltd annual reports do not align with EITI data, which raises questions about whether the right amount of royalties are being paid to the DRC Government. The royalty paid for Kinsevere in MMG Ltd's annual reports is more than double the royalty reported in EITI (Table 8).[239] Based on the royalty rate in DRC of 2% of revenue, the EITI closely corresponds with the expected royalty rate. It is possible that MMG Ltd has included the lease payment to the DRC State-owned company Gécamines, which is 2.5% of gross revenues, in its royalty payments — but it is not clear if this is the case. In MMG Ltd's right of response, it states that "MMG Ltd rejects the assertion that it has misreported the amount of royalties paid".[240]

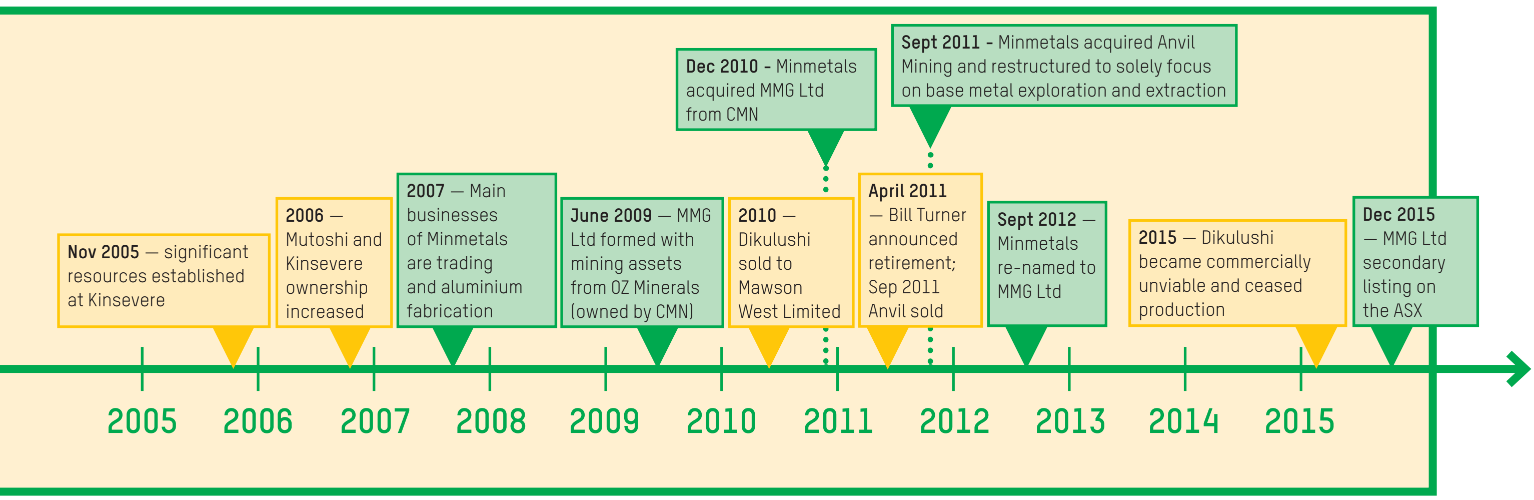


Table 8: A mismatch — comparison of royalty payments for Kinsevere reported in MMG Ltd annual reports and EITI

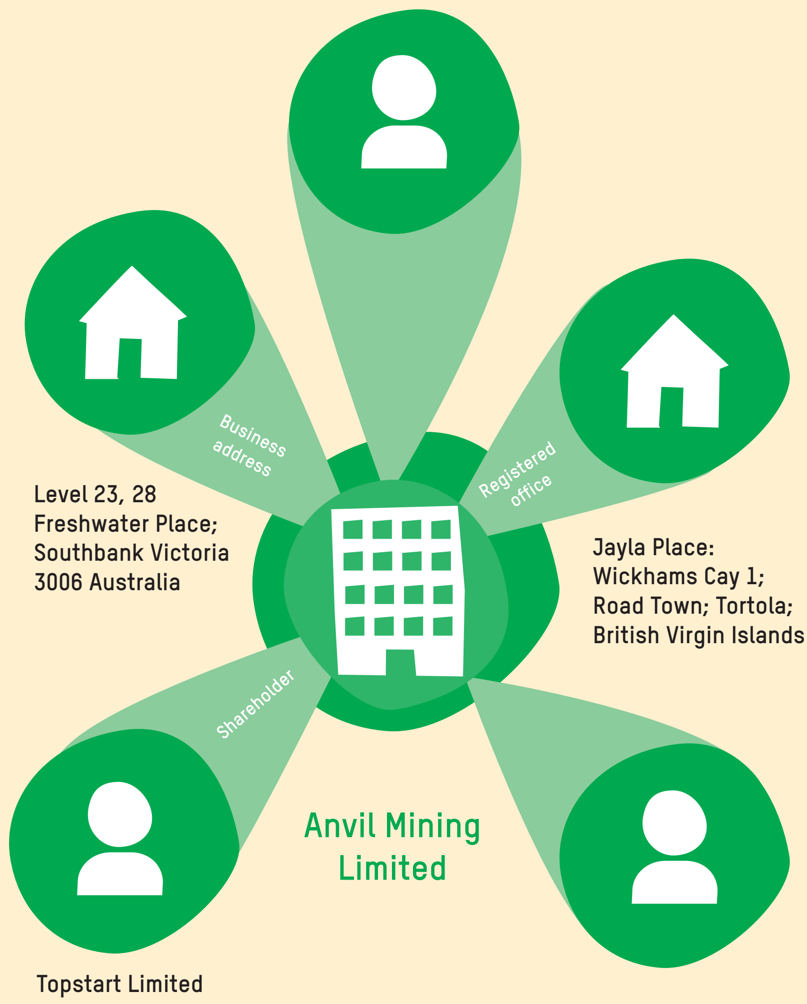
USD millions	2011	2012	2013	2014	2015
EITI royalty paid	3.2	5.8	7.5	8.6	8.2
Annual report royalty paid	na	12	19	19.8	18.5
Revenue	126	280	455	466	418
EITI royalty as % of revenue	2.5%	2.1%	1.6%	1.8%	2%
Annual report royalty as % of revenue	na	4.3%	4.2%	4.2%	4.4%

MMG LTD HAS A LARGE NUMBER OF TAX SECRECY JURISDICTION LINKS

Half of MMG Ltd's subsidiaries are incorporated or headquartered in countries that are known to play a major role as global corporate tax havens (tax secrecy jurisdictions) — Singapore, Netherlands, British Virgin Islands, Switzerland and Hong Kong.[241]

Anvil Mining Ltd and its subsidiaries that operate the Kinsevere mine in the DRC are based in tax secrecy jurisdictions. Anvil Mining Ltd is incorporated in the British Virgin Islands,[242] where its registered office (Jayla Place) happens to be the same as Appleby's office and is reportedly shared with more than 2,000 other entities (Figure 10).[243] MMG Ltd denies it has a relationship "with a financial planning firm named Appleby. MMG Ltd engages the Appleby law firm, and its affiliate, Estera for advice on legal and corporate secretarial matters".[244]

Figure 10: Anvil Mining Ltd registered office is the same as Appleby's British Virgin Island office address. Source: ICIJ offshore leaks database



This information was originally sourced from ICIJ's database. This is an adaptation of their figure.

In addition to the aforementioned tax haven links, Anvil Mining's subsidiary, MMG Ltd Africa Investments Ltd, under which sits AMCK Mining SPRL (which operates the Kinsevere mine), is also incorporated in the British Virgin Islands.[245]

We asked the company about this, and the response was that the company structure is for transaction purposes: "MMG Ltd's corporate structure is the result of a number of transactions involving the acquisition of its global mining assets. MMG Ltd acquired or incorporated subsidiaries through or for the purpose of transactions with China Minmetals Corporation, Anvil Mining Limited and Glencore Xstrata."

The company's curious links with tax secrecy jurisdictions is further illustrated by MMG Ltd's Australian operations. MMG Ltd has not paid any taxes for its Australian mines since 2011 (see Table 2) despite operating mines in Australia that have turned over more than USD $1 billion in revenue in aggregate each year since 2012 and about USD $500 million in 2016.[246] Coincidentally, MMG Ltd (which is headquartered in Australia) had a loan of USD $2.3 billion from Top Create, a related party (subsidiary of China Minmetals) incorporated in the British Virgin Islands, and MMG Ltd made substantial interest repayments between USD $100 to USD $300 million a year from 2015 and 2017.[247] Given that Top Create's place of incorporation is in the British Virgin Islands, the millions in interest payments are potentially not subject to taxation.

ANVIL MINING LTD POTENTIALLY UNDER-PRICED COPPER SALES TO ITS RELATED PARTY, TRAFIGURA

Our analysis also shows that Anvil Mining, prior to MMG Ltd's takeover, appears to have significantly discounted the price at which copper from the Kinsevere mine was sold to Trafigura — a related party with which it has an offtake agreement (an agreement between a producer of resources and a buyer of resources to purchase a portion of the producer's future productions).[248] Price manipulation in the sale of resource products through trading between related party intermediaries is a particular tax avoidance tactic in the extractive industries.[249]

Trafigura is a commodity trader based in Singapore,[250] and it is one of the world's largest metals and minerals traders.

Trafigura has a supply agreement ("offtake agreement") for copper mined at the Kinsevere mine. This arrangement existed since 2009, prior to MMG Ltd acquiring Anvil Mining,[251] and the supply agreement was preserved after MMG Ltd's takeover.[252] When Trafigura and Anvil first formed its alliance, Trafigura provided a USD $200 million funding package consisting of USD $100 million equity investment and USD $100 million loan facility for the completion of Kinsevere stage 2. Because of Trafigura's equity investment, it gained approximately 38% of Anvil's outstanding shares and became Anvil's largest shareholder.[253] Trafigura thereby become a related party to Anvil Mining.

If the copper concentrate mined from Kinsevere was being sold at a discounted price to Trafigura, then the company is able to claim less profit is made in DRC and therefore less tax is paid to the DRC Government. We found data to indicate this might have been occurring at least during the period 2007–2010.

The implied price per tonne of copper calculated using Anvil Mining's quarterly management reports (before MMG Ltd acquired it) suggests Kinsevere's copper concentrates were potentially sold at an average discount of about 50% against the London Metals Exchange (LME) benchmark (market price for copper cathode USD/tonnes).[254] There is insufficient data post-MMG Ltd takeover to make similar price comparisons after 2012, so it is unclear if this potential under-pricing continues under MMG Ltd (Table 9).

Photo: U.S. Geological Survey/CC

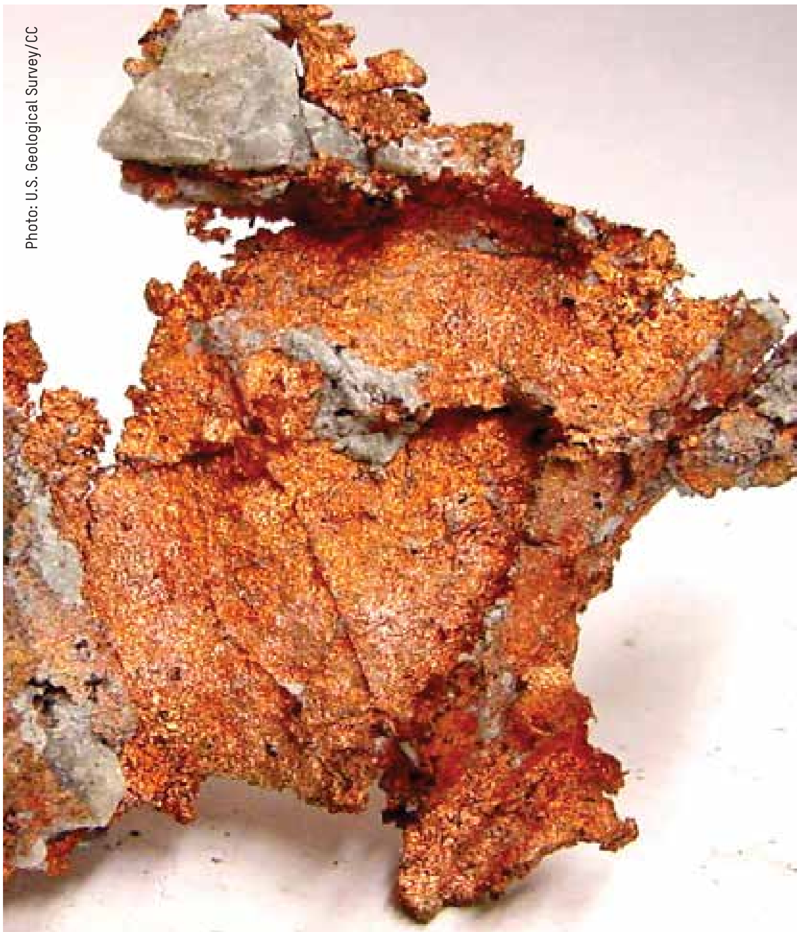


Table 9: Kinsevere copper concentrate sales and price reported in Anvil quarterly management discussion and analysis reports

Quarter ending	Benchmark	Sales (tonnes)	Sales (USD millions)	Implied USD/tonne	Implied discount
30/09/2007	7,717	3,914	**14.8**	3,781	-51%
31/12/2007	7,203	6,836	**23.9**	3,496	-51%
31/03/2008	7,818	5,952	**41.6**	6,989	-11%
30/06/2008	8,454	4,915	**23.3**	4,741	-44%
30/09/2008	7,672	6,043	**23.0**	3,806	-50%
31/12/2008	3,910	3,090	**5.9**	1,909	-51%
31/03/2009	3,453	1,061	**-0.9**	-848	-125%
30/06/2009	4,682	3,060	**9.3**	3,039	-35%
30/09/2009	5,871	7,093	**18.1**	2,552	-57%
31/12/2009	6,655	7,816	**22.9**	2,930	-56%
31/03/2010	7,234	4,650	**15.4**	3,312	-54%
30/06/2010	7,025	4,338	**13.7**	3,158	-55%
30/09/2010	7,261	4,301	**14.8**	3,441	-53%
31/12/2010	8,634	3,803	**15.2**	3,997	-54%
31/03/2011	9,639	3,182	**17.6**	5,520	-43%
30/06/2011	9,160	2,149	**10.4**	4,849	-47%
30/09/2011	8,983	188	**1.0**	5,149	-43%

Source: Anvil Quarterly Management Discussion and Analysis reports

While this potential under-pricing can be observed in Anvil's quarterly management discussion and analysis reports, for some reason it is not observed in reported figures in Anvil Mining Ltd's annual reports (prior to MMG Ltd's takeover), which show there is hardly any discounting — at most, copper concentrate was sold at 10% below LME price (Table 10).[255] These different figures and reporting are hard to reconcile.

No explanatory notes were found that could explain the above discrepancy and it's not possible to reach any definitive conclusion about why Anvil Mining would report copper concentrate sales prices differently in different reports. There may be reasonable explanations for this discrepancy in reporting between various Anvil Mining Ltd's company reports, but it highlights that financial data reported by companies can be highly subjective and could paint a different picture depending which report the reader refers to.

While this occurred before MMG Ltd took over Anvil Mining, since the offtake agreement was preserved when MMG Ltd purchased Anvil Mining, it is important to ask whether pricing arrangements continue as previously. This observation about a potential past under-pricing relationship between Anvil Mining and Trafigura has been put to MMG Ltd, and in its right of response, MMG Ltd states that "Trafigura is not a related party. MMG Ltd does not have an ownership interest in Trafigura. The terms and conditions of trading with Trafigura are at arm's length".[256]

Photo: Abbie Trayler-Smith/OxfamAUS

Table 10: Kinsevere copper concentrate sales and price reported in Anvil annual reports			
Year	**Reported Anvil price USD/pound**	**Benchmark price USD/pound**	**Implied discount compared to LME**
2006	3.04	3.05	0%
2007	3.17	3.23	-2%
2008	2.85	3.16	-10%
2009	2.56	2.34	9%
2010	3.27	3.42	-4%
Source: Anvil Mining annual reports; Market Index www.marketindex.com.au/copper			

MMG LTD EXPECTED TAX PAYMENTS IN DRC FROM 2012 TO 2015

The Kinsevere mine has been in operation since 2006 and it is not unreasonable to expect it should be making a modest amount of profit. We estimated the expected tax MMG Ltd would have paid to the DRC Government if its reported profits[257] were more consistent with industry performance. Assuming an industry average profit margin of 12% from 2008 to 2015[258] and subject to the DRC's corporate tax rate of 30%, it is possible to estimate the taxable profit based on total revenue, and the amount of corporate tax that MMG Ltd would have been expected to pay in the DRC. We also consider a more conservative profit margin of 10% for comparison, due to commodity price fluctuations during this period.

Deducting the EITI reported tax paid, we arrive at an estimated tax gap of USD $29 million to USD $39 million (AUD $39 million to $52 million) from 2012 to 2015, assuming a profit margin of 10% and 12% (Table 11), respectively. If the DRC Government collected the USD $39 million in tax, the country would have received the equivalent of 0.5% of the DRC's entire extractives sector GDP as tax revenue.[259] It is not possible to know if this was not paid because of aggressive tax practices or due to additional costs at the mine or some other explanation.

Table 11: Estimated tax that MMG Ltd would have paid for its Kinsevere mine at 12% profit margin
Source of data: Thomson Reuters database, DRC Extractive Industries Transparency Initiative reports.

Profit margin: 12% Corporate tax rate: 30% USD million	2012	2013	2014	2015
Total revenue (actual)	280	455	466	418
Income before tax (hypothetical assuming 12% profit margin)	33.6	54.6	55.9	50.2
Corporate tax due (hypothetical assuming 30% tax rate)	10.08	16.38	16.78	15.05
Total tax paid (actual)	0.4	0.4	7.8	10.5
Est. tax avoided (hypothetical corporate tax due — actual tax paid)	9.7	16.0	8.9	4.6
Expected additional tax payments 2012–2015 USD millions	39			

Table 12: Estimated tax that MMG Ltd would have paid for its Kinsevere mine at 10% profit margin Source of data: Thomson Reuters database, DRC Extractive Industries Transparency Initiative reports.				
Profit margin: 10% **Corporate tax rate: 30%** **USD millions**	**2012**	**2013**	**2014**	**2015**
Total revenue (actual)	280	455	466	418
Income before tax (hypothetical assuming 10% profit margin)	28	45.5	46.6	41.8
Corporate tax due (hypothetical assuming 30% tax rate)	8	14	14	13
Total tax paid (actual)	0.4	0.4	7.8	10.5
Est. tax avoided (hypothetical corporate tax due — actual tax paid)	7.6	13.3	6.1	2.1
Expected additional tax payments 2012–2015 USD millions	29			

The industry average profit margin of 10–12% is a fair assumption based on MMG Ltd's financial data. Based on the company letter of response, tax paid in the DRC for its Kinsevere mine in 2016 and 2017 was USD $38.8 million and USD $44.1 million, respectively. The company tax rate for mining firms in the DRC is 30%, so backward engineering from the tax paid, it is possible to calculate the taxable income and therefore the profit margins for 2016 and 2017 — which are 32.3% and 29%, respectively.[260] While these are extremely high profit margins, taking it for granted, the profit margin from 2012 to 2017 averaged 12.7%, which is similar to the 12% industry average profit margin.

ILUKA RESOURCES — SIERRA LEONE

Company background

Iluka Resources is an Australian-listed company with its corporate office in Perth, Western Australia. It specialises in mineral sands, with projects in Sierra Leone, Sri Lanka and Australia. Its major product is rutile (titanium dioxide) — and Iluka Resources proclaim to be the world's largest supplier of natural rutile.[261]

Iluka Resources acquired Sierra Rutile in December 2016 by means of a statutory merger with Iluka Investments Limited (BVI) — a wholly owned subsidiary.[262] Before then, Sierra Rutile was owned by Sierra Rutile Limited, which had operations only in Sierra Leone. Under the previous and current ownership, Sierra Rutile is thought to be one of the world's largest primary producers of rutile[263] and is estimated to have a mine life in excess of 20 years.[264]

The Sierra Rutile operations include Gangama dry mine, Lanti dry mine, Lanti dredge mine and Sembehun project. Iluka Resources has plans to expand production capacity at Sierra Rutile's Gangama and Lanti dry mines, and potentially at Sembehun.[265]

Sierra Rutile has a long history of operation. Sierra Rutile changed ownership several times since its formation in 1971, and the company became the world's leading producer of rutile, producing about 33% of world output in the 1990s.[266] It ceased operations in 1994 due to civil war, before which the mine was the largest private employer in the country, and restarted operations in 2003. In August 2004, Sierra Rutile received 25 million euros from the Government of Sierra Leone to reopen Sierra Rutile mine and restart rutile mining after the civil war. The original source of this funding was actually the European Commission, which provided the funds to the Government of Sierra Leone to fast-track the refurbishment of Sierra Rutile mines.[267]

By some accounts, Sierra Rutile has a good social licence among the community, providing employment and training opportunities for people living near the mine and from around the country.[268] Yet other reports indicate communities closest to the mine, like those in the Impere Chiefdom, remain in poverty and are inundated in water and tailings (mine waste) from the mine.[269] Tensions also began brewing between the company and the government as the First Amendment Agreement, which conferred tax concessions to Sierra Rutile, came to an end in 2014.[270]

SIERRA RUTILE HARDLY EVER TURNED A PROFIT

Despite having been in operation for many decades, the financial performance of the mine has been strangely underwhelming. The data we were able to access shows that Sierra Rutile has been consistently making a loss since 2006 except in two years,[271] and its profit margin up to 2015 — the year before Iluka Resources purchased Sierra Rutile — averaged -17%. It is not unusual that mines incur losses in the early stages of their operation to recover their large initial capital investment, but it is highly unusual that a mine continues to report losses after so many decades in operation. This raises questions about why the mine continued to operate for such a long period of time in loss, and about the claimed losses over time. It is not clear if this is potentially tax avoidance, poor management or some unknown tax deal with the government.

Table 13: An unusually long period with hardly any recorded profit — Sierra Rutile profit margins from 2006 to 2017

AUD millions	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Income before tax	- 1.9	-19.3	-58.3	-8.5	-15.0	-26.5	81.2	10.9	-9.9	-12.7	-0.9	-2.5
Profit margin (income before tax/revenue)	-3%	-25%	-82%	-21%	-31%	-50%	47%	9%	-8%	-9%	-5%	-2%
Ave profit margin (2006–2015)	17%											
Ave profit margin (2016–2017)	-3%											

MINIMAL TAXES WERE PAID TO THE GOVERNMENT OF SIERRA LEONE DUE TO SPECIAL CONCESSIONS

Sierra Rutile has been paying on average 0.4% of revenues in corporate taxes for the years in which EITI data was available (2009–2015). This was due to special concessions granted to Sierra Rutile that lasted until 2014, which scrapped corporate income tax on profits altogether (this should have been 30%), and in its place 0.5% turnover tax and royalty rates were applied from 2004 to 2014. These were the terms set out in the First Amendment Agreement (2004), which expired in 2014.[272] From 2015, the mine is subject to the terms of the Sierra Rutile Agreement (Ratification) Act (2002) (Sierra Rutile Act 2002) under which a royalty rate and turnover tax of 3.5% applies if the mine makes a loss or a 30% tax rate if the mine makes a profit.

Sierra Leone received very little tax revenue as a result. From 2009 to 2015 (the period for which EITI data was available), the government collected just $3.1 million in corporate income tax and $3.6 million in royalties from Sierra Rutile. In contrast, the company made more than $700 million in revenue over the same period (see Figure 8). Sierra Rutile also enjoyed tax holidays for import duties and dividend withholding tax.[273] While there is no estimate for how much revenue the government has foregone to Sierra Rutile alone, by one estimate, the revenue lost from just GST exemptions to mining companies was USD $420 million from 2010 to 2012:[274] this is more than one-third of Sierra Leone's entire GDP generated by the extractives sector[275] in 2015.

From 2015 onwards, Iluka Resources reported losses in each year for Sierra Rutile and also corporate income tax payments consistent with the applicable legislation (Sierra Rutile Act 2002). Under the Sierra Rutile Act 2002, the mine is subject to turnover tax of 3.5% until the company makes a profit and becomes liable for corporate income tax.[276] This means that, so long as Sierra Rutile was reporting losses, it would never pay the 30% corporate income tax. The company's Annual Report 2015 states its tax expense was USD $3.7 million, which concords with the 3.5% turnover tax, but the data is not verified in EITI since Sierra Rutile didn't participate in the EITI process in 2015, and in the 2015 EITI report, Sierra Rutile was shown to have not have paid any corporate income tax.[277] Also, after Iluka Resources took over in December 2016, Sierra Rutile reported losses in both 2016 and 2017 despite significant revenues of more than AUD $140 million in 2017 and AUD $18 million in 2016 (for the short period in 2016 Iluka ran the mine).[278] Iluka Resources also reported Sierra Rutile paid no tax in 2016, but in 2017 reports paying AUD $5.2 million in tax,[279] which is 3.6% of revenues — this is again aligned with the statutory tax rate of 3.5% of turnover but not yet verified by EITI (See Figure 8).

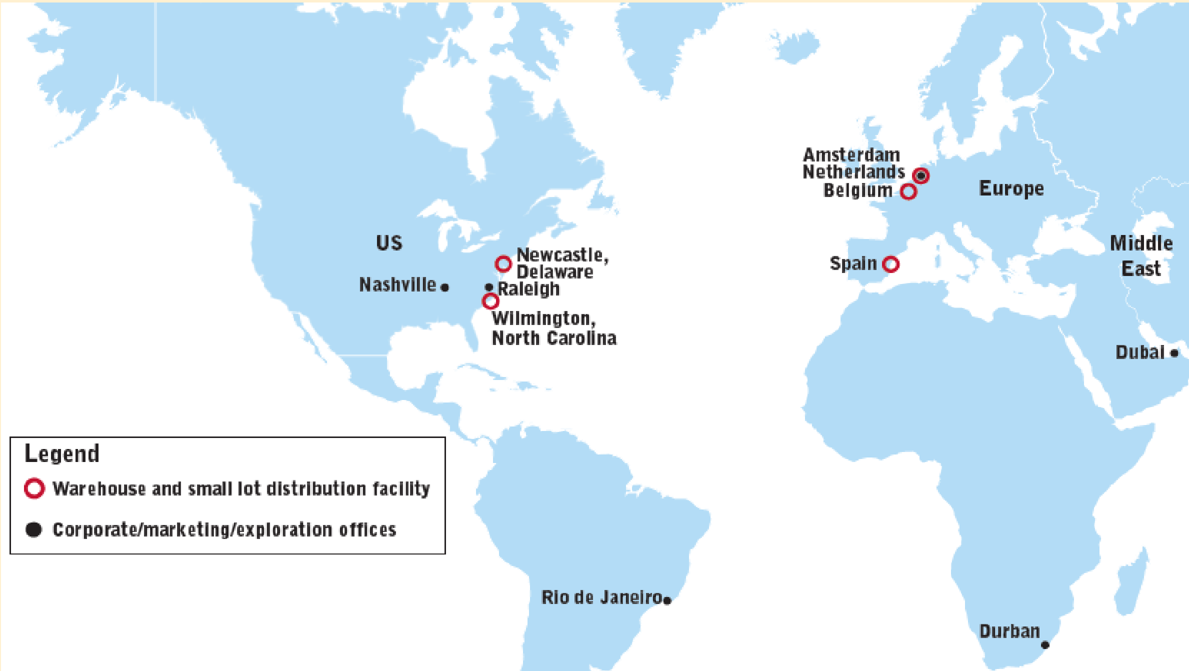
ILUKA RESOURCES HAS MULTIPLE TAX HAVEN LINKS

Sierra Rutile was incorporated in the tax haven of the British Virgin Islands and others have reported that its presence in the Islands was expanded after Iluka Resources took over.[280] When Iluka Resources acquired Sierra Rutile it merged the entity with a newly created subsidiary Iluka Investments Limited (BVI) — a wholly owned subsidiary incorporated in the British Virgin Islands.[281] Iluka Resources kept all of Sierra Rutile's subsidiaries upon acquisition, two of which were also in the British Virgin Islands. Prior to the acquisition, Iluka Resources had three subsidiaries in the Netherlands, a major global corporate tax haven. As of 2018, Iluka Resources had three subsidiaries in the British Virgin Islands and three subsidiaries in Netherlands.[282] The company expressed to us that the reason for this is that when the Sierra Rutile subsidiaries in British Virgin Islands were acquired, under Australia's Controlled Foreign Company (CFC) rules Iluka had to (and continues to have to) aggregate income from those subsidiaries to Australia.[283]

Sierra Rutile (prior to Iluka Resources acquisition) had a warehouse in Amsterdam for which there are few details in its company reports. Its purpose is described in one paragraph under "selling costs" in Iluka's reports. For example, in the Sierra Rutile 2016 financial report, it states "other costs included in selling costs are port authority and maritime authority charges, as well as freight and storage costs for certain products which are sold to customers from a warehouse in Amsterdam". Sierra Rutile's annual or financial reports from 2013 to 2016 contained similar statements referencing a warehouse in either in Europe or Amsterdam.[284]

Subsequent to acquiring Sierra Rutile, Iluka ceased reporting on its operations in Amsterdam, for neither this warehouse nor corporate offices. Iluka Resources' 2013 and 2014 annual reports identify a "warehouse and small lot distribution facility" in Amsterdam (Figure 11), and in its 2015 review it identifies "corporate/marketing offices" (but not a warehouse) in Amsterdam. However, from 2016 onwards the company reports contain no mention of these operations in Amsterdam. Iluka stated in its response to this report in relation to the function of this warehouse, that this is a "third party warehouse arrangement in the Netherlands to store Iluka and Sierra Rutile products such that it is closer to our European customer base … Neither Iluka nor any of its subsidiaries own this warehouse, nor have a lease and / or control over the warehouse premises". It also states that "the product stored in the warehouse is sold by Iluka / SRL [Sierra Rutile Ltd] direct to our customers and is not subject to any intra-group transfer pricing arrangements".

Figure 11: Snapshot of Iluka Resources 2014 annual report showing its operations in the Netherlands



Furthermore, Iluka Resources had the same three subsidiaries in Netherlands since 2013, but there is no financial information for any of them.[285] They share the same address at Prins Bernhardplein in Amsterdam,[286] and when our investigators looked into this address, they found hallmarks of a potential shell company. There appears to be no employees at this address, it is shared with a PwC office (Iluka's auditors[287]), and the address is cited in the International Consortium of Investigative Journalists' offshore leaks database[288] as an address for offshore intermediaries. It is also the same address as a well-known corporate service provider, Intertrust.[289] The physical office is a glass-clad building with no display or any information in the foyer about the companies that reside inside, and a separate reception for Intertrust behind glass doors. Iluka expressed to us that this address is different to that of the warehouse, and that the Netherlands subsidiaries have no relationship with Sierra Rutile or any Iluka operations in Africa, and that no sales are made to or from the Netherlands subsidiaries.

This secrecy over its subsidiaries in the Netherlands, which have unclear functions, raises suspicion about true business purpose of these operations.

ILUKA RESOURCES INHERITED HUGE CARRY-OVER LOSSES WITH NO EXPIRY DATE

Iluka Resources inherited extremely favourable terms from Sierra Rutile, which enable it to carry over losses with no expiry to offset taxable income — which stood at almost USD $500 million when Iluka acquired it. Sierra Rutile has effectively been using this tax concession to build up on an unlimited amount of carry-over losses for more than a decade.

Sierra Rutile's Annual Report 2005 states: "The Group, through its subsidiaries Sierra Rutile Limited and Sierra Mineral Holdings 1 Limited, is entitled to unutilised tax losses brought forward and capital allowances in respect of fixed asset acquisitions. These amounts have yet to be agreed with the Commissioner of Income Tax of Sierra Leone."[290] By 2011, it seems to have resolved the amount with the Commissioner and in its carried-forward losses section it states: "At the end of the reporting period, the Company had unused tax losses of USD $527,376,000 (2010: USD $505,697,000) available for offset against future profits … These losses have no expiry date." The Sierra Rutile Annual Report 2015 also makes the same reference to carry-forward losses of a similar amount that have no expiry. This suggests that Sierra Rutile effectively has been able to build up on a large amount of tax losses to roll over and offset taxable income for as long as it wants.

In Iluka Resources' presentation about the acquisition, it states that "As at 31 December 2015, SRL [Sierra Rutile Limited] had unused tax losses of [USD] $464.3 million available for offset against future profits",[291] which suggests this was a favourable consideration in its decision to acquire Sierra Rutile. Oxfam makes no claims that using such carry-over losses is illegal in any way. It would be entirely in line with the law in Sierra Leone and the concessions Iluka purchased when it bought this mine. However, in a country that has been racked with poverty and with the spread of Ebola, the question is whether this is right and fair to allow companies to do this for an indefinite amount of time — given the company is also digging up resources from Sierra Leone that can never be replaced.

ESTIMATED TAX LOSS TO SIERRA LEONEANS FROM 2009 TO 2015

As discussed, the Government of Sierra Leone will already be missing out on hundreds of millions in taxes due to the huge USD $500 million carry-over losses with no expiry that Iluka Resources inherited. The USD $500 million is more than 40% of Sierra Leone's entire extractives GDP in 2015 of USD $1.2 billion (AUD $1.6 billion).[292]

In terms of an estimate of corporate income tax potentially avoided up to 2015 (prior to Iluka Resources taking over the mine), assuming that the First Amendment Agreement (2004) concessions didn't apply, Sierra Rutile would have been subject to the terms of the Sierra Rutile Act (2002) — that is, a turnover tax of 3.5% in years of loss or 30% corporate tax on profits for 2009–2015 (the period for which EITI data was available). Had these rates applied, the total corporate income tax that would have been paid in this period is estimated at $40 million — equivalent to the annual healthcare cost for more than 67,000 Sierra Leonean women and children under the country's Free Health Care Initiative.[293] If the Government of Sierra Leone collected the $40 million in tax, the country would have received the equivalent of 2.4% of Sierra Leone's entire extractives sector GDP as tax revenue.[294]

Table 14: Estimated tax that the Sierra Rutile mine would have paid if they did not receive concessional tax rates

AUD millions	2009	2010	2011	2012	2013	2014	2015
Total revenue	41.0	47.7	52.9	172.4	128.5	131.0	141.7
Income before tax	-8.5	-15.0	-26.5	81.2	10.9	-9.9	-12.7
Total tax paid**	0.12	0.03	0.29	0.95	1.09	0.64	0
Total tax due estimate (hypothetical)*	1.44	1.67	1.85	24.36	3.28	4.59	4.96
Difference b/w EITI and hypothetical tax due estimated	1.31	1.64	1.56	23.41	2.19	3.95	4.96
Est. expected extra tax payments (2009–2015) AUD millions ***	40						

* 3.5% turnover tax rate applies in loss-making years, and 30% corporate tax applies in profit-making years (2012 and 2013 only)

** EITI data. Sierra Rutile's 2015 annual report states it paid $1.31 million in 2015 but this is not verified in EITI as Sierra Rutile did not participate that year.

*** Iluka Resources Annual Report (2017) states that no tax was paid in 2016, and AUD $5.2 million paid in 2017 (but this is not verifiable in EITI as there is not yet ETI data for these years).

APPENDIX III TRANSPARENCY TYPOLOGY

Table 15 shows how we categorised the Australian extractive companies operating in developing countries based on their transparency reporting. We sorted the companies into six transparency tiers based on annual reports and reports they're legally required to submit/publish on income tax reporting (in particular, for the UK and Canada transparency regulations). We repeated the exercise for reporting of other payments to government and included company sustainability and tax transparency reports because they contain more information on other payments to government. (Noting that such reports are rarely consistently published from one year to the next.)

The tiers are:

- Tier 1 companies report payments to government project by project because they are listed on a stock exchange in a jurisdiction that requires project-by-project reporting.[295] We identified the data in the UK and Canadian databases.
- Tier 2 companies report payments to government data on a country-by-country basis. In these cases, if a company has multiple projects in one country, the payments to government data is immediately rendered opaque because all projects are merged into a single reporting line.
- Tier 3 involves reporting on a single project: companies that have a single operation, which by definition means they report on a project-by-project (and country-by-country) basis. Because they have a single operating project, revenue and profits all come from this operation. Any reported payments to government are also funded only by this operation. However, their reporting on a project (and country) basis is not in response to a voluntary internal policy of transparency. These companies tend to be "juniors" (the industry description for a small company).
- Tier 4 companies report payments to government data, but aggregate data by operating segment (either commodity or region, depending on how the company is structured). For example, gold projects in different African countries are lumped together as "Africa" or as "Gold Operations", rather than reported by project.
- Tier 5 companies report payments to government costs as a separate item in annual reports. However, they aggregate them at a parent-company level, so it is impossible to know which payments corresponded to which country, which project, or if they are related to exploration or production.
- Tier 6 companies do not distinguish payments to government from other costs, and simply include them under "Operating Costs".

Originally, we believed we would be able to place each company neatly into the tiers we have made, but this process very quickly showed us how complicated the idea of transparent reporting truly is. For instance, companies report income tax at different levels than they do other payments to government. This is shown most clearly in the fact that there are zero companies that report income tax in Tier 6 (payments to government not distinguished from other costs) whereas 15 companies do not distinguish other payments to government, such as royalties, from their operating costs.

In terms of income tax reporting (Column A of Table 15), while a sizeable minority (25%) perform well in terms of income tax reporting and fall into Tier 1, half of the companies' reports fall into Tier 5 — meaning they are not useful for understanding which project, or even which country, income tax is paid because the data is reported at only the company level.

In terms of other payments to government reporting (Column B of Table 15), slightly more companies fall into the top tiers (1 and 2), which suggests that companies are putting more effort into reporting on payments to government on a project or country basis, and that pressure around more transparent tax reporting is working. However, most are not yet willing — or required — to improve yet further to project-by-project reporting, so fall into lower tiers. While collecting data from multiple report sources is cumbersome at least they exist, although new legislation by the Australian Government could improve on this situation by requiring all data to be published in the same report.

For companies in Tier 1, on the basis of tax information contained only in company reports, they would fall into lower tiers. Because they are covered by UK's or Canada's legislation, there is pubic information available on their tax payments and therefore fall into Tier 1 — making the point that companies provide project-by-project reporting when they are compelled by legislation. Nor do Tier 1 companies necessarily report comprehensively. For example, Perseus Mining's tax data in Canada's ESTMA database contains information for only its West African mines, not for Australia or its tax haven subsidiaries. It is also difficult to square the ESTMA information with company financial statements because its company reports present tax payments in a very different manner.[296]

Taken together, Table 15 shows that ASX companies are following highly divergent paths on tax reporting. There is a bunch of laggards in Tiers 5 and 6 that continue to resist pressure for transparency. There is also a sizeable well-performing minority in Tiers 1 and 2 — a minority that is even more significant because it includes major multinational companies whose operations, profits and payments to government account for a huge proportion of sectoral activity.

Table 15: ASX listed companies tax transparency tiers				
	Transparency on income tax (A)		**Transparency on other payments to government reporting in all company reports (B)***	
Tier 1	AngloGold Ashanti Ltd Austral Gold Ltd BHP Ltd OceanaGold Corporation Orocobre Ltd	Paladin Energy Ltd** Perseus Mining Ltd Rio Tinto Ltd South32 Ltd Universal Coal PLC	Anglogold Ashanti Ltd Austral Gold Ltd BHP Ltd Oceanagold Corporation Orocobre Ltd	Paladin Energy Ltd** Perseus Mining Ltd Rio Tinto Ltd South32 Ltd Newcrest Mining Ltd
Tier 2	Range Resources Ltd Santos Ltd		MMG Ltd Oil Search Ltd[297] Iluka Resources Ltd Santos Ltd	
Tier 3	Avanco Resources Ltd*** Base Resources Bass Oil Ltd Beadell Resources Ltd^	Kingrose Mining Ltd Medusa Mining Ltd Red 5 Ltd Tiger Resources Ltd	St Barbara Ltd Kingrose Mining Ltd Base Resources Bass Oil Ltd	Beadell Resources Ltd^ Avanco Resources Ltd***
Tier 4	No companies were categorised in Tier 4		No companies were categorised in Tier 4	
Tier 5	Alumina Ltd Avenira Ltd Crater Gold Mining Ltd Frontier Diamonds Ltd Iluka Resources Ltd Intra Energy Corporation Ltd Jupiter Mines Ltd Lucapa Diamond Company Ltd MMG Ltd Newcrest Mining Ltd	Niuminco Group Ltd Oilex Ltd Oil Search Ltd Panterra Gold Ltd Sino Gas & Energy Holdings Ltd St. Barbara Ltd Tap Oil Ltd Terracom Ltd Troy Resources Zimplats Holdings Ltd	Panterra Gold Ltd Range Resources Ltd Tap Oil Ltd Troy Resources Zimplats Holdings Ltd Universal Coal PLC Terracom Ltd	
Tier 6			Crater Gold Mining Ltd Avenira Ltd Jupiter Mines Ltd Medusa Mining Ltd Oilex Ltd Red 5 Ltd Intra Energy Corporation Ltd	Lucapa Diamond Company Ltd Sino Gas & Energy Holdings Ltd Frontier Diamonds Ltd Tiger Resources Ltd Alumina Ltd Niuminco Group Ltd

* For companies that are not in Tier 1, only five other companies published voluntary tax transparency reports which provide disaggregated data on other payments to government and for some include income tax payments. These are MMG Ltd, Oil Search Ltd, Iluka Resources Ltd, Santos Ltd, St Barbara Ltd.

** Notwithstanding Paladin's ranking, their broader tax practices beyond transparency must be assessed in the context of new information which came to light at the time this report went to press. This news can be found here: https://www.money-trail.org/story/langer-heinrich-dodged-n219-million-tax/

*** Avanco Resources Ltd is now a wholly owned subsidiary of the Oz Minerals Group. It was acquired in 2018.

^ Beadell Resources Ltd was acquired by Great Panther Mining Ltd in 2018.

APPENDIX IV DEFINITIONS AND METHODS

APPENDIX IV.1 DEFINING 'PROJECT'

A key objective of this research was to understand the "reach", or power, of current Australian regulation to determine what data about mining revenues and payments is publicly available. In keeping with this objective, we used three key criteria to define what projects to include:

1. Publicly owned energy (oil/gas) and resources (minerals) companies listed on the ASX;
2. Projects that involved a mine or well that was producing during 2016 to 2017 in countries in Africa, Asia or Latin America and Caribbean that are part of the Group of 77 developing countries.[298] Projects that were in development or at the exploration stage only were excluded. (We collected data from 2008 to 2018, although some projects began production before 2008 and several began after 2008); and
3. Operating projects in which Australian companies held a significant stake.

There was one additional criterion:

4. When a company did not hold significant ownership, but the project is nationally significant for the host country, it was included, eg. Santos owns only 11.5% of the Bayu Undan joint development in the Timor Gap, but the project is nationally significant for Timor-Leste, so we included it.

We considered privately owned energy and resources companies that met criteria two to four above, but found none.

We excluded projects that involved (a) exploration only, or (b) a licenced claim where there was no activity.

In the case of joint ventures, we did not include or exclude projects based on whether it was the ASX company, joint venture partner or contractor that operated the mine — as long as the project fit the criteria, it was included.

Where the company was headquartered was not a criterion. We considered any firm listed on the ASX. This means that some projects are operated by companies headquartered outside Australia, eg. AngloGold Ashanti (headquartered in Johannesburg).

Deliberate double-counting: Because we are interested in what data different companies publish, we deliberately double-counted three projects: Escondida copper mine in Chile (BHP and Rio Tinto are both shareholders), MRN Porto Trombetas bauxite mine in Brazil (South32 and Rio Tinto are the two corporate owners listed on the ASX, but there are other corporate owners too) and CBG/Sangaredi bauxite mine in Guinea (Rio Tinto and Alumina Ltd are the two ASX-listed owners). These three mines account for a total of six of the projects on our list of 88.

After defining "project" we took the following steps:

1. We identified all companies in the "Energy" and "Materials" sectors of the ASX: 1,082 in total. Using the other criteria, this list was narrowed down to 88 operating projects controlled by 40 companies.
2. We scrutinised the reports of these 40 companies for project data, focusing on (a) revenue from the project; and (b) payments made to the host government.

- We considered annual, sustainability, "taxes paid" and "economic contribution" reports, but in practice most data came from annual reports.
- We excluded payments made directly from companies to community organisations.

3. We divided payments to government into three categories: 1) corporate incomes; 2) royalties; and 3) "Other Payments". We also noted direct payments made from companies to fund specific infrastructure projects (these projects sometimes, but not always, involved necessary infrastructure for the mine, eg. roads and railways).

- We arranged this data into a standard table for each project, with columns for production (expressed in industry standard units), revenue, corporate taxes, royalties, other payments and infrastructure payments.

4. In some cases, financial data was available for an entire project that had multiple owners, but was not detailed for each owner. In these cases, each firm's payments to government were calculated by multiplying its ownership percentage (eg. 30%) by the total project revenue and payments to government data that was available — a kind of "reverse engineering".
5. OilSearch's 11 projects comprise 12.5% (11 out of 88) of the sample. Because OilSearch's projects are such a large portion of our sample, it was important we obtain data for them. Therefore, we took combined total annual data for OilSearch's operations in Papua New Guinea (PNG) and used this in our calculations. This was made possible because the only producing projects owned by OilSearch are all in PNG, and it combined reports revenue and income tax for PNG under segment information.
6. We sent all companies on our list a table of the data we found for their projects. Our letter requested confirmation and corrections. It also asked why project-by-project reporting was not done, if this was the case.

7. We identified which projects are in countries that require EITI reporting. We did this to ascertain whether the EITI is useful for obtaining data on payments to government by ASX-listed firms to know simply whether it was publicly available.
8. We tried to identify subsidiaries owned by the 40 companies on our final list, including the jurisdictions in which these subsidiaries are registered. Identifying the place of incorporation of some subsidiaries was only possible because we had access to a Thomson Reuters database. Such access is not available to the general public and therefore there is limited transparency around subsidiaries not otherwise declared in annual reports.
9. We contacted all companies by phone approximately two weeks after the letter was sent to confirm receipt of the letter and to determine if they intended to respond to clarify any questions. Not all companies wanted to participate.
10. We analysed final data for each project for its:

- availability (was it easy to obtain?)
- clarity (was it understandable?)
- usefulness (if understandable, did the data say anything useful about payments to government?)

APPENDIX IV.2 METHOD — AFRICA'S TAX REVENUE LOST DUE TO TAX AVOIDANCE BY AUSTRALIAN EXTRACTIVES

Oxfam Australia's 2016 Hidden Billions report estimated the difference in reported returns in foreign investment in developing countries between those that come via tax havens and those that don't. That report found that in developing countries, the reported returns of foreign investments coming via tax havens — including that originating from Australia — are lower compared to foreign investments from non-tax haven countries. The report was then able to estimate the proportion of profits shifted to offshore tax secrecy jurisdictions as a result of foreign investors using tax secrecy jurisdictions — termed the "profit gap" — and the amount of taxes lost to developing countries as a result of this profit shifting.

In this report, we replicated the Hidden Billions report method to calculate the tax avoided by foreign investment in the extractives sector in Africa. A summary of the steps taken is described below, followed by the model details.

First, the degree of tax haven exposure for African countries was calculated using data from IMF[299] that shows the flow of foreign direct investment between countries. To put it simply, tax haven exposure is a measure of the likelihood of profit shifting from the African country. A country's tax haven exposure is given by the proportion of foreign direct investments originating from a tax secrecy jurisdiction relative to total inflows. Using the Hidden Billions report estimates, we also derive a country's exposure to Australian firms' use of tax secrecy jurisdictions.

Second, the rate of reduced returns estimated for developing countries in the Hidden Billions report was applied to this tax haven exposure to estimate the profit gap — an estimate of the proportion of profits not reported in the African country.

Third, the profit gap calculated is applied to total foreign investment coming into the destination country. This estimate is regarded as the amount of profits shifted due to foreign investors' use of tax havens.

Fourth, the corporate income tax rate is applied to the shifted profit to estimate the tax revenue lost to the destination country.

Using this method and applying it to the level of foreign investment in Africa's extractives sector as a whole, it is estimated that as much as $1.1 billion in profit was shifted out of Africa by the Australian extractives sector, equating to a loss of $289 million in 2015.

Model details

- The full method of estimation to calculate the drop in rate of returns to foreign investment (FDI) where the developing country is exposed to tax havens is presented in Oxfam's Hidden Billions report. That report found that, when 10% of a developing country's total FDI (net reported profit) comes from tax secrecy jurisdictions, on average the rate of return is 1.8% lower. For a developed country, the average rate of return is 1.49% lower. Noting that this estimate is for investment across sectors, not just extractives: the mining sector may have higher or lower propensity to offshore profits. The total mining investment into Africa assumed is based on AAMEG ($40 billion),[300] which is the best available figure we could find, and the profit shifted is sensitive to this assumption.
- The proportion of profits shifted to offshore tax havens as a result of tax haven exposure, is termed the "profit gap". This is calculated by applying the reduced rate of return to the level of exposure to tax havens, for a given year:

$$ProfitGap\%_X = 0.18699 * Exposure_X$$

Where $Exposure_x = \sum(FDI_{tax\ havens,x})/(FDI_{total,x}) * 100$

And $FDI_{tax\ havens,x}$ is the total foreign direct investment from tax havens to country x

$FDI_{total,x}$ is the total FDI into country x

- The amount of profit shifted is then given by the following:

$$GrossProfitShifted_x = (ProfitGap\%_x * FDI_{total,x})/(1 - ETR)$$

And $TaxAvoided_x = GrossProfitShifted_x * CIT$

Where ETR is effective tax rate paid and CIT is corporate tax rate

- To estimate the tax loss for Africa due to Australian extractive firms, we calculate Africa's OFC exposure due to Australian MNCs use of tax havens. This means the $ProfitGap\%_x$ is given by:

$$ProfitGap\%_{Africa} = 0.18699 * Exposure_{Africa,Aust}$$

Where $Exposure_{Africa,Aust} = \sum(FDI_{Aust\ tax\ havens,Africa})/(FDI_{total,Africa}) * 100$

And $FDI_{Aust\ tax\ havens,Africa}$ is the total FDI from Australian MNCs via tax havens to Africa,

$FDI_{total,Africa}$ is the total FDI into Africa

- The amount of profit shifted from Africa by Australian extractives is then given by:

$$GrossProfitShifted_{Africa} = (ProfitGap\%_{Africa} * FDI_{Aust\ ext\ total,Africa})/(1 - ETR)$$

And $TaxAvoided_{Africa} = GrossProfitShifted_{Africa} * CIT$

Where $FDI_{Aust\ ext\ total,Africa}$ is the total FDI from Australian extractive firms to Africa. Noting the best available estimate for total Australian extractives sector FDI into Africa is from AAMEG ($40 billion).

And ETR is effective tax rate paid and CIT is corporate tax rate.

APPENDIX IV.3 PROJECTS AND JURISDICTIONS OF INFLUENCE

Table 16 shows the 88 Australian projects that were in operation in 2016 and 2017, and the tax transparency legislation they are covered by due to either the parent company being listed in a country with tax reporting laws (and therefore may be responsible for reporting on the project it holds an interest in), or the project being located in an EITI member country. Overall, 71 of the 88 projects are potentially covered by some form of tax transparency reporting. However, as discussed in Appendix I, for projects in EITI countries, tax and ownership information is not always presented comprehensively due to variations in the way a country implements the EITI. We also note that not all projects are covered by the tax transparency laws where the parent company is listed, because, for example, under the UK law, only those interests in a mining operation that a company operates and/or controls are subject to mandatory disclosure rules. As an example, BHP's ownership interest in Cerrejon, Antamina and Samarco is not subject to the UK tax transparency rules, but it is possible to find information about the tax and royalty payments for these projects in BHP's economic contribution reports.

Table 16: ASX listed companies' projects and corresponding jurisdictions' tax reporting requirements					
Company name	**Project name**	**Project location**	**Project located in EITI member country?**	**ASX-listed only / not in EITI state?**	**Company listed in UK and/or Canada***
Alumina Ltd	Sangaredi Mine	Guinea	Yes	-	-
Alumina Ltd	Juruti Mine	Brazil	-	Yes	-
Anglogold Ashanti Ltd	Vaal River (Kopanang + Moab Khotsong Mines)	South Africa	-	-	Yes
Anglogold Ashanti Ltd	Surface Ops Project	South Africa	-	-	Yes
Anglogold Ashanti Ltd	Cerro Vanguardia	Argentina	-	-	Yes
Anglogold Ashanti Ltd	AGA Mineracao	Brazil	-	-	Yes
Anglogold Ashanti Ltd	Serra Grande	Brazil	-	-	Yes
Anglogold Ashanti Ltd	Kibali Project	DRCongo	Yes	-	Yes
Anglogold Ashanti Ltd	Iduapriem Project	Ghana	Yes	-	Yes
Anglogold Ashanti Ltd	Siguiri Project	Guinea	Yes	-	Yes
Anglogold Ashanti Ltd	Morila Project	Mali	Yes	-	Yes
Anglogold Ashanti Ltd	Sadiola Project	Mali	Yes	-	Yes
Anglogold Ashanti Ltd	Geita Gold Project	Tanzania	Yes	-	Yes
Anglogold Ashanti Ltd	West Wits Project (Mponeng and Tau Tona Mines - TT now closed)	South Africa	-	-	Yes
Austral Gold Ltd	Guanaco/ Amancaya Project	Chile	-	-	Yes
Austral Gold Ltd	Casposo Mine	Argentina	-	-	Yes
Avanco Resources Ltd	Antas Project	Brazil	-	Yes	-
Avenira Ltd	Baobab Project	Senegal	Yes	-	-
Base Resources Ltd	Kwale Mineral Sands Project	Kenya	-	Yes	-
Bass Oil Ltd	Tangai-Sukananti Project	Indonesia	Yes	-	-
Beadell Resources Ltd	Tucano Gold Mine	Brazil	-	Yes	-
BHP Ltd	Algeria Joint Interest	Algeria	-	-	Yes
BHP Ltd	Angostura	Trinidad & Tobago	Yes	-	Yes
BHP Ltd	Cerrejon, La Guajira	Colombia	Yes	-	Yes
BHP Ltd	Antamina Mine	Peru	Yes	-	Yes
BHP Ltd	Pampa Norte Mine	Chile	-	-	Yes
BHP Ltd	Escondida	Chile	-	-	Yes
BHP Ltd	Samarco	Brazil	-	-	Yes

Company name	Project name	Project location	Project located in EITI member country?	ASX-listed only / not in EITI state?	Company listed in UK and/or Canada*
Crater Gold Mining Ltd	Crater Mountain HGZ Project	PNG	Yes	-	-
Frontier Diamonds LTD	Star Mine	South Africa	-	Yes	-
Frontier Diamonds LTD	Sedibeng JV Project	South Africa	-	Yes	-
Iluka Resources Ltd	Sierra Rutile	Sierra Leone	Yes	-	-
Intra Energy Corporation Ltd	Tancoal Mbalawala Mine	Tanzania	Yes	-	-
Jupiter Mines Ltd	Tshipi Borwa Mine	South Africa	-	Yes	-
Kingrose Mining Ltd	Way Linngo Project	Indonesia	Yes	-	-
Lucapa Diamond Company Ltd	Lulo Diamond Project	Angola	-	Yes	-
Medusa Mining Ltd	Co-O Project	Philippines	Yes	-	-
MMG Ltd	Kinsevere Project	DRCongo	Yes	-	-
MMG Ltd	Las Bambas	Peru	Yes	-	-
MMG Ltd	Sepon	Laos	-	Yes	-
Newcrest Mining Ltd	Lihir	PNG	Yes	-	-
Newcrest Mining Ltd	Gosowong	Indonesia	Yes	-	-
Niuminco Group Ltd	Edie Creek	PNG	Yes	-	-
OceanaGold Corporation	Didipio	Philippines	Yes	-	Yes
Oil Search Ltd	PNG LNG Project LNG	PNG	Yes	-	-
Oil Search Ltd	PNG LNG gas to power	PNG	Yes	-	-
Oil Search Ltd	Hides GTE gas	PNG	Yes	-	-
Oil Search Ltd	SE Gobe gas to PNG LNG	PNG	Yes	-	-
Oil Search Ltd	Kutubu	PNG	Yes	-	-
Oil Search Ltd	Moran	PNG	Yes	-	-
Oil Search Ltd	Gobe Main	PNG	Yes	-	-
Oil Search Ltd	SE Gobe	PNG	Yes	-	-
Oil Search Ltd	PNG LNG Liquids Projects	PNG	Yes	-	-
Oil Search Ltd	Hides GTE liquids	PNG	Yes	-	-
Oil Search Ltd	SE Mananda	PNG	Yes	-	-
Oilex LTD	Bhandut Field	India	-	Yes	-
Orocobre Ltd	Salar de Olaroz	Argentina	-	-	Yes
Paladin Energy LTD	Langer Heinrich Mine (LHM)	Namibia	-	Yes	-
Panterra Gold Ltd	Las Lagunas	Dominican Republic	Yes	-	-
Perseus Mining Ltd	Edikan Gold Mine	Ghana	Yes	-	Yes
Range Resources Ltd	South Quarry, Morne Diablo, Beach Marcelle	Trinidad	Yes	-	-

Company name	Project name	Project location	Project located in EITI member country?	ASX-listed only / not in EITI state?	Company listed in UK and/or Canada*
Red 5 Ltd	Siana	Philippines	Yes	-	-
Rio Tinto Ltd	CBG Sangaredi	Guinea	Yes	-	Yes
Rio Tinto Ltd	MRN Porto Trombetas	Brazil	-	-	Yes
Rio Tinto Ltd	Escondida	Chile	-	-	Yes
Rio Tinto Ltd	Grasberg	Indonesia	Yes	-	Yes
Rio Tinto Ltd	Oyu Tolgoi	Mongolia	Yes	-	Yes
Rio Tinto Ltd	QIT Madagascar	Madagascar	-	-	Yes
Rio Tinto Ltd	Richards Bay	South Africa	-	-	Yes
Rio Tinto Ltd	Rossing Uranium	Namibia	-	-	Yes
Rio Tinto Ltd (pre-2012)	Borax Argentina	Argentina	-	-	Yes
Santos Ltd	PNG LNG	PNG	Yes	-	-
Santos Ltd	Bayu Undan	Timor-Leste	Yes	-	-
Sino Gas & Energey Holdings Ltd	SGE	China	-	Yes	-
South32 Ltd	MRN / Brazil Alumina	Brazil	-	-	Yes
South32 Ltd	South Africa Energy Coal	South Africa	-	-	Yes
South32 Ltd	Mamatwan/ Hotazel Project	South Africa	-	-	Yes
South32 Ltd	Cerro Matoso	Colombia	Yes	-	Yes
St Barbara Ltd	Simberi	PNG	Yes	-	-
Tap Oil Ltd	Manora Field	Thailand	-	Yes	-
Terracom Ltd	Baruun Noyon Uul (BNU)	Mongolia	Yes	-	-
Tiger Resources Ltd	Kipoi	DRC	Yes	-	-
Troy Resources Ltd	Karouni Project	Guyana	Yes	-	-
Troy Resources Ltd	Casposo	Argentina	-	Yes	-
Troy Resources Ltd	Andorinhas	Brazil	-	Yes	-
Universal Coal PLC	Kangala	South Africa	-	Yes	-
Universal Coal PLC	New Clydesdale Colliery	South Africa	-	Yes	-
Zimplats Holdings Ltd	Zimplats	Zimbabwe	-	Yes	-

* For projects that are owned by companies listed in the UK, only those interests in a mining operation which a company operates and/or controls (essentially, consolidates for its accounting purposes) are subject to mandatory disclosure rules. For projects owned by companies listed in Canada, a parent company may elect not to publish a report under specific conditions including if all the reportable payments were made by subsidiary companies that are also reporting entities under the ESTMA.

APPENDIX IV.4 EXCHANGE RATES USED FOR CALCULATIONS IN THE REPORT

Currency	2010	2011	2012	2013	2014	2015	2016	2017
USD 1 = AUD	1.09	0.96	0.96	1.04	1.11	1.34	1.35	1.30
Leone 1 = AUD	0.00030	0.00024	0.00023	0.00023	0.00025	0.00030	0.00030	0.00017
Cedi 1 = AUD	0.77	0.62	0.5	0.49	0.37	0.33	0.36	0.32

ENDNOTES

1. All currency is in Australian dollars (AUD) throughout this report unless otherwise indicated.

2. In this report, we use the term tax haven and tax secrecy jurisdictions interchangeably. We regard both terms to mean jurisdictions that have laws and other measures that can be used to avoid the tax laws or regulations of other jurisdictions. The Organisation for Economic Cooperation and Development (OECD) defines a tax haven as a country that has these key characteristics: no or only nominal taxes; lack of effective exchange of information; and lack of transparency in the operation of the legislative, legal or administrative provisions. (OECD (2019), 'Glossary', http://www.oecd.org/ctp/glossaryoftaxterms.htm, accessed May 2019.) Other characteristics and ranking of tax havens or secrecy jurisdictions can be found at https://www.corporatetaxhavenindex.org/introduction/cthi-2019-results – in this report we are concerned with countries assigned a score above 65 in this list.

3. Source: Zucman, G. (2014), 'Taxing across borders: tracking personal wealth and corporate profits', Journal of Economic Perspectives, 28(4), pp.121–148. Note the estimate of financial wealth hidden in tax havens includes both corporate and personal wealth. Exchange rate used for 2013 is 1USD=1.04AUD.

4. USD $500 billion (TJN (2017), Tax avoidance and evasion – the scale of the problem). Exchange rate used for 2017 is USD 1 = AUD 1.3

5. This tax loss estimate was produced using the method from Oxfam Australia's 2016 Hidden Billions report, which used International Monetary Fund (IMF) investment flow data to estimate the difference in reported returns to foreign investments in developing countries between those that come via tax havens and those that don't. Applying the same method to a single sector, we produced the estimate for profit shifted and tax avoided by the Australian extractives sector in Africa. The IMF Coordinated Direct Investment Survey (CDIS) data for 2015 was used to ensure the tax gap estimate in the Hidden Billions report, which used 2014 data, can be applied. The CDIS reports bilateral investment stocks (debt and equity). That is, this data shows Foreign Direct Investment stocks from each origin-country to each destination-jurisdiction. The data is bilateral and covers only enterprises, so only multinational corporates will be captured, and use of tax havens by individuals is excluded (data source: IMF (2019), Coordinated Direct Investment Survey, http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5). This method is explained further in Appendix IV.2 in this report, and how we determined the tax avoided by the extractives sector.

6. In this report, the terms "mining sector" and "mining industry" are used to refer to both oil and mining companies, and used interchangeably with the term "extractives industry".

7. In addition to ensuring governments receive the correct amount of taxes, there is an important role for governments to make the right decisions on spending on these public services in order to achieve positive social outcomes.

8. Our research found operating Australian mines in Madagascar, Democratic Republic of Congo (DRC), Sierra Leone, Mali, Senegal, Zimbabwe, Kenya, Namibia and Ghana in 2016–17. WHO (2016), World Malaria Report 2016; World Bank (2019), 'GDP per capita', https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?year_high_desc=false, accessed May 2019. 1USD=1.34AUD.

9. Canada's Extractive Sector Transparency Measures Act, https://www.nrcan.gc.ca/mining-materials/estma/18198; UK's Company House Extractives Service, https://extractives.companieshouse.gov.uk/; EU's Accounting and Transparency Directive (Directive 2013/34/EU). Note that Ukraine has passed a law in late 2018 that requires extractive companies in Ukraine to submit reports to the government in accordance with the EITI standards, with the first mandatory reporting period starting in 2018 (source: DiXi Group (2018), The Law of Ukraine on Ensuring Transparency in Extractive Industries).

10. In this report, we define an Australian company as either a primary listing on the ASX, head office based in Australia with executive employees present, or most of the revenue accruing to Australia or Australian shareholders.

11. For example, a recent report indicates there may be 312 projects in 34 African nations alone in 2017. (Cato, J. (2017), Abundant resources, absent data, Publish What You Pay Australia.) See Appendix IV.1 for information about how we identified the 88 projects and their payments to government.

12. The full list of mining companies we analysed that do disclose disaggregated tax payments are presented in Appendix III. Some companies, like BHP and Rio Tinto, do publicly report global tax data and have been long-time supporters of tax transparency disclosures. They were early adopters of tax transparency practices as laws began to emerge in the United States (US) and other jurisdictions on this issue. For example, in its submission to the US Securities and Exchange commission Dodd-Frank Wall Street Reform on implementing payment disclosure requirements for mining companies, BHP stated support for a globally consistent mandatory tax transparency framework to create a level playing field among the resource sector, and that such disclosures are an important step to enhanced natural resource governance (http://www.pwypusa.org/wp-content/uploads/2017/02/CompanyStatements.pdf).

13. While all care has been taken to ensure data used is accurate and reliable, the tax loss estimates produced are subject to uncertainty due to the limited access to companies' full financial data and fluctuations in commodity prices over the period of analysis, which would affect the estimates. Note the $52 million estimated for MMG Ltd is an upper estimate. See Appendix II for further detail and a lower-bound estimate for MMG Ltd.

14. This is based on an annual salary of USD $5,000 per Ghanaian nurse in 2016 (Darko, S. (2015), 'How Ghana has reversed exodus of nurses', BBC Africa, https://www.bbc.com/news/world-africa-31637774, accessed June 2019).

15. The World Health Organization requested USD $26 million for responding to the Ebola outbreak in 2018. (Aglionby, J. (2018), 'WHO calls for extra funds to contain Ebola outbreak', Financial Times, https://www.ft.com/content/caea181a-5ab5-11e8-bdb7-f6677d2e1ce8, accessed February 2019.)

16. The Free Health Care Initiative cost USD $420 to USD $444 per life year saved. The initiative abolished health user fees for pregnant women, lactating mothers and children under five years old. (Whitter, S., Brikei, N., Harris, T., Williams, R., Keen, S., Mujica, A., Jones, A., Murray-Zmijewski, A., Bale, B., Leigh, B. and Renner, A. (2016), The Sierra Leone Free Health Care Initiative (FHCI): process and effectiveness review, HEART.)

17. See Appendix II 'Iluka Resources inherited huge carry-over losses with no expiry date' for full details.

18. See Appendix II 'Perseus has been using tax credits to offset royalty payments since 2014' for full details.

19. See Table 2 in subsection 'Where have the taxes gone? MMG Ltd's Kinsevere mine in the Democratic Republic of Congo' for full details.

20. We have used a tax-to-revenue ratio as a practical measure because the focus companies report losses in almost every year (and one company does not report taxable income by projects). We hesitate to use the tax-to-profit ratio as it's not clear what the reason is for the reported losses and the figures are difficult to interpret: Sierra Rutile would show negative tax/profit ratio for almost every year except two, and Perseus would have a ratio of zero (since no taxes have ever been paid). It is important to note that the use of tax-to-revenue ratios in this report should not be seen as criticising the importance of retaining the principle of profit-based tax, but clearly its effectiveness rests in part on ensuring companies are not able to shift profits to tax havens or claim unreasonable deductions.

21. Compared to Australian firms paying taxes in Australia where corporate tax rates are also 30% for large multinationals, tax paid as a proportion of total revenues averages 2.3% for the years 2013–14 to 2016–17 (Australian Government (2018), 'Corporate tax transparency', https://data.gov.au/dataset/ds-dga-c2524c87-cea4-4636-acac-599a82048a26/details, accessed June 2019). While we think 2.3% is still too low, it's much higher than the 0–0.9% paid by the three Australian mines in Africa. Note also that the remaining 99% of revenues that stay with the company do not represent profits, the revenue earned needs to cover costs of operation.

22. A full breakdown of sources and information for each case study and mine is enclosed in Appendix II of this report.

23. World Bank (2019), 'GDP per capita data', https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?year_high_desc=false, accessed April 2019.

24. A full list of recommendations can be found in the section "Conclusion and recommendations".

25. Large companies refer to those with an annual income of $250 million or more.

26. Some foreign governments have mandated project-by-project reporting be produced in a readable format, including the United Kingdom (UK). In early 2019, the UK's Financial Conduct Authority stipulated that reports on payments to government by extractive companies listed on the London Stock Exchange must be made to the official online platform (http://www.morningstar.co.uk/uk/NSM) and be in both open and machine-readable data and in "human readable" pdf or html formats, with a view to improving data accessibility. (Financial Conduct Authority, Primary Market Bulletin, February 2019, no.20 (London), pp.8–10). See Appendix I for other attributes to consider in designing Australia's tax transparency regulation.

27. In this report, we define large extractive companies that should submit public project-by-project reports as those with an annual income of $100 million or more.

28. Sector-specific payments for the extractive sector include, but are not limited to, royalties, lease hold payments, payments to state-owned companies, profit oil payments and bonus payments.

29. Other sector-specific payments for the extractives sector that should be published include, but are not limited to, royalties, lease hold payments, payments to state-owned companies, profit oil payments and bonus payments. For further information on contract transparency see Oxfam (2018), Contract disclosure survey 2018.

30. ICIJ (2019), 'Paradise Papers, secrets of the global elite', https://www.icij.org/investigations/paradise-papers/, accessed May 2019.

31. The four companies are Johnson & Johnson, Pfizer, Merck Sharp & Dohme (MSD) and Abbott. MSD refers to the US-based pharmaceutical company Merck and Company, Inc., sometimes known as Merck Sharp & Dohme (MSD) outside the US, not the German-based pharmaceutical company Merck KGaA. The full report can be found at https://www.oxfam.org/en/research/prescription-poverty, and its follow-up report at https://www.oxfam.org/en/research/hazardous-your-health.

32. Tax Justice Network Australia, May 2018, Tax avoidance by for-profit aged care companies: profit shifting on public funds (http://anmf.org.au/documents/reports/ANMF_Tax_Avoidance_Full_Report.pdf).

33. Oxfam Australia (2016), Hidden Billions. 1USD=1.11AUD.

34. UNCTAD (2015), World investment report, reforming international investment governance. Exchange rate used for 2013 is USD 1 = AUD 1.04.

35. "Beneficial owners" is defined as the natural person(s) who ultimately owns or controls the legal person or arrangement. (https://www.transparency.org/files/content/activity/2015_TI_G20PositionPaper_BeneficialOwnership.pdf)

36. Canada's Extractive Sector Transparency Measures Act (https://www.nrcan.gc.ca/mining-materials/estma/18198); EU's Accounting and Transparency Directive (Directive 2013/34/EU), and the EU Capital Requirement Directive IV (CRDIV) (Directive 2013/36/EU); Norway's regulations on country-by-country reporting (https://www.regjeringen.no/no/dokumenter/forskrift-om-land-for-land-rapportering/id748525/); UK's Company House Extractives Service (https://extractives.companieshouse.gov.uk/). The US Dodd Frank Act section 1504 required extraction companies to publicly report payments to foreign governments for resource extraction projects, but the US Congress rescinded this law in February 2017 before it came into effect. Had the regulation stood, it would have subjected 84 of the top 100 of the world's largest oil and gas companies to public disclosure mandates. (https://www.economist.com/blogs/democracyinamerica/2017/02/big-signing). The Trump Administration also withdrew the US from the EITI in 2017.

37. See Appendix I 'Beneficial ownership information' for further details about beneficial ownership registers.

38. The Treasury (2019), 'Increasing transparency of the beneficial ownership of companies', https://treasury.gov.au/consultation/increasing-transparency-of-the-beneficial-ownership-of-companies, accessed May 2019.

39. Department of Foreign Affairs and Trade (2019), 'Extractives sector development assistance', https://dfat.gov.au/aid/topics/investment-priorities/infrastructure-trade-facilitation-international-competitiveness/extractives-sector-development-assistance/Pages/extractives-sector-development-assistance.aspx, accessed May 2019.

40. We wrote to all 40 Australian mining companies that we examined as part of this report, but not all companies responded. Only about a dozen companies obliged and provided (varying amounts of) data that we requested, while others directly declined to provide any information. For example, TerraCom Limited, which owns the Baruun Noyon Uul Coal Mine in Mongolia, wrote to us in correspondence on 26 September 2018 that people in Mongolia are aware of what TerraCom contributes and therefore it didn't see the need to cooperate with this research.

41. Overesch, M. and Wolff, H. (2018), Financial transparency to the rescue: effects of country-by-country reporting in the EU banking sector on tax avoidance.

42. UK Government (2018), The Reports on Payments to Governments Regulations 2014: Post Implementation Review (BEIS024 (PIR)-18-BF), UK Government, 15/02/2018, Para. 83, p.22, http://www.legislation.gov.uk/uksi/2014/3209/pdfs/uksiod_20143209_en.pdf

43. Global Reporting Initiative (2018), 'Global Reporting Initiative paves the way for more transparency around corporate tax practices', https://www.globalreporting.org/information/news-and-press-center/Pages/GRI-paves-the-way-for-more-transparency-around-corporate-tax-practices.aspx, accessed May 2019.

44. The Mining Association of Canada (2015), 'Mining industry welcomes enactment of transparency legislation', http://mining.ca/news-events/press-releases/mining-industry-welcomes-enactment-transparency-legislation, accessed May 2019.

45. In Ayanfuri, temperatures can reach 38°C and classrooms are in the open air, and without enough desks and chairs, this impacts students' ability to learn.

46. 'The power of mining to transform development in Africa', address at the 2015 Investing in African Mining Indaba, Cape Town, South Africa.

47. From oil, natural gas, coal, and minerals sectors. Region descriptions such as 'Arab World' are according to World Bank classification. Source: World Bank, 'DataBank World Development Indicators', https://databank.worldbank.org/data/reports.aspx?source=2&series=NY.GDP.TOTL.RT.ZS,NY.GDP.PETR.RT.ZS,NY.GDP.NGAS.RT.ZS,NY.GDP.COAL.RT.ZS,NY.GDP.MINR.RT.ZS,NY.GDP.FRST.RT.ZS#, accessed May 2019.

48. The FDI Intelligence report (2016), The Africa investment report 2016, https://www.camara.es/sites/default/files/publicaciones/the-africa-investment-report-2016.pdf

49. World Bank (2019), 'Poverty', http://www.worldbank.org/en/topic/poverty/overview, accessed May 2019.

50. World Bank (2019), 'Poverty', http://www.worldbank.org/en/topic/poverty/overview, accessed May 2019.

51. UNDESA (2019), 'International decade for action 'Water for life' 2005–2015', https://www.un.org/waterforlifedecade/africa.shtml, accessed May 2019.

52. Moore, M. and Lundstol, O. (2016), What have we learned about mining taxation in Africa?, Summary brief number 1, International Centre for Tax and Development.

53. United Nations Economic Commission for Africa (2015), Illicit financial flows, report of the high level panel on illicit financial flows from Africa, https://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf.

54. UNCTAD (2017), World investment report 2017, https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1688.

55. Trade mis-invoicing is one form of "related party transaction" through which a subsidiary can shift profits from a country to its related overseas entity based in a lower tax jurisdiction, thereby reducing the company's overall tax paid. (https://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf)

56. The Economist (2015), 'Tax them and they will grow - developing countries need to get better at taxing', https://www.economist.com/news/finance-and-economics/21657433-poor-countries-need-get-better-raising-tax-and-multinational-firms-need, accessed June 2018.

57. Ibid.

58. See Appendix IV.1 for information about how we identified the 88 projects and their payments to government. Other estimates for the number of ASX-listed companies present in Africa range from 139, with 312 projects in 34 countries (Cato, J. (2017), Abundant resources, absent data, Publish What You Pay Australia) to 170, with 400 projects in 35 countries (AAMEG (2017), Submission to the Australian Senate on Australia's Trade and Investment Relationships with the Countries of Africa).

59. This distribution does not reflect the number of exploration projects or projects currently in development, which could vary significantly from the number and location of operating projects.

60. The top seven companies, in order of the greatest number of projects, are AngloGold Ashanti Ltd, Oil Search Ltd, Rio Tinto Ltd, BHP Ltd, South32 Ltd, MMG Ltd and Troy Resources. Joint ownership is an important issue for transparency because project owners listed on stock exchanges in jurisdictions requiring project-by-project reporting — namely Canada, the EU and the UK, or operating in a country that is a member of the EITI — are required to make available payments to government data. In turn, this sometimes makes it possible to identify the financial flows of ASX-listed shareholder firms by calculating their portion of payments out of the project's total payments.

61. Satchwell, I. and Redden, J. (2016), Sharing the benefits: enhancing Australia's global leadership in the mining value chain, Centre for Exploration Targeting.

62. AAMEG (2017), Submission to the Australian Senate on Australia's Trade and Investment Relationships with the Countries of Africa.

63. Satchwell, I. and Redden, J. (2016), Sharing the benefits: enhancing Australia's global leadership in the mining value chain, Centre for Exploration Targeting.

64. ICIJ (2019), 'Fatal attraction, Australian mining in Africa', https://projects.icij.org/fatalextraction/s/22, accessed May 2019; Cato, J. (2017), Abundant resources, absent data, Publish What You Pay Australia. Other reports suggest sub-Saharan Africa had the highest concentration of Australian resource projects in the world in 2016, with two out of every five Australian overseas mining projects based there (Satchwell, I. and Redden, J. (2016), Sharing the benefits: enhancing Australia's global leadership in the mining value chain, Centre for Exploration Targeting).

65. Department of Foreign Affairs and Trade (2017), Submission to the Inquiry into Australia's Trade Investment Relationships with the Countries of Africa, October 2017.

66. Department of Foreign Affairs and Trade (2019), 'Extractives sector development assistance', https://dfat.gov.au/aid/topics/investment-priorities/infrastructure-trade-facilitation-international-competitiveness/extractives-sector-development-assistance/Pages/extractives-sector-development-assistance.aspx, accessed May 2019.

67. In 2017, the 10 countries with the highest number of Australian mining projects were Tanzania, South Africa, Burkina Faso, Mali, Namibia, Ghana, Zambia, Botswana, Cote d'Ivoire and Mozambique (source: Australia Africa Minerals & Energy Group, Australia and Africa Assessing the scale and potential of Australian engagement in Africa, trans. AAMEG, February 2017).

68. This estimate was produced using the same method as Oxfam Australia's 2016 Hidden Billions report, using IMF investment flow data to estimate the difference in reported returns to foreign investments in developing countries between those that come via tax havens and those that don't. Further details on the method can be found in Appendix IV.2. The IMF's Coordinated Direct Investment Survey (CDIS) data for 2015 was used to ensure the tax gap estimate in the Hidden Billions report, which used 2014 data, can be applied. The CDIS reports bilateral investment stocks (debt and equity). That is, this data shows Foreign Direct Investment stocks from each origin-country to each destination-jurisdiction. The data is bilateral and covers only enterprises, so only multinational corporates will be captured, so use of tax havens by individuals is excluded (data source: IMF (2019), Coordinated Direct Investment Survey, http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5). This method is explained further in Appendix IV.2 in this report, and how we determined the tax avoided by the extractives sector.

69. The operating Australian mines we identified are present in Madagascar, DRC, Sierra Leone, Mali, Senegal, Zimbabwe, Kenya, Namibia and Ghana in 2016 and 2017. WHO (2016), World Malaria Report 2016; World Bank (2019), 'GDP per capita', https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?year_high_desc=false, accessed May 2019. USD 1 = AUD 1.34

70. UNICEF (2018), 'Malaria', https://data.unicef.org/topic/child-health/malaria/, accessed May 2019.

71. World Bank (2019), 'GDP', https://data.worldbank.org/indicator/NY.GDP.MKTP.CD, accessed January 2019; United Nations Economic Commission for Africa (2015), Illicit financial flows, report of the high level panel on illicit financial flows from Africa, https://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf.

72. OECD (2018), Illicit financial flows, the economy of illicit trade in West Africa.

73. United Nations Economic Commission for Africa (2015), Illicit financial flows, report of the high level panel on illicit financial flows from Africa, https://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf.

74. See Appendix IV.3 for the full list of projects and jurisdictions' tax transparency legislation they are covered by.

75. The purpose of this exercise is to test if a member of the public could obtain a comprehensive picture of a company's tax practices around the world. EITI reports were not taken into account due to the variation in reporting standards between EITI member countries, and the incomplete picture separate EITI country reports paint of a single company's global tax practices.

76. All companies with project-by-project reporting do so because they are listed on either the UK or Canadian stock exchanges, which both require this kind of reporting. However, the quality of the project-by-project report varies, and some companies' reports are scant in detail. Information on this sorting method and the full list of individual companies sorted into various tiers can be found in Appendix III.

77. World Bank (2019), 'Extractive industries', https://www.worldbank.org/en/topic/extractiveindustries/overview, accessed May 2019.

78. See Pillar IV in IMF (2019), Fiscal Transparency Initiative: Integration of Natural Resource Management Issues, International Monetary Fund (Washington D.C.).

79. EITI (2019), 'The global standard for the good governance of oil, gas and mineral resources', EITI factsheet.

80. See Appendix II 'Perseus' expected tax payments from 2012 to 2017', 'MMG Ltd expected tax payments in DRC from 2012 to 2015', and 'Estimated tax loss to Sierra Leone' for full details.

81. For an example about the life of a mine, see https://www.riotinto.com/documents/RT_taxes_paid_in_2016.pdf

82. We take the tax-to-revenue ratio as a practical measure because the focus companies report losses in almost every year (and one doesn't report taxable income by projects), so we hesitate to use the tax-to-profit ratio as it's not clear what the reason is for the reported losses and the figures are difficult to interpret: Sierra Rutile would show negative tax/profit ratio for almost every year except two, and Perseus would have a ratio of zero (since no taxes were ever paid). It is important to note that the use of tax-to-revenue ratios in this report should not be seen as criticising the need to retain the importance of retaining the principle of profit-based tax, but clearly its effectiveness rests in part on ensuring companies are not able to shift profits to tax havens.

83. See Table 2 in sub-section 'Where have the taxes gone? MMG Ltd's Kinsevere mine in the Democratic Republic of Congo' for full details.

84. See Appendix II for full details on these case studies.

85. See Appendix II 'Iluka Resources inherited huge carry-over losses with no expiry date' for full details.

86. See Appendix II 'Perseus has been using tax credits to offset royalty payments since 2014' for full details. All efforts have been made to contact companies named in this report for a right of reply, some of which have responded (including MMG Ltd and Iluka Resources) and we have reflected their responses in this report as required. The companies' right of reply can be found on Oxfam Australia's website.

87. See Appendix II 'Anvil Mining Ltd potentially under-priced copper sales to its related party, Trafigura' for full details.

88. MMG Ltd, Iluka Resources and Perseus Mining were sent initial inquiries in September and October 2018. Perseus Mining has not provided a response after we made multiple attempts to contact the company prior to the publication of this report.

89. See Appendix II 'Zero corporate tax paid to Ghanaian Government since Edikan Gold Mine started operations' for full details.

90. interviews with Ayanfuri community members in February 2019.

91. Ghanaweb (2017), 'Lands Ministry names mining firms with "military protection"', https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Lands-Ministry-names-mining-firms-with-military-protection-557634, accessed May 2019.

92. Revenue data was obtained from Thomson Reuters database; tax and other payment data was obtained from the Ghana Extractive Industries Transparency Initiative. Mines usually take a few years to reach profitability and would only start paying taxes then. However, after almost a decade in operation, it should be expected to reach a level of profitability when it should start paying corporate income tax.

93. See Ghana EITI (2018), GHEITI report on the mining sector 2015, for Ghana's rules on carry-forward losses.

94. Perseus Mining annual reports, 2015–2017, and Ghana Ministry of Finance (2015), Final GHEITI report on the mining sector 2014. See Appendix II 'Perseus has been using tax credits to offset royalty payments since 2014' for full details.

95. Thomson Reuters database.

96. For example, see Perseus Mining (2016), Consolidated financial report for the year ended 30 June 2016, p.53.

97. This is based on an annual salary of USD $5,000 per Ghanaian nurse in 2016 (Darko, S. (2015), 'How Ghana has reversed exodus of nurses', BBC Africa, https://www.bbc.com/news/world-africa-31637774, accessed June 2019). For full details on the tax loss estimation method, see Appendix II 'Perseus' expected tax payments from 2012 to 2017'.

98. The tax paid estimates in the life-of-mine plan was reported as an aggregate for the entire 10 years of the expected mine life. This is probably because mines usually take a few years to reach profitability and would only start paying taxes then. As we only have data on this aggregate tax paid amount, we divided this aggregate tax paid by the 10 years of expected mine life to arrive at an estimate for annual tax payable. See Appendix II 'Perseus' expected tax payments from 2012 to 2017' for further details.

99. While we suspect this $57 million in tax should have been paid but wasn't due potentially to unethical tax practices, it is not possible to definitively say this was the case. It could be poor management of the mine, problems that have arisen since the mine started operating that were not foreseen in the predictions by the company about the profitability of the mine, tax avoidance activities, or some combination of the three.

100. See Appendix II 'Where are Perseus' reported income tax expenses being paid?' for full details.

101. Oxfam International (2019), 'Ghana: extreme inequality in numbers', https://www.oxfam.org/en/even-it/ghana-extreme-inequality-numbers, accessed May 2019.

102. GHS 1 = AUD 0.41 on average across 2012–2016. See Appendix II 'Zero corporate tax paid to Ghanaian Government since Edikan Gold Mine started operations' for further details.

103. World bank (2019), 'GDP per capita', https://data.worldbank.org/indicator/ny.gdp.pcap.cd, accessed May 2019.

104. UNDP (2019), 'Human Development Reports – Congo (Democratic Republic of the)', http://hdr.undp.org/en/countries/profiles/COD, accessed May 2019; World Bank (2018), 'The World Bank in DRC', http://www.worldbank.org/en/country/drc/overview, accessed May 2019.

105. European Centre for Disease Prevention and Control (2019), 'Ebola outbreak in the Democratic Republic of the Congo – ongoing', https://ecdc.europa.eu/en/ebola-virus-disease-outbreak-democratic-republic-congo-2018, accessed May 2019; WHO (2019), 'Ebola situation reports: Democratic Republic of the Congo', https://www.who.int/ebola/situation-reports/drc-2018/en/, accessed May 2019. BBC (2019), DR Congo Ebola outbreak declared global health emergency, https://www.bbc.com/news/health-49025298

106. Oxfam (2018), DRC: the world's first Ebola outbreak inside a conflict, Oxfam Briefing, 8 August.

107. See Appendix II 'MMG Ltd expected tax payments in DRC from 2012 to 2015' for full details.

108. Oxfam (2018), Crucial course corrections for the Ebola response in Beni, DRC, Oxfam Briefing – update, 3 October 2018.

109. Thomson Reuters database and DRC EITI reports.

110. See Table 2.

111. MMG Ltd personal correspondence and DRC EITI reports for years 2011 to 2015 (EITI (2019), 'Summary data from EITI reports', https://eiti.org/summary-data, accessed May 2019.

112. MMG Ltd personal correspondence. MMG Ltd's other mines either didn't pay taxes or were in loss. MMG Ltd's Peruvian mine (Las Bambas) began operation in 2014 with production starting in 2016 (MMG Ltd personal correspondence): it has made losses up to 2015 (source: Thomson Reuters database). No taxes were paid in Australia, meaning it has not made taxable profits. No taxes were paid in Hong Kong (where MMG Ltd is incorporated and has a primary listing). This leaves just Kinsevere in the DRC and Sepon mine in Laos as the only mining operations liable to pay income taxes. Also note that MMG Ltd only generates revenue from its mines (see, for eg. Annual Report 2015, p.21).

113. Taxable income is estimated by taking the net consolidated income tax paid (after deducting tax paid in any other countries) and dividing by the 24% corporate income tax rate for Laos. Annual revenue for Sepon from 2011 to 2015 was USD $817 million, USD $806 million, USD $746 million, USD $708 million, and USD $627 million, respectively. (Source: Thomas Reuters database)

114. Profit margin is given by taxable income divided by total revenue. Industry average profit margin sources: PwC (2013), Mine – a confidence crisis; PwC (2014), Mine 2014 – realigning expectations; PwC (2016), Mine 2016 – slower, lower, weaker... but not defeated.

115. MMG Ltd (2018), pers. Comm., October 2018. In MMG Ltd's right of reply to this report, it states that the "company's audited 2018 Annual Report (p. 17) shows the company's effective tax rate as 55% and 53% for the 2018 and 2017 financial years respectively". These are effective tax rates at a consolidated level, not by country. In addition, MMG Ltd states that its "reporting of taxes paid in the countries of operation includes corporate income taxes, royalties and other indirect taxes imposed by Governments", which are reported in its annual reports as its income tax expense — meaning the "income tax expense" reported is not just for corporate income tax but includes a range of other payments like royalties (which is not technically a tax).

116. MMG Ltd (2019), 'Century', http://www.MMG Ltd.com/en/Our-Operations/Historical-Operations/Century.aspx, accessed May 2019.

117. Revenue data obtained from Thomson Reuters and company letter of response to the authors. Industry average of 12% is for the period 2008–2015 based on PwC mine reports. To be conservative, we also provide an estimate assuming a 10% profit margin. See Appendix II section 'MMG Ltd expected tax payments in DRC from 2012 to 2015' for further details. Exchange rate USD 1 =AUD 1.33.

118. See for example, World Bank (2017), 'Where commodity prices are going explained in nine charts', World Bank Blogs, http://blogs.worldbank.org/developmenttalk/where-commodity-prices-are-going-explained-nine-charts, accessed May 2019; London Metals Exchange (2017), LME Copper factsheet, https://www.lme.com/-/media/Files/Brochures/Non-ferrous/LME-Copper-factsheet.pdf?la=en-GB.

119. See Appendix II section 'Mismatch between royalties reportedly paid and received for Kinsevere' for full details.

120. The World Health Organization requested USD $26 million for responding to the Ebola outbreak in 2018. (Aglionby, J. (2018), 'WHO calls for extra funds to contain Ebola outbreak', Financial Times, https://www.ft.com/content/caea181a-5ab5-11e8-bdb7-f6677d2e1ce8, accessed February 2019.)

121. Chatham House (2017), 'Hospitals that act as modern-day debtor prisons deny rights and dignity', https://www.chathamhouse.org/expert/comment/hospitals-act-modern-day-debtor-prisons-deny-rights-and-dignity, accessed May 2019.

122. For example, see ICIJ (2017), 'The "Paradise Papers" and the long twilight struggle against offshore secrecy', https://www.icij.org/investigations/paradise-papers/paradise-papers-long-twilight-struggle-offshore-secrecy/, accessed June 2019.

123. ICIJ (2019), Offshore leaks database, https://offshoreleaks.icij.org/, accessed February 2019. See Appendix II 'MMG Ltd has a large number of tax secrecy jurisdiction links' for further details.

124. See Appendix II 'Anvil Mining Ltd potentially under-priced copper sales to its related party, Trafigura' for details.

125. Company response letter.

126. ICIJ (2017), '"Offshore Magic Circle" law firm has record of compliance failures', https://www.icij.org/investigations/paradise-papers/appleby-offshore-magic-circle-law-firm-record-of-compliance-failures-icij/, accessed May 2019.

127. In MMG Ltd's right of reply, it notes the challenge "particularly in a developing country context, of ensuring appropriate levels of Government investment in the provision of essential services like health and education; of ensuring equity of access for all people in the country irrespective of income status or physical location; and to deliver these in a context where there is often the absence of critical infrastructure (like reliable electricity supplies, water and sanitation) essential to their effective functioning … given the persistent, widespread and endemic forms of corruption existing in the DRC which de facto negatively impact sustainable development".

128. World Bank (2019), 'GDP per capita', https://data.worldbank.org/indicator/ny.gdp.pcap.cd, accessed May 2019.

129. UNDP (2019), 'About Sierra Leone', http://www.sl.undp.org/content/sierraleone/en/home/countryinfo.html, accessed May 2019.

130. World Bank (2019), 'The World Bank in Sierra Leone', http://www.worldbank.org/en/country/sierraleone/overview, accessed May 2019.

131. The Economist (2018), 'A little hope in Sierra Leone', https://www.economist.com/middle-east-and-africa/2018/04/12/sierra-leones-new-president-has-made-big-promises, accessed May 2019; BBC (2018), 'Sierra Leone election: Julius Maada Bio fast-tracks presidential oath in a hotel', https://www.bbc.com/news/world-africa-43653098, accessed May 2019.

132. Thomas, A. (2018), 'Rogues have squandered away our wealth from mining – says president Bio', Sierra Leone Telegraph, https://www.thesierraleonetelegraph.com/rogues-have-squandered-away-our-wealth-from-mining-says-president-bio/, accessed May 2019.

133. Government of Sierra Leone (2018), Arrangement of sections – the Extractive Industries Revenue Act 2018, http://www.sierra-leone.org/Laws/2018-02.pdf.

134. Interview with Giovani Occhaili, Senior Economist at the Sierra Leone National Revenue Authority, 15 March 2019.

135. The Patriotic Vanguard (2018), 2019 budget speech by Finance Minister Jacob Saffa,http://www.thepatrioticvanguard.com/2019-budget-speech-by-finance-minister-jacob-saffa, accessed May 2019.

136. The Patriotic Vanguard (2018), State opening of Parliament: President Bio's address, http://www.thepatrioticvanguard.com/state-opening-of-parliament-president-bio-s-address, accessed May 2019.

137. Transfer pricing is the method through which transactions between subsidiaries and parent companies under the same ownership are valued. These transactions may be artificially inflated or reduced in order to optimise capital transfer and thus reduce the effective tax rate between affiliated entities.

138. The Finance Act 2016 sets out basic documentation requirements for multinationals to follow, repealing section 95 of the ITA 2000. Modalities to enforce the implementation of these documentation requirements are yet to be put in place.

139. Interview in March 2019. The Extractive Industries Revenue Act 2018 "provides for and coordinates various taxes and charges on extractive industries, the regulation of extractive industry agreements and other related matters. The Acts seeks to bring together the special rules that apply to mining and petroleum licence holders about the three main direct payments that are applicable to their activities, ie. royalties, income tax and the new resource rent tax". (Extract from the EIR Act, 2018)

140. The special concessions are set out in the First Amendment Agreement (2004), which expired in 2014. The National Advocacy Coalition on Extractives' report, Sierra Leone at the cross roads (2009), points to the World Bank stating this agreement was "largely driven by the mining company", and a National Revenues Authority official explaining that at the time the government was in "desperate circumstances" and needed investment at all costs. See Appendix II 'Minimal taxes were paid to the Government of Sierra Leone due to special concessions' for full details.

141. Thomson Reuters database; Sierra Leone EITI reports, https://drive.google.com/drive/folders/0B9Bl74fkjArzN2JBQnVQNklZ0TA.

142. See Appendix II section 'Estimated tax loss to Sierra Leoneans from 2009 to 2015' for further details.

143. The Free Health Care Initiative cost USD $420 to USD $444 per life year saved. The initiative abolished health user fees for pregnant women, lactating mothers, and children under five years old. USD 1 = AUD 1.34. (Whitter, S., Brikei, N., Harris, T., Williams, R., Keen, S., Mujica, A. Jones, A., Murray-Zmijewski, A., Bale, B., Leigh, B. and Renner, A. (2016), The Sierra Leone Free Health Care Initiative (FHCI): process and effectiveness review, HEART.)

144. Budget Advocacy Network, National Advocacy Coalition on Extractives, Tax Justice Network-Africa (2014), Losing out – Sierra Leone's massive revenue losses from tax incentives. The report suggests that the Government of Sierra Leone offered these tax incentives in an attempt to attract foreign investment.

145. Clause 11(e) in the Sierra Rutile Act (2002). Stabilisation clauses protect the company from future legal and fiscal changes that economically disadvantage the company.

146. See Appendix II section 'Iluka Resources inherited huge carry-over losses with no expiry date' for further details.

147. See Appendix II section 'Iluka Resources has multiple tax haven links in Amsterdam' for full details and sources.

148. Intertrust provides registration for local subsidiaries of big companies to create numerous "letterbox" firms, one of the reasons being to cut tax bills of their parent company. (The Economist (2015), 'Corporate tax avoidance – still slipping the net', https://www.economist.com/business/2015/10/08/still-slipping-the-net, accessed May 2019.)

149. McKenzie, N. and Baker, R. (2017), 'Iluka Resources caught up in African bribery scandal', Australian Financial Review, https://www.afr.com/business/iluka-resources-caught-up-in-african-bribery-scandal-20170815-gxwdxk, accessed February 2019.

150. McKenzie, N. and Baker, R. (2017), 'Iluka Resources caught up in African bribery scandal', Australian Financial Review, https://www.afr.com/business/iluka-resources-caught-up-in-african-bribery-scandal-20170815-gxwdxk, accessed February 2019. In Iluka Resources' response to this report, it states that it adopts "a responsible and sustainable approach to its tax affairs which includes a Tax Risk Policy that prohibits the company from engaging in any profit shifting and tax evasion activities".

151. There have been some accounts of Iluka Resources winding back basic activities that used to exist to reduce the social and environmental impact of the mine, such as school buses and watering the roads to reduce dust pollution. (Margai, J.S. (2017), 'Paramount Chief blasts Sierra Rutile', Concord Times, http://slconcordtimes.com/paramount-chief-blasts-sierra-rutile/, accessed May 2019.)

152. McKenzie, N. and Baker, R. (2017), 'Iluka Resources caught up in African bribery scandal', Australian Financial Review, https://www.afr.com/business/iluka-resources-caught-up-in-african-bribery-scandal-20170815-gxwdxk, accessed February 2019.

153. Oxfam (2017), Malawi's troubled oil sector: licenses, contracts and their implications.

154. Oxfam (2018), An analysis of fiscal terms in Malawian oil contracts – the implications for potential government revenue.

155. The government during a public meeting in early 2017 referred to terms in an Addendum document to the contracts, which contain fiscal revisions entitling the government to greater royalties and stake in the petroleum produced. But the document has not been published officially to date and remains in a shroud of secrecy.

156. Ghana Extractive Industries Transparency Initiative (2019), 'Overview', https://eiti.org/ghana.

157. World Bank (2019), Ghana Poverty and Inequality Brief, https://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_GHA.pdf.

158. Based on interviews with International Budget Partnerships, Africa Centre for Energy Policy, and Oxfam Ghana in February 2019.

159. The Petroleum Revenue Management Act in Ghana has been a partial model for the Mineral Revenue Management Act.

160. Mineral Revenue Management Act Campaign (https://twitter.com/MRMAGhana); CitiNews (2018), 'ACEP demands swift passage of mineral revenue management law', https://citinewsroom.com/2018/04/30/acep-demands-swift-passage-of-mineral-revenue-management-law/, accessed May 2019; Malden, A. and Osei, E. (2018), Ghana's gold mining revenues: an analysis of company disclosures, Briefing September 2018, Natural Resource Governance Institute.

161. Interviews with International Budget Partnerships, Africa Centre for Energy Policy and Oxfam Ghana in February 2019.

162. Interview with Abdulkarim Mohammad, Executive Director, International Budget Partnerships Ghana, February 2019.

163. Oxfam and Publish What You Pay (2016), Government revenues from mining: a case study of Caledonia's blanket mine.

164. Oxfam in Zimbabwe office (2019), pers. Comm..

165. Other examples on Oxfam's extractives programs in Southern Africa can be found at Oxfam Australia (2019), Extractives in Southern Africa, https://spark.adobe.com/page/BAm0yK51vwAt1/.

166. "Large companies" refers to those with an annual income of AUD $250 million or more.

167. Some foreign governments have mandated project-by-project reporting be produced in a readable format, including the UK. In early 2019, the UK's Financial Conduct Authority stipulated that reports on payments to government published by extractive companies listed on the London Stock Exchange must be made public on the official online platform (http://www.morningstar.co.uk/uk/NSM), and be in both open and machine-readable data and in "human readable" pdf or html formats. (Financial Conduct Authority (2019), Primary Market Bulletin, February 2019, no.20 (London), pp.8–10.)

168. In this report, we define large extractive companies that should submit public project-by-project reports as those with an annual income of AUD $100 million or more.

169. Sector-specific payments for the extractive sector include, but are not limited to, royalties, lease hold payments, payments to state-owned companies, profit oil payments and bonus payments.

170. DRM refers to government capacity to collect taxes. DRM support would include technical assistance to address tax evasion and tax avoidance by multinational corporations. (Department of Foreign Affairs and Trade (2018), 'Domestic Resource Mobilisation', http://dfat.gov.au/aid/topics/development-issues/domestic-resource-mobilisation/Pages/domestic-resource-mobilisation.aspx, accessed 27 February 2018.)

171. Oxfam has joined the Addis Tax Initiative as a 'supporting organisation' to hold ATI member countries to account on their ATI commitments. (Oxfam America (2018), 'Oxfam has joined the Addis Tax Initiative. Here's why', https://politicsofpoverty.oxfamamerica.org/2018/05/oxfam-has-joined-the-addis-tax-initiative-heres-why/, accessed May 2019.) For further details on how governments can improve on their DRM strategy, see Oxfam (2018), Doubling Down on "DRM", https://www.oxfamamerica.org/static/media/files/DOUBLING_DOWN_ON_DRM_-_2018_LVC7aXc.pdf

172. Further details on responsible firm tax behaviours, see Oxfam, Christian Aid & ActionAid (2015), Getting to Good: Towards Responsible Corporate Tax Behaviour, https://www.oxfam.org/en/research/getting-good-towards-responsible-corporate-tax-behavior, and Oxfam America (2019), Extractive tax practices: bad for the poor. Risky for business, https://politicsofpoverty.oxfamamerica.org/2019/05/extractive-tax-bad-for-poor-risky-for-business/

173. Other sector-specific payments for the extractives sector that should be published include, but are not limited to, royalties, lease hold payments, payments to state-owned companies, profit oil payments and bonus payments. For further information on contract transparency see Oxfam (2018), Contract disclosure survey 2018.

174. Heintges, S. (2014), 'Assessment of a tax risk position (uncertain tax position)', PwC, https://blogs.pwc.de/accounting-aktuell/ifrs/bewertung-einer-steuerrisikoposition-uncertain-tax-position/685/, accessed June 2019 (page translated).

175. Areszki, R., Hamilton, K. and Kazimov, K. (2011), Resource windfalls, macroeconomic stability and growth: the role of political institutions, IMF Working Paper, IMF.

176. African countries dominate the bottom half of the Open Budget Survey list, which ranks governments in terms of their budget transparency. (International Budget Partnership (2018), Open Budget Survey 2017.)

177. Government of Sierra Leone (2018), Artisanal Mining Policy for Sierra Leone, http://www.nma.gov.sl/home/wp-content/uploads/2019/05/Artisanal-Mining-Policy-for-Sierra-Leone.pdf

178. OECD (2018), Guiding principles for durable extractive contracts, Advanced draft for public comment. For further information on contract transparency see Oxfam (2018), Contract disclosure survey 2018.

179. These include companies not listed on a Canadian stock exchange but have a place of business in Canada, do business in Canada or have assets in Canada and meet two of the following thresholds in one of their two most recent financial years: have at least CAD $20 million in assets; generated at least CAD $40 million in revenue; or employ an average of at least 250 employees. The UK standards are comparable. Note that the UK's Reports on Payments to Governments Regulations implement the EU's Accounting and Transparency Directive (Directive 2013/34/EU) on extractive industry reporting. EU Transparency Directive required all member states to adopt mandatory extractive industry payment disclosure laws, although UK data has been more useful.

180. Global Witness (2015), 'The EITI and Global Witness', https://www.globalwitness.org/en/reports/eiti-and-global-witness/, accessed May 2019.

181. This public country-by-country regulation is part of the EU Capital Requirement Directive IV.

182. Overesch, M. and Wolff, H. (2018), Financial transparency to the rescue: effects of country-by-country reporting in the EU banking sector on tax avoidance.

183. In particular, the EU (2013), UK (2016) and Canada (2015).

184. The European Commission published a review of the EU's extractives disclosure laws, which could inform some of the design of Australian tax transparency legislation — see European Commission (2018), Review of country-by-country reporting requirements for extractive and logging industries. Transparency International also published a report on some of the areas of improvement for project-by-project reporting — see Transparency International (2018), Under the Surface.

185. BHP (2018), Economic Contribution Report 2018, p.9.

186. Correspondence with Eva Bezruchko, Group Corporate Development Manager, Range Resources, 3 October 2018. Range Resources has an oil operation in Trinidad & Tobago.

187. EI Source Book (2019), Chapter 4.2, 'The Benefits of Transparency', http://www.eisourcebook.org/625_4TransparencyandAccountability.html, accessed May 2019.

188. EITI (2019), 'Countries – implementation status', https://eiti.org/countries, accessed May 2019.

189. EITI (2018), 'The EITI Board agreed on expectations for companies supporting the EITI', https://eiti.org/document/eiti-board-agreed-on-expectations-for-companies-supporting-eiti, accessed May 2019.

190. Department of Foreign Affairs and Trade (2017), Submission to the Inquiry into Australia's Trade Investment Relationships with the Countries of Africa, October 2017.

191. EITI (2016), 'Australia – overview', https://eiti.org/australia, accessed May 2019.

192. Open Government Partnership Australia (2019), '1.3 Extractive industries transparency', https://ogpau.pmc.gov.au/commitment/13-extractive-industries-transparency, accessed May 2019.

193. ATO (2018), 'Report of entity tax information', https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency--reporting-of-entity-tax-information/, accessed May 2019.

194. Natural Resource Governance Institute (2019), 'Contract, environment, gender, project and commodity sales data among new disclosure requirements of strengthened EITI', https://resourcegovernance.org/blog/major-new-EITI-disclosure-requirements, accessed May 2019.

195. EITI (2016), 'Lessons from 2016 Validations', https://eiti.org/blog/lessons-from-2016-validations, accessed May 2019.

196. Oxfam (2018), Examining the crude details, https://www.oxfam.org/en/research/examining-crude-details

197. Intra-group or intra-company loans are the lending or borrowing of money between subsidiaries and parent companies under the same ownership. Intra-group loans can be used as a debt shield (as interest paid on a loan is tax deductible) and lower effective tax rates.

198. A tax loophole is exploiting a provision in the law that allows for tax to be legally reduced further than intended by the legislators of the law. Well-known tax loophole structures include the colloquially known "Double Irish" and "Dutch Sandwich". At the time of writing, the Double Irish loophole had been closed, but new tax loophole structures are constantly emerging.

199. UK Companies House (2019), 'People with significant control (PSC) snapshot', http://download.companieshouse.gov.uk/en_pscdata.html, accessed May 2019.

200. OpenOwnership (2019), 'FAQ', https://register.openownership.org/faq, accessed May 2019. Registries of the mentioned governments are located here: Denmark https://danishbusinessauthority.dk/beneficial-owners; Slovenia https://www.ajpes.si/Default.asp; Ukraine https://usr.minjust.gov.ua/

201. Government of Germany (2019), 'Transparency Register', https://www.transparenzregister.de/treg/en/aktuell?2#N1, accessed May 2019. It is only access data on request when the applicant has a "legitimate interest", which might lead to restrictions in access.

202. EITI (2017), 'Ghana takes giant stride towards beneficial ownership disclosure', https://eiti.org/blog/ghana-takes-giant-stride-towards-beneficial-ownership-disclosure, accessed May 2019.

203. EITI (2017), The EITI Standard Requirements 2016, https://eiti.org/document/standard.

204. World Bank (2018), Doing Business 2018, Washington D.C., p.39.

205. A "subsidiary" is an affiliated, but separate, legal entity owned either partially or wholly by a parent company.

206. For example, BHP's 2018 Economic Contribution Report lists all its subsidiary companies listed in low tax jurisdictions by name, their country of incorporation, the nature of their activities, their profit (or loss) before taxation and whether the income is taxed in another jurisdiction. The report states: "Close to 100 per cent of the income of six (of the 13) of these companies is taxed in another jurisdiction (the United Kingdom, Australia, Peru or the United States). In addition, all of the subsidiary companies of BHP are subject to the controlled foreign company tax rules of either Australia or the United Kingdom. We disclose all of our subsidiary companies of the BHP Group in our Financial Statements." In addition, BHP publishes a list of all of its subsidiary companies in its financial statements together with their country of incorporation (for example see pp. 217–222 of the Group's 2018 Financial Statement).

207. Perseus Mining Ltd (2012), Management's discussion and analysis, 27 August 2012.

208. Perseus Mining Ltd, consolidated financial reports 2011 to 2017.

209. Perseus Mining Ltd (2012), Management's discussion and analysis, 27 August 2012.

210. Perseus Mining Ltd (2017), Annual Report 2017; Perseus Mining Ltd (2018), Annual Report 2018.

211. Thomson Reuters database; EITI database (https://eiti.org/summary-data); Natural Resources Canada ESTMA reports, https://www.nrcan.gc.ca/mining-materials/estma/18198

212. Ghanaian Chamber of Mines, pers. Comm., March 2018.

213. GHEITI (2018), GHEITI report on the mining sector 2015.

214. GHEITI (2018), 2016 mining sector report.

215. GHEITI (2018), 2016 mining sector report. The report does not break down the capital allowances by company.

216. Malden, A. and Osei, E. (2018), Ghana's gold mining revenues: an analysis of company disclosures, Briefing, Natural Resource Governance Institute.

217. Mentions of Newmont Goldcorp in this report refer to the US-based company. In the company's right of response, the company states: "Newmont Golden Ridge did not pay any corporate income tax from 2013–2016 (inclusive) due to the fact that no income had been generated by the operation until the year 2017. Income taxes are only paid when income is generated. Newmont Golden Ridge, in agreement with the laws and regulations of Ghana, is allowed to pay back its capital investment prior to paying income taxes. This practice is called "capital allowances associated with the development capital invested" … Newmont Golden Ridge began paying corporate income tax in 2017 when the capital allowance was met … Since that time, Newmont Golden Ridge has paid nearly $100 million in corporate income tax in 2017 and 2019 alone and Newmont Ahafo has paid nearly $500 million since 2010 when it met its capital allowance for the initial investment."

218. ESTMA is the Canadian Extractive Sector Transparency Measures Act, which is its public project-by-project database for Canadian extractives companies. (Natural Resources Canada (2019), Links to ESTMA Reports, https://www.nrcan.gc.ca/mining-materials/estma/18198, accessed May 2019.)

219. The way companies present their finances in company reports may be different to how they record income for the Australian tax group, so a company might not appear in the ATO database even though public company reports indicate it meets the threshold of $100 million revenue for inclusion. (ATO pers. Comm., 13 December 2018.)

220. Data from Perseus Mining Ltd consolidated financial reports.

221. Known as the Goods and Services Tax (GST) in Australia.

222. Ghana Ministry of Finance (2015), Final GHEITI report on the mining sector 2014, December 2015.

223. Production levels are: 280,000 ounces in 2014; 212,000 ounces in 2015; 154,000 ounces in 2016; 176,000 ounces in 2017. (source: Thomson Reuters database)

224. Perseus Mining Ltd annual information form financial year 2010, p.40. The tax paid estimates in the life-of-mine plan were reported as an aggregate for the entire 10 years of the expected mine life. This is probably because mines usually take a few years to reach profitability and would only start paying taxes then. As we only have data on this aggregate tax paid amount, we divided this aggregate tax paid by the 10 years of expected mine life to arrive at an estimate for annual tax payable.

225. Earnings before interest, tax, depreciation and amortisation (total revenue less operating costs). This is a commonly cited measure for a company's operational performance.

226. Actual market gold price has been at above USD $1,100/oz for the period of analysis.

227. MMG Ltd (2015,) Annual Report 2015.

228. Anvil Mining Ltd (2008), Annual information form for financial year ended 31 December 2007; Anvil Mining (2008), Consolidated financial statement. Each mine operated under different contractual agreements: AMCK contract (Kinsevere), SMK contract (Mutoshi) and AMC convention (Dikulushi); the AMC contract is exempt from the 2002 Mining Code, while the other two are in addition to the Code and were renegotiated around 2008–2009 (source: ResourceContracts.org).

229. Anvil Mining Ltd (2010), consolidated financial statement.

230. Human Rights Law Centre (2018), 'Anvil Mining Australian mining company in prosecution spotlight for role in Congo massacre'; Mining Weekly (2015), 'Mawson West places Dikulushi mine on care and maintenance', http://www.miningweekly.com/article/mawson-west-places-dikulushi-mine-on-care-and-maintenance-2015-01-21/rep_id:3650, accessed May 2019.

231. Anvil Mining (2012), Anvil Mining reaches agreements with DRC stakeholders regarding takeover by Minmetals Resources Limited, News release, 10 February.

232. MMG Ltd (2015), MMG Ltd Annual Report 2015.

233. MMG Ltd (2017), MMG Ltd Annual Report 2017.

234. Thomson Reuters database.

235. Amid corruption allegations, Kabila finally caved into public pressure and stepped down in 2018, scheduling an election at the end of that year (which he lost). The Guardian (2019), DRC court confirms Felix Tshisekedi winner of presidential election., https://www.theguardian.com/world/2019/jan/20/drc-court-confirms-felix-tshisekedi-winner-of-presidential-election, accessed May 2019.

236. McKinley J Jr. (1997), 'Zairian rebels' new allies: men armed with briefcases', New York Times, https://www.nytimes.com/1997/04/17/world/zairian-rebels-new-allies-men-armed-with-briefcases.html, accessed 31 July 2018.

237. In 2005, a criminal investigation was opened by the Australian Federal Police into the role of Anvil Mining in the massacre, but was dropped after the military trial in the DRC acquitted the company's employees. Civil proceedings in Western Australia were also dropped after key witnesses in the DRC were threatened (Human Rights Law Centre (2017), 'Australian mining company in prosecution spotlight for role in Congo massacre', https://www.hrlc.org.au/news/2017/8/4/australian-mining-company-in-prosecution-spotlight-for-role-in-congo-massacre, accessed May 2019). In 2010, non-government organisations tried to bring the case to Canadian courts where Anvil Mining had offices, but ultimately failed to have the case heard. (Human Rights Law Centre (2018), 'African Commission urges Anvil Mining to pay compensation to victims in Congo', https://human-rights-law.eu/african-commission-urges-anvil-mining-pay-compensation-victims-congo/, accessed May 2019).

238. Human Rights Law Centre (2017), 'Australian mining company in prosecution spotlight for role in Congo massacre', https://www.hrlc.org.au/news/2017/8/4/australian-mining-company-in-prosecution-spotlight-for-role-in-congo-massacre, accessed May 2019; Human Rights Law Centre (2018), 'African Commission urges Anvil Mining to pay compensation to victims in Congo', https://human-rights-law.eu/african-commission-urges-anvil-mining-pay-compensation-victims-congo/, accessed May 2019.

239. EITI, Summary data from DRC EITI reports 2011 to 2015, https://eiti.org/summary-data

240. We acknowledge MMG Ltd's support of the EITI as set out in the right of reply, that: "MMG Ltd contributes financially to EITI through its membership in International Council on Mining & Metals and is an active participant in the EITI candidacy of the DRC and Peru … MMG Ltd was a strong advocate of the Australian pilot of the EITI which was catalysed by the Minerals Council of Australia in collaboration with Oxfam and Transparency International and participated as a pilot reporting company in this initiative. Since this time, we have continued to reference the importance of the Australian Government adoption of the EITI in full in any advocacy activities." However, we note that, even given the above, the data provided by MMG Ltd is not the same as the verified data for the EITI in the years that we examined.

241. Thomson Reuters database.

242. Thomson Reuters database.

243. ICIJ database: current up to 2014; Appleby (2019), British Virgin Islands, https://www.applebyglobal.com/header/locations/bvi.aspx, accessed May 2019.

244. MMG Ltd company response letter. In Appleby's right of reply, it stated that it is not a 'financial planning firm' as this report originally referred to it as, but "an offshore law firm who advises clients on legitimate and lawful ways to conduct their business".

245. Thomson Reuters database.

246. Thomson Reuters database; MMG Ltd annual reports.

247. MMG Ltd (2014), MMG Ltd Annual Report 2014.

248. Canadian Mining (2014), 'Offtake agreements and financing mine projects', http://www.canadianminingjournal.com/features/offtake-agreements-and-financing-mine-projects/, accessed May 2019.

249. Devin, D. (2015), 'Current tax issues in extractive industries', Presentation at the Policy Dialogue on Natural Resource-Based Development Work Stream 3, OECD.

250. Thomson Reuters database.

251. Anvil Mining (2009), Consolidated Financial Statements.

252. MMG Ltd (2016), MMG Ltd Kinsevere, http://www.MMG Ltd.com/en/Investors-and-Media/Reports-and-Presentations/~/media/Files/Our%20operations/Kinsevere/Kinsevere%20presentation%20February%202016.ashx, accessed May 2019.

253. Anvil Mining (2010), Annual Report 2010; Anvil Mining (2009), Annual Report 2009.

254. Copper concentrate sales information obtained from quarterly management reports. E.g., Anil Mining (2011), Management's discussion and analysis, third quarter ended 30 September 2011, p.1 states the "copper sold in concentrate" in the September quarter of 2011 was 188 tonnes, and on p.11 the "concentrate sales" were $1 million in that quarter. The implied price per tonne of copper sold in concentrate compared to LME is less by 43% — which is a substantial discount for this product. The discount is even larger for previous years. Benchmark price obtained from monthly copper sales price for Grade A Copper Cathode of 99.9% purity (LME copper) from https://www.marketindex.com.au/copper and averaged to arrive at a quarterly or monthly price.

255. Source for reported USD $/pound is from annual reports. For example, Anvil Mining Ltd Annual Report 2010, p.17: "An increase in Group operating profit to (USD) $8.7 million (2009: -$7.0 million) was primarily due to an increase in revenue from sales of concentrate that resulted from a higher realized copper price ($3.27 compared to $2.56 during 2009)." So, the copper price for sales of copper in concentrate reported in annual reports is only a fraction less than LME price — whereas in Anvil Mining's management's discussion and analysis the discount is more than 50%.

256. In MMG Ltd's right of reply it also adds that we should acknowledge "that the Hong Kong listing rules related to the disclosure of related party transactions are recognised by some global advocacy groups as providing a higher level of disclosure than is required under the Australian equivalent".

257. The inferred taxable income for the Kinsevere mine using EITI data of corporate income taxes paid from 2012 to 2015 is USD $1.3 million, USD $1.28 million, USD $26.16 million, and USD $34.96 million, respectively. This means the profit margin for those years ranged from 0.3% to 8.4% and averaged 3.7%.

258. PwC (2013), Mine – a confidence crisis, p.22; PwC (2014), Mine 2014 – realigning expectations, p.23; PwC (2016), Mine 2016 – slower, lower, weaker… but not defeated, p.28; PwC (2011), Mine 2011 – the game has changed, p.15.

259. The DRC's extractives sector GDP was USD $7.4 billion in 2015. Source: World Bank (2019) (see Table 1).

260. Estimated income before tax is USD $129 million and USD $147 million for 2016 and 2017, respectively. Revenue for 2016 was USD $400 million and for 2017 was USD $501 million. (Thomson Reuters database)

261. Iluka Resources (2017), Annual Report 2017.

262. Iluka Resources (2016), Annual Report 2016.

263. Sierra Rutile UK Ltd (2015), Annual Report 2015 and accounts 2015; Iluka Resources (2019), 'Sierra Leone', https://www.iluka.com/company-overview/operations/operations/sierra-leone, accessed May 2019.

264. Sierra Rutile Limited (2019), 'Overview', http://www.sierra-rutile.com/overview/, accessed May 2019.

265. Iluka Resources (2017), Annual Report 2017.

266. World Bank (2005), Sierra Leone Tapping the Mineral Wealth for Human Progress – a Break with the Past, Report No. 26141-SL.

267. In December 2014, Sierra Rutile received a temporary deferral during which interest continued to accrue, and in November 2016 the full liability of 22 million Euros was paid to the government. (European Commission – Sierra Leone Corporation (2007), Joint Annual Report 2005, Freetown, accessed January 2019, (https://ec.europa.eu/europeaid/sites/devco/files/joint-annual-report-05-cooperation-eu-sierra-leone-20070724_en_1.pdf); Sierra Leone EITI (2018), SLEITI 2015 EITI report, p.39.

268. Awako (2014), 'Sierra Rutile moving in the right direction', https://awoko.org/2014/03/19/sierra-leone-news-sierra-rutile-moving-in-the-right-direction/, accessed February 2019.

269. Mboka, L. (n.d.), 'The Sierra Rutile Limited Agreement Ratification Act 2002 to be reviewed in 2014', Sierra Leone Concord Times, http://slconcordtimes.com/the-sierra-rutile-limited-agreement-ratification-act-2002-to-be-reviewed-in-2014/, accessed February 2019.

270. Awako (2014), 'Sierra Rutile moving in the right direction', https://awoko.org/2014/03/19/sierra-leone-news-sierra-rutile-moving-in-the-right-direction/, accessed February 2019.

271. Data available in Thomson Reuters only goes as far back as 2006.

272. Sierra Leone EITI (2016), Sierra Leone EITI report 2014.

273. Sierra Leone EITI (2016), SLEITI report for 2013, p.13.

274. Losing out: Sierra Leone's massive revenue losses from tax incentives (2014).

275. See Table 1 in report.

276. Sierra Rutile Act 2002.

277. Sierra Leone EITI (2018), SLEITI 2015 EITI report.

278. Noting Iluka Resources only owned Sierra Rutile for 24 days in 2016. Source: Iluka Resources Annual Report 2017.

279. Iluka Resources 2017.

280. DanWatch (2011), Not sharing the loot, https://danwatch.dk/dw-content/uploads/2017/09/Not-sharing-the-loot2.pdf

281. Iluka Resources (2016), Iluka acquisition of Sierra Rutile Ltd, Australian Securities Exchange Notice, 1 August 2016, https://www.asx.com.au/asxpdf/20160801/pdf/43904gxcff80n5.pdf

282. Sierra Rutile Ltd (2015), Annual Report and Accounts 2015; Iluka Resources (2017), Annual Report 2017; Iluka Resources (2015), Annual Report 2015; Iluka Resources (2018), Annual Report 2018.

283. In this report we make a recommendation for the Australian Government to amend the Controlled Foreign Company's rules in order to deter Australian firms from avoiding paying taxes in foreign countries. See section entitled "Conclusion and Recommendations".

284. Sierra Rutile (2016), Unaudited financial results for the period ended 30 June 2016, https://markets.ft.com/data/announce/detail?dockey=1323-12984623-0S5HKDKMD71U865D26CS4I4G4I, accessed May 2019. Annual reports for 2013 and 2014 contained similar statements about a warehouse in the EU, and in the 2015 annual report there is a similar statement referring to a warehouse in Amsterdam.

285. The earliest annual report which contains references to these three subsidiaries was in 2013. They are Iluka International Coöperatief U.A.; Iluka Investments 1 B.V.; Iluka Trading (Europe) B.V.

286. Kyckr (2019), Online company search, https://portal.kyckr.com/companySearch.aspx, accessed May 2019. This database is an official member of the European Business Register which provide official access to Company Registers, electronically sourced through the Official Company Registration offices using a single point of access.

287. For example, Iluka Resources annual reports for 2015 to 2017 were all audited by PwC; Bloomberg (2019), Company overview of Holding Pricewaterhouse Coopers Nederland B.V., https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=5498801, accessed May 2019.

288. ICIJ (2019), Offshore leaks database, https://offshoreleaks.icij.org/, accessed May 2019.

289. Intertrust (2019), 'The Netherlands', https://www.intertrustgroup.com/our-locations/europe/netherlands, accessed May 2019.

290. Sierra Rutile was owned by Titanium Resources Ltd, and this quote appears in the Titanium Resource Ltd Annual Report 2005.

291. Iluka Resources Ltd (2016), Sierra Rutile Acquisition, presentation, 9 December 2016, https://www.asx.com.au/asxpdf/20161209/pdf/43dlhlqb1ckf0b.pdf

292. Source: World Bank (2019) (see Table 1). Assuming conversion rate of USD 1= AUD 1.34.

293. The Free Health Care Initiative cost USD $420 to USD $444 per life year saved. The initiative abolished health user fees for pregnant women, lactating mothers, and children under five years old. (Whitter, S., Brikei, N., Harris, T., Williams, R., Keen, S., Mujica, A. Jones, A., Murray-Zmijewski, A., Bale, B., Leigh, B. and Renner, A. (2016), The Sierra Leone Free Health Care Initiative (FHCI): process and effectiveness review, HEART.) USD 1 = AUD 1.34

294. Sierra Leone's extractives sector GDP was AUD $1.6 billion in 2015. Source: World Bank (2019) (see Table 1).

295. We found that all companies in Tier 1 were listed on either the UK or Canadian stock exchanges, which both require project-by-project reporting.

296. See Appendix II 'Where are Perseus' reported income tax expense being paid?' for further information.

297. Oil Search expressed to us that its primary listing on the Port Moresby stock exchange allows PNG citizens, funds and pension funds to invest directly into Oil Search Limited and own an equity interest in PNG's largest listed company, that its profits from investments outside of PNG flow back to PNG as repatriated dividend income for reinvestment in PNG or distribution to its shareholders. It also notes it has been an EITI Supporting Company since 2013 and actively participates in PNG's EITI Multi-Stakeholder Group (MSG).

298. UN (2019), The Member States of the Group of 77, https://www.g77.org/doc/members.html, accessed June 2019.

299. http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5

300. AAMEG (2017), Submission to the Australian Senate on Australia's Trade and Investment Relationships with the Countries of Africa.

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