ABSTRACT

South Africa, as the owner of its minerals, introduced the charging of mineral royalties targeting economic rents in 2010. The new royalty also promotes further mineral processing (refining) by rewarding refiners with a reduced royalty payment. Such (fiscal) strategy would stimulate the country's industrial and economic growth and development. This is in line with the main objectives of South Africa's Mineral Policy framework and the Mineral and Petroleum Resources Development Act 2002 (MPRDA), which resulted in the promulgation of the Mineral and Petroleum Resources Royalty Act (MPRRA) in November 2008 for implementation on March 1, 2010.

The MPRRA stipulates a dual *ad valorem,* sliding-scale formula method of charging royalties. This dual sliding-scale formula mechanism imposes no specific rate for any minerals. It is based on profitability and automatically recognizes downstream beneficiation of mineral products as it distinguishes between refined and unrefined minerals. The formula provisions for refined minerals allows for a reduction of the royalty rate as beneficiation increases in order to compensate for the higher sales value of refined products. This aligns with the government's objective to promote local beneficiation of South Africa's minerals for maximum economic benefit.

The purpose of this research is to assess whether this beneficiation objective of the MPRRA would be achieved, thereby ensuring that miners become refiners. To realize this, the methodology used involved a review of beneficiation provisions of past and current mineral royalty systems of some mineral-rich countries. More specifically, applying the lessons from Bradley's work on the Western Australia royalty system to the South African context; extraction of necessary data for a platinum case study; and analyses of the results. The study indicated that miners are unlikely to become refiners as a result of the MPRRA and that further research is required to achieve this national objective.