consolidating the ability to mitigate the risks in financing mining projects, particularly on behalf of private capital and technical services providers.

Executive 4:

> The full effects of the collapse of the former USSR are still evolving and will probably continue to do so for many years to come. The impact of the modernization of China is likely to take considerably longer to be felt on a global scale. The latter's transition seems to be better controlled.

> The major changes to Latin America's investment codes have taken place already.

> The problems the mining industry has experienced with the environmental "lobby" have been partly its own doing. There should have been a far more coordinated and determined effort to present the mining industry's perspective.

Executive 8:

> Popular opinion and support for the First World mining industry is declining, i.e. the "ugly scar" on the surface syndrome, which has resulted in an attraction to the less developed countries because of their less "hyped up" profiles. Philosophically, it is the lack of understanding in the developed world of the importance of mineral supplies to the welfare of advanced societies because those people have become detached over time from the primary industries.

Executive 11:

> The attention to environmental issues in the developed world will raise the costs of extracting minerals which eventually must impact on commodity prices. The notion that environmental controls will be less onerous in the developing world could be misguided because many of the technical skills originate in the developed countries and the same standards are likely to be applied elsewhere. Furthermore, the majority of financial institutions and providers of capital require Environmental Impact Assessments before agreements to develop mineral projects can be finalized.

Executive 14:

> One of the powerful motivations for privatization is the need to attract foreign investment and capital towards the developing countries.

> The mining industry is one of the better mediums through which wealth can be created in the lesser developed countries.

The most important event(s)

Which situation(s) above, in your opinion, has(ve) had (or will have) the most dramatic impact on trends in mining investment? Please enter a. and b. etc. and include a brief explanation for your choice.

Executives' comments and opinions (to qualify the choices)

Executives 1, 8, 10:

> Latin America (c.) is a very prospective area currently and is highly likely to host further world class deposits.

Executive 2:

> U.S. capital follows the path of least resistance, i.e. Latin America (c.) and its more attractive investment regulations versus increased environmentalism and "political" costs of mining development in North America.

Executives 3 and 13:

> Latin America (c.) certainly presents some worthwhile opportunities but, as an overall observation, the worldwide trend towards free-markets and privatization (f.) has had the greatest influence on the current operating environment.

Executive 4:

> The CIS (a.) still attracts much attention and its enormous potential tends to outweigh the current political and economic instability. Our company, however, is not exposing substantial capital until the region is better understood.

Executive 5:

> In the short term, the structural change in the former USSR (a.) because it changes attitudes throughout the Third World and, in the long term, the influence of China (b.) because of its potential to become a new industrial society (comparable to Western Europe) in the western Pacific.

Executives 6 and 14:

> In the short term, privatization in Latin America (c. & f.) and in the longer term, the changes (a.) in the former USSR. In other words, financing and competitiveness are likely to be generated by market economy policies rather that the socialist doctrine.

Executive 7:

> The changes in Latin American (c.) investment environment and the U.S. Mining Laws of 1872 (d.) have caused the greatest shift in exploration spending and mining investment.

Executive 9:

> The environmental sensitivity issue (g.) tends to have a major impact on mining investment decisions from a U.S. perspective - actual mining is the easy part!

Executive 11:

> The investment climate in Latin America (c.) and privatization (f.) have been the most influential factors.

Are the 1990's riskier ?

Do you believe that the current 1990's mining investment environment is riskier than at any other time during your professional experience?

Executives' comments and opinions

Executive 1:

> Riskier? , "yes and no", because of the excess of capital being available (low interest rates at the time) which could be a result of perceptions of increased risk and the consequent delay in applying those funds for investment in the unstable regions.

Executive 2:

The global mining investment environment is not riskier due to:

> the influence of multi-lateral agencies, i.e. World Bank, IFC, and MIGA which helps to manage the ever-changing risk profiles of developing countries.

> governments competing fiercely for foreign investment capital.

> many politicians being educated in the "western" culture, particularly in Latin America, and this facilitates the business development process.

> the global "village" mentality is growing as markets open up, which is mostly driven by the Japanese.

Executive 3:

> "Undecided" because of a new range of risks, but these are generally manageable with World Bank/IFC and MIGA support.

> It is easier to structure finance packages to counter the risks involved and this can also reduce the amount of up-front risk capital by equity participants.

Executive 4:

> A riskier environment because of the increased number of investment alternatives. This requires far greater attention to the dynamics of the investment environment and to the allocation and management of resources.

Executive 5:

> The environment is not riskier because the threat of nationalization (state interference) has diminished and environmental problems can generally be resolved before major investments are undertaken.

Executive 6:

> The 1990's is riskier than the 1960's but not necessarily the 1970-80's.

Executive 7:

> "Undecided" because many of the countries undergoing major change have to finish "playing out their hands".

Executive 8:

> Riskier because the operating environment is in a greater state of flux. The new "rules-of-the-game" have to be understood and appropriate strategies implemented.

> Another dimension to investors' risk exposure is that developing countries are in somewhat of a quandary because of the stiff competition in setting policies progressive enough to attract foreign investment.

Executive 9:

> There is a more complex environment now with a new set of risks. Success will be realized through the management of information, its interpretation and implementation of commensurate strategies.

Executives 11 and 13:

> There probably is more risk but current technology and financing structures, such as information technologies and the IMF etc., are far better equipped to manage the uncertainties.

Executives 12 and 14:

> Definitely not any riskier in the 1990's because appropriate actions can be taken to alleviate the risks.

Executive 15:

> On balance a riskier environment because of the unknown mineral resources and potential of Eastern

Europe and the former USSR which could have major repercussions globally.

Question topic 3: Country risk factors

The following factors are consistently cited as the more important contributors to the success of mineral projects (assuming that the project specific factors such as geology, grade etc., are considered favourable). What is your view of the importance of each factor in firstly, the exploration phase and secondly, the production phase? Enter codes for major (3), moderate (2), minor (1), or no importance (0).

Executives' comments and opinions

Executives 1, 4, 5, 9, 11, 12, 13, 14 and 15:

> In the context of most of the above factors, the exploration and production phases should be treated in the same light. Essentially, the investment code and related conditions are evaluated very carefully before even commencing field exploration.

Executives 1, 4 and 13:

> Predictability and transparency of investment policies and codes are major factors contributing to the development of a mining industry or project. It makes it easier to focus on managing projects which often are difficult enough for technical reasons.

Executives 3 and 8:

> Safety of employees is of paramount importance and our firm(s) is (are) not prepared to make sacrifices in this regard.

Executive 3:

> Involvement of more equity partners can often be more trouble than it is worth.

Executives 3, 4 and 14:

> Environmental standards appear to be moving towards more uniformity on a global scale.

Executive 5:

> It is extremely important to have a sound investment code framework around which negotiations can take place before exploration begins.

Executive 9:

> The stability and type of relationship with the host government is of extreme importance. Look at the example of Papua New Guinea where there have been numerous disputes between multi-nationals, local interest groups and the government.

> A possible method of comparing country risk would be to analyze the cost (interest rates) of debt vis-à-vis the more stable, industrialized countries.

Executive 12:

> Insurance cover via MIGA and OPIC does not come cheaply, constituting up to 10% (?) of revenues.

Executive 14:

> A ranking of the important factors would be as follows:
>
> 1. Geological potential.
> 2. Mining code and security of tenure.
> 3. Commercial terms.
> 4. Socio-economic conditions (culture, native lands, political stability).

Executive 12 and 14:

> An observation that the importance of infrastructure is a function of the value : bulk ratio of the commodity being produced. In other words, the higher the value of the product the less sophisticated the infrastructure that is likely to be required.

Project evaluation methods

Assuming the factors listed above have been assessed as favourable, how would you rate the following evaluation methods in the investment decision making process? Enter codes for essential (3), useful (2), of little use (1) or no use (0).

Executives' comments and opinions

Executives 3 and 8:

The potential impact of a project on corporate performance and image is important, in the sense of adding to or detracting from the sum of the corporate parts.

Executives 1, 13 and 14:

The "bottom-line" in project evaluations is the relative operating cost on a global basis, but of course cognizance has to be taken of the capital cost as well.

Executives 4 and 13:

Much attention currently is given to the payback period because of the new risks that have to be considered in relatively unexplored and developing regions.

Question Topic 4: Exploration attractiveness

What would be your degree of interest in commencing an exploration programme in the following regions and countries, firstly in the current 1990's decade and then, for comparison, assuming the environment that was prevailing in the 1980's? (If there is no change in a particular case then leave the 1980's space blank). Enter codes for strong (3), moderate (2), weak (1) or no attraction (0).

Executives' comments and opinions

Although the coded responses in Table 2.4 show relatively the areas of interest for exploration potential, additional comments that were made in the discussions:

Executives 1 and 3:

> The environmental management costs in Canada are not competitive compared with many other regions. Even then there are provincial differences, with British Columbia being the most "anti".

Executive 8:

> Experience in the Canadian northern territories may be of considerable value in the CIS where climatic conditions are similar, i.e. reducing the impact of the learning curve.

Executive 14:

> Africa's potential is attractive but the practicalities of carrying out the business of mineral development in many countries is daunting.

Question topic 5: Rates of return (IRR) on investment and payback period

Assuming a risk free internal rate of return (IRR), i.e. government bonds etc., as the base reference point, what premium return (in percent) and then payback period (PBP) would entice you to invest in a 'world class' deposit in the following regions and countries? Also, in similar fashion to question topic 4., indicate the measures you would have expected in the 1980's (leave blank if no difference).

Executives' comments and opinions

The comments offered in question topic 4 on exploration attractiveness also apply to this analysis of IRR and PBP but other views that were put forward on question topic 5:

Executive 1:

> The value per ounce of gold reserves has always been greater in the USA, than say South Africa, which makes it far easier to attract capital. It is not so much that the value has declined in the USA, even with the more uncertain mining investment climate, but that the value has increased in developing regions due to the changes being made to their investment and mining codes.

Executives 3, 4, 14 and 15:

> The IRR and PBP figures, although different concepts to the coded responses in question topic 4, should reflect the same trends.

Executive 9:

> Theoretically, risks should be reduced in unfamiliar regions by involving local partners.

Executive 10:

> One of the major problems with doing business in less developed Africa is the inefficiency and time delays in receiving approvals and permits, let alone the long term stability of such contracts. West Africa is

probably the most attractive region and deposits close to the coast are preferred!!

Executive 12:

As a general rule, investing in foreign projects would require a return double that expected in the home environment. (Interestingly, this comment was made by a South African respondent)

QUESTION TOPICS 6 and 7: INCOMPLETE RESULTS

The following two topics were discussed in the interviews but it was found that more time was needed to complete the responses adequately. They have been included here as a matter of record only.

Question Topic 6

Looking forward 20 years where (region or country) would you expect the greatest change in production of the following commodities to have taken place?

Commodity	Growth	Decline
Gold		
Copper		
Nickel		
Iron Ore		

If you were presented with four "world class" deposits each to produce one of the following commodities, what would be your order of preference for development in each of the given regions? Rank from 1 through 4 horizontally

Commodity	Gold	Copper (Concs.)	Nickel (Concs.)	Iron Ore
Africa				
Australia				
China				
C.I.S.				

Latin America
Pacific Rim
USA

Question Topic 7

In the context of the operating and investment environment during the 1990's compared with that of the 1980's, what change in emphasis do you envisage in respect of various disciplines in the following three areas :

A. *your company's skills complement?*
B. *relocation of these skills to other regions or countries?*
C. *usage of external consultants and professionals?*

Enter codes for: Stronger emphasis (2), less emphasis (1), leave unchanged (0).

Discipline	A.	B.	C.
Geological			
Engineering/technical			
Accounting/financial management			
New business and development			
Corporate financial			
Legal			
Personnel or human resources			
Marketing, price hedging			
Information technology			
Environmental			

EXCERPT FROM OTTO'S SURVEY RESULTS (AS REPRODUCED) (OTTO, 1992, pp. 337-338)

Column 1: *Match with headings in Table 2.6*		Very Important	Important	Not very Important	Very Important	Important	Not very Important
	Geological criteria						
	General mineral abundance	15	18	4			
	Geological potential for large minerals	34	5	0			
d	Availability of geoscientific information	7	27	4			
d	Historical production	4	16	16			
	Ability to apply geological assessment techniques	22	13	3			
	Rarity of predicted mineral deposits	2	7	25			
	Political criteria						
g	Long-term national stability	22	17	0	23	11	0
g	Regime stability	14	21	2	14	16	2
g	Consistency and accuracy of mineral policies	30	9	0	27	6	1
	Internal conflicts	20	16	1	18	14	0
	Hostile borders	16	17	3	15	14	2
	Others: democratic - 1; security of personnel - 1						
	Marketing criteria						
	Geographic location	9	20	8	11	18	6
	Presence of internal markets	1	6	30	0	13	22
	Transportation infrastructure	11	17	9	14	18	3
l	Export/import policies	22	9	6	24	9	2
	Regional trade agreements	3	10	24	7	10	21
	Demand/price forecasts	11	10	14	14	8	11
	Regulatory criteria						
h	Modern mineral legislation	19	14	5	20	11	4
h	Stability of exploration/mining terms	26	11	1	29	7	0
k	Mineral ownership	27	7	4	26	6	3
	Surface/land ownership	18	13	7	16	15	4
n	Security of tenure	32	6	0	34	2	0
	Established mineral titles system	22	14	2	22	12	2
	Right to transfer ownership	20	17	1	15	18	2
	Size of exploration blocks	11	15	10			
	Availability of a mineral agreement to supplement or stand in place of the mining code	11	17	6	10	14	5
	International arbitration	9	16	11	9	15	6
	Fiscal criteria						
m	Method and level of tax levies	22	12	2	25	10	0
m	*Ability to predetermine tax liability*	26	10	0	29	6	0
	Availability of tax holiday	6	16	13	9	17	9
	Availability of accelerated depreciation	8	17	10	9	22	4
	Availability of reinvestment credits	7	16	16	1	23	11
	Stability of fiscal regime	23	11	1	28	7	0

EXCERPT FROM OTTO'S SURVEY RESULTS (AS REPRODUCED)
(OTTO, 1992, pp. 337-338)

	Column 1: *Match with headings in Table 2.6*	Very Important	Important	Not very Important	Very Important	Important	Not very Important
	Geological criteria						
	General mineral abundance	15	18	4			
	Geological potential for large minerals	34	5	0			
d	Availability of geoscientific information	7	27	4			
d	Historical production	4	16	16			
	Ability to apply geological assessment techniques	22	13	3			
	Rarity of predicted mineral deposits	2	7	23			
	Political criteria						
g	Long-term national stability	22	17	0	23	11	0
g	Regime stability	14	21	2	14	16	2
g	Consistency and constancy of mineral policies	30	9	0	27	6	1
	Internal conflicts	20	16	1	18	14	0
	Hostile borders	16	17	3	15	14	2
	Others: democratic - 1; security of personnel - 1						
	Marketing criteria						
	Geographic location	9	20	8	11	18	6
	Presence of internal markets	1	6	30	0	13	22
	Transportation infrastructure	11	17	9	14	18	3
l	Export/import policies	22	9	6	24	9	2
	Regional trade agreements	3	10	24	7	10	21
	Demand/price forecasts	11	10	14	14	8	11
	Regulatory criteria						
h	Modern mineral legislation	19	14	5	20	11	4
h	Stability of exploration/ mining terms	26	11	8	29	7	0
h	Mineral ownership	27	7	4	26	6	3
	Surface/land ownership	18	13	7	16	15	4
n	Security of tenure	32	6	0	34	2	0
	Established mineral titles system	22	14	2	22	12	2
	Right to transfer ownership	20	17	1	15	18	2
	Size of exploration blocks	31	15	10			
	Availability of a mineral agreement to supplement or stand in place of the mining code	11	17	6	10	14	5
	International arbitration	9	16	11	9	15	6
	Fiscal criteria						
m	Method and level of tax levies	22	12	2	25	10	0
m	Ability to predetermine tax liability	26	10	0	29	6	0
	Availability of tax holiday	6	16	13	9	17	9
	Availability of accelerated depreciation	8	17	10	9	22	4
	Availability of reinvestment credits	3	16	16	1	23	11
	Stability of fiscal regime	23	11	1	26	7	0

Column 1: *Match with headings in Table 2.6*		Very Important	Important	Not very Important	Very Important	Important	Not very Important
m	Tax treaty with home country	7	17	11	10	16	9
	Expatriates exempt from income tax	4	7	25	5	6	26
	Monetary criteria						
j	Realistic foreign exchange regulations	26	11	0	28	8	0
	Permitted external accounts	20	12	5	25	10	1
j	Ability to repatriate profits	31	4	2	34	2	0
	Ability to raise external financing	23	9	5	24	11	1
	Others: exchange rate stability 1; no withholding tax - 1						
	Environmental criteria						
p	Environmental regulations	9	24	5	14	17	4
p	Ability to predetermine environment-related obligations	23	14	1	27	7	0
	Antimining groups	7	17	13	6	21	6
	Relative sensitivity of environment	10	20	7	14	16	2
	Operational factors						
f	Prior company experience in the country	2	15	23	3	18	14
l	Majority equity ownership held by company	21	12	6	20	12	4
l	Company has management control	27	9	2	27	7	2
a	Established infrastructure and utilities	4	21	12	8	23	4
b	Favourable climate	1	6	29	2	6	27
	Physical lay of the land	1	13	23	2	10	23
c	Availability of experienced local workforce	3	18	15	5	25	4
	Availability of fabrication/ maintenance services	2	16	19	6	19	9
	Availability of local geotechnical services	1	14	22	1	13	22
	Common spoken language	2	13	21	2	13	20
r	Availability of foreign investment insurance	8	8	21	6	11	17
	Others: importing exploration equipment - 1; no free carried interest - 1						
	Profit criteria						
	Internal rate of return				30	7	0
	Net present value				25	9	3
	Break-even year				17	14	5
	Return on investment				27	8	1
	Competitive cost index				21	12	2
	Others: accounting return - 1; total revenue - 1						

Number of companies responding 39

Note: Not all companies indicated a response for every criterion

MINING JOURNAL DATA ON GOLD PRODUCERS

To Compare Market Capitalisation per Ounce Produced and Costs of Production : RSA Producers vs. the Rest

DATA FOR GRAPH IN FIGURE 3.3

Gold Producer	Principal Production Area(s)	Annual Gold Prod.	Cost of Prod.	Market Capitalisation	Market Cap. per Ounce	Revenue from Gold	Shares in Issue	Average Share Price (#)
		'000 oz.	US$/oz	US$ million	US$/'000		millions	US$
Blyvooruitzicht	RSA	161.2	403	38.2	0.24	98%	24.00	1.59
Buffelsfontein	RSA	351.3	373	80.4	0.24	98%	11.00	7.31
Doornfontein	RSA	111.1	440	32.2	0.29	98%	40.00	0.81
Lorraine	RSA	197.3	309	59.4	0.30	97%	16.37	3.64
[illegible]	RSA	[illegible]	[illegible]	[illegible]	[illegible]	100%	[illegible]	[illegible]
Grootvlei	RSA	78.3	340	26.4	0.33	100%	11.40	2.30
Harmony	RSA	640.6	330	238.3	0.36	95%	34.00	6.70
Winkelhaak	RSA	315.4	312	140.1	0.45	99%	12.10	11.51
St. Helena	RSA	176.1	305	81.4	0.46	96%	9.40	8.47
[illegible]	RSA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hartebeestfontein	RSA	804.3	258	446.2	0.55	100%	112.00	3.90
Unisel	RSA	133.5	297	70.8	0.53	100%	35.00	2.53
Deelkraal	RSA	235.4	305	128.4	0.55	96%	90.54	1.29
Southvaal	RSA	1161.5	264	649.5	0.57	95%	24.00	26.37
[illegible]	RSA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs	RSA	2316.3	280	1346.5	0.58	96%	19.11	71.40
ERPM	RSA	246.9	373	153.8	0.62	99%	140.36	1.09
Kinross	RSA	346.2	240	230.7	0.66	99%	34.00	13.73
ST Consolidated	RSA	97.2	344	77.3	0.79	97%	34.33	[illegible]
[illegible]	RSA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amgold	RSA	2438.7	279	2176.2	0.89	97%	34.15	90.11
Western Areas	RSA	542.7	280	576.8	1.06	94%	40.31	14.31
Kloof	RSA	1581.8	251	1798.4	1.16	100%	134.60	13.19
Randfontein	RSA	499.4	271	581.3	1.18	98%	96.90	5.40
[illegible]	RSA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Driefontein	RSA	1941.3	191	2741.4	1.41	96%	204.00	13.44
Joel	RSA	114.8	300	232.4	[illegible]	100%	195.90	1.14
[illegible]	Australia	571.8	336	[illegible]	[illegible]	96%	424.13	4.19
Cambior	Canada/Guyana	512.2	277	521.2	1.01	94%	49.00	10.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Oak	Canada	280.9	322	378.4	[illegible]	100%	114.40	3.24
[illegible] Gold	Australia	810.4	218	1048.0	1.37	98%	575.71	1.81
Newcrest Mining	Australia	666.5	300	896.5	1.34	100%	239.59	3.80
Echo Bay Mines	USA/Canada	747.9	247	1090.8	1.46	100%	112.70	9.71
[illegible]	USA/Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Santa Fe Gold	USA	904.7	184	1440.8	1.57	98%	131.34	11.19
[illegible] Kalgoorlie	Australia	461.8	340	759.1	1.64	100%	504.00	0.90
Battle Mountain	USA/Canada	[illegible]	300	[illegible]	1.70	97%	[illegible]	[illegible]
Amax Gold	USA mostly	240.9	340	432.1	1.79	100%	81.30	5.32
[illegible]	Australia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Highlands Gold	Australia	237.4	[illegible]	420.1	1.81	97%	94.58	6.70
Aurora Gold	Australia	89.9	299	140.0	[illegible]	100%	140.00	1.00
Placer Pacific	Australia	700.1	194	[illegible]	1.50	99%	404.54	2.51
Sons of Gwalia	Australia	140.1	306	275.4	1.97	98%	71.36	3.86
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ashanti	Ghana	906.8	167	1926.3	2.12	100%	83.90	22.90
FMC Gold	USA	126.8	364	266.4	2.13	99%	73.40	3.63
Hemlo Gold	Canada	470.8	112	1012.2	2.15	100%	49.33	10.14
Plutonic Res.	Australia	327.1	240	780.7	2.39	100%	[illegible]	4.22
[illegible]	Australia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Agnico Eagle	Canada	151.2	140	428.3	2.83	91%	39.53	10.84
TVX Gold	N & S. America	361.6	306	1084.9	3.00	100%	140.00	4.70
Barrick Gold	USA/Canada + explor. Chile/Lat. Am.	2804.0	171	8815.1	3.10	100%	351.40	23.40
Total southern African		[illegible]	286.6	[illegible]	[illegible]			
Total 'the Rest'		[illegible]	218.9	[illegible]	[illegible]			
Grand Totals		[illegible]	253.2	[illegible]	[illegible]			

(#) Average of 1996 high and low prices.

Source of data: Mining Journal Gold Service (1996), Vol. 39, No. 1, May.

NOTE: Most non-S.A.-based companies listed above have exploration programmes in other regions at varying stages.

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]				CHILE	
11	[illegible]			[illegible]	[illegible]	
14						
15	COUNTRY INFLATION RATE				[illegible]	
20						
21	EXCHANGE RATE (PER USD)				[illegible]	PESO x 1000 PER USD
43						
44	[illegible]					
45					MIN.	MAX.
46	PROD. ROYALTY ON COPPER				[illegible]	[illegible]
47	PRICE RANGE				[illegible]	[illegible]
48	PROD. ROYALTY ON GOLD				[illegible]	[illegible]
49	PRICE RANGE				[illegible]	[illegible]
50	EXPORT ROYALTY				[illegible]	
51	TAX ON ALLUVIAL GOLD				[illegible]	[illegible]
52						
56	SALES TAXES / VAT			VAT	[illegible]	ZERO RATED
58	SOCIAL SECURITY CHARGES				[illegible]	[illegible]
59	TRAINING EXPENSES				[illegible]	
61	CUSTOMS DUTIES				[illegible]	
64	LAND/BUILDING TAXES				[illegible]	
65	ROAD RENT				[illegible]	[illegible]
66	STAMP DUTIES				[illegible]	
67	REAL ESTATE TAX				[illegible]	
68	CAPITAL TAX				[illegible]	[illegible]
69	MINING CONCESSION FEES				[illegible]	[illegible]
70	EXCISE TAX: AUTO FUEL				[illegible]	
71	EXCISE TAX: DIESEL				[illegible]	
72						
77	ROYALTIES (NON-GOVN.)				[illegible]	
80						
81	[illegible]					
82						
86	COMPANY TAXATION				SEE TAX NOTE BELOW	
90	TAX CREDITS					
92	ADDITIONAL PROFITS TAX				SEE APT NOTES BELOW	
93	PROVINCIAL/LOCAL TAXES				[illegible]	
97	INTEREST CHARGE BY LOCAL BANK				[illegible]	
98	EMPLOYEES SHARE OF PROFITS				[illegible]	
99	PERCENTAGE OF INCOME				[illegible]	
100	MAXIMUM BONUS AMOUNT				4.75	[illegible]
103						
104	[illegible]					
107						
108	DIVIDENDS: SUBSIDIARY			INCLUDED IN	[illegible]	
109	DIVIDENDS: BRANCH			CORPORATE	[illegible]	
110				TAX AMOUNT		
111	ROYALTIES: NON-ASSOC.				[illegible]	
112	ROYALTIES: ASSOCIATE				[illegible]	
113						
114	LOAN INTEREST				[illegible]	
115						
116	MANAGEMENT FEES				[illegible]	
117	(to non-residents)					
118	ROYALTIES TO LANDOWNERS				[illegible]	
169						
170	[illegible]				[illegible]	
171						
172						
173						
222						
223	[illegible]				[illegible]	
224					[illegible]	
225						
226	MONTHLY TAX UNIT				[illegible]	

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]				CHILE	
236				INV. REC. PERIOD	NORMAL STATUS	OTHER FACTORS
237	TAXATION RATES					
238	SUBSIDIARY			35.0%	[illegible]	0
239	BRANCH			35.0%	37.0%	
240	SURCHARGES					0.0
241	ALLOWANCE ON CAPEX TAX %					0.0
319						
320	[illegible]					
321						
322	INVESTMENT RECOVERY PERIOD				[illegible]	
323	TARGET INCOME				[illegible]	
324						
325	ADDITIONAL PROFITS TAX (APT)				[illegible]	
326	NET CASHFLOW (EXCLUDING INTEREST & DEPREC.)					
327	NPV AT US PRIME + STIPULATED % P.A.				12.0%	
330						
333	ANNUAL LOSS COUNTER				[illegible]	YEARS
336	DEPLETION ALLOWANCES					
339	GOLD & SILVER SALES				[illegible]	
340	OTHER METALS/MINERALS				[illegible]	
341						
342						
343						
344	[illegible]					
345				USEFUL	STRAIGHT	DECLINING
346				LIVES	LINE	BALANCE
347				IN YEARS	1.00	0.00
348				[illegible]	FLAG Y = 1.00	
349	MINING MACHINERY/PLANT			12	33.3%	0.0%
350	SMELTING/REFINING PLANT			10	33.3%	0.0%
351	BUILDINGS, MINESITE PREP.			25	11.0%	0.0%
352	[illegible]			20	33.3%	0.0%
353	EARTHMOVING EQUIP.			10	33.3%	0.0%
354	BUILDINGS/STEEL			10	12.5%	0.0%
355	BUILDINGS/WOOD, PRE-FAB.			5	100.0%	0.0%
356	MAG. SURVEY EQUIP.			10	33.3%	0.0%
357	COMPUTERS			6	100.0%	0.0%
358	FURNITURE/FITTINGS			5	100.0%	0.0%
359	OTHER OFFICE EQUIP.			5	100.0%	0.0%
360	MOTOR VEHICLES			10	33.3%	0.0%
361	CONCRETE MIXERS			10	33.3%	0.0%
362	IMMERSION VIBRATORS			10	33.3%	0.0%
363	CRANES			10	33.3%	0.0%
364	AIR-CONDITION PLANT			5	100.0%	0.0%
365	VEHICLE REPAIR EQUIP.			5	100.0%	0.0%
366	PORTABLE SLEEPING UNITS			10	33.3%	0.0%
367	CARPETS			5	100.0%	0.0%
368	POWER TOOLS (HAND)			5	100.0%	0.0%
369						
370	CAPITALIZED OP. EXPENSES			5	20.0%	0.0%
371						
372	EXPLORATION EXPENDITURE			1.00	20.0%	0.0%
373	MINERAL CLAIMS COSTS ([illegible] OF EXPLOR.)			[illegible]	5.0%	0.0%
374						
375						
376	SOURCES OF DATA:	Price Waterhouse (PW, 1994a)				
377		IWGMI (1995a)				
378		IMF (1995)				
379						
380						

Cell: I11
Note: GENERAL BUSINESS PROCEDURES (PW: 27-30, 32, 54, 97) ; (WGMI: 5):

Foreign investment is regulated by Decree Law No. 600 and is administered by the Foreign Investment Committee, which draws up the terms and conditions of the respective contract. Generally the laws are very investor friendly.

The Central Bank is responsible for foreign exchange transactions. There are no restrictions on remittances of profits but capital must remain in the country for one year.

Foreign investors usually make use of one of three business entities; the close corporation (not stock exchange listed), a Branch or limited liability partnership. There are no tax advantages between the entities but the limited liability entity is the simplest to constitute. 100 per cent foreign ownership is allowed and there is no obligation for employee participation in management.

Cell: J11
Note: INVESTMENT IN MINING:

The Foreign Investment Committee signs a separate agreement with each foreign investor. The time is stipulated in which the investment must be made and is usually three years. For mining projects the period is 8 years and can be extended to 12 years to cater for exploration.

Cell: J56
Note: VAT TREATMENT (PW: 117-119):

Exports are not subject to VAT which precludes the use of an input offset. Exporters can reclaim VAT expenses through various methods and timing. In general, VAT is levied at a rate of 18 per cent on goods and services. VAT is also levied on imports and is assessed on the CIF value plus any duties. Imports under Decree Law No. 600 (see above) are exempt.

Cell: J58
Note: SOCIAL SECURITY CHARGES (PW: 41-42):

Ranges from 0.9% to 3.4% of remuneration for the employer's account, depending on job description and degree of risk. Assumed an average 2.0% for purposes of this analysis. Employees contribute 10 per cent of taxable salary to a maximum of 60 monthly development units (Ch$10 900 per unit as of May 1994).

Cell: K58
Note: OTHER SOCIAL SECURITY CHARGES:

Percentage of turnover for employee development. N/A to Chile.

Cell: J59
Note: TRAINING LEVY (PW: 97):

Up to 1% of annual payroll for approved training plans. Allowable as a credit against First Category Tax (see comments below on taxation computations).

Cell: J61
Note: CUSTOMS DUTIES (PW: 33-34):

11 per cent imposed on most products at CIF based prices without deduction of special discounts.

Cell: J64
Note: LAND/BUILDING TAXES:

Any property taxes are allowed as a credit against the First Category Tax.

Cell: J66
Note: STAMP DUTIES (PW: 120):

Rate varies between 0.1 and 1.2% on value of transactions. Prima facie documents are subject to 0.5% of their value. Assume average value for this analysis as difficult to be specific on the transactions that are possible. Banking transactions attract a rate of 75 pesos per transfer or withdrawal.

Cell: J67
Note: REAL ESTATE TAX (PW: 97, 120):

2.0 per cent tax rate on cadastral value, this being revised every 5-10 years. Revised also January and July on the basis of the CPI. Allowable as a credit against First Category Tax (see tax notes below).

Cell: J69
Note: MINING CONCESSION FEES:

Legal fees ranging from US$ 0.19 per hectare for 300 hectares and US$1.5/ha for a claim over 3000 ha in respect of exploration. For exploitation US$0.30/ha for a 100 ha claim and US$1.87/ha for claims over 400 ha. See project module for claim size.

Cell: K69
Note: LICENCE FEES:

Licence fees of US$0.03/ha for exploration, US$4.18/ha for exploitation and US$1.38/ha for non-metallic and alluvial mines.

Cell: J70
Note: EXCISE TAX: ON AUTO FUEL (PW: 121, 131)

Tax on importation or first sale of auto fuel, amounting to 3.4 monthly tax units per cubic metre (see note on tax unit below). Some credit allowed for mining companies when transporting minerals from mines to industrial plants. Assume nil for this gold mine example.

Cell: J71
Note: EXCISE TAX: ON DIESEL FUEL (PW: 121)

Tax on importation or first sale of diesel fuel, amounting to 2.0 monthly tax units per cubic metre (see note on tax unit below). Some credit allowed for mining companies when transporting minerals from mines to industrial plants. Assume nil for this gold mine example.

Cell: J77
Note: NON-GOVERNMENT ROYALTIES:

To be scrutinized by the government. Royalties of this nature are tax deductible.

Cell: J93
Note: REGIONAL TAXES: N/A to Chile.

Cell: J98
Note: MANDATORY PROFIT SHARE (PW: 58):

In the absence of a formal employer /employee agreement the following is enacted by law:

30% of net profits (taxable income essentially) less 10% of net equity,
OR:
pay bonus equal to 25% of annual income up to a maximum of 4.75 times the monthly minimum wage (about Ch.$ 247 000 = US$ 525 in 1994) in force at end of period.

The amount paid to employees in terms of the requirement is tax deductible.

Cell: J108
Note: WITH-HOLDING TAX ON DIVIDENDS (PW: 86, 120):

Dividends remitted abroad are subject to the 35% Additional Tax but First Category Tax is credited.
NOTE: Effective rate in this case is zero because tax already levied on taxable income at 35%.

Cell: J111
Note: WITH-HOLDING TAX ON ROYALTIES:

Royalties subject to the 35% Additional Tax but First Category tax deducted. Royalties are deductible expenses provided they are necessary to produce income. Must be approved by Central Bank if remitted to other countries.

Cell: J114
Note: WITH-HOLDING TAX ON INTEREST:

Interest paid on loans is subject to the 35% Additional Tax but First Category tax deducted. When paid to foreign banks the rate is set at 4 (four) per cent.

Cell: J116
Note: WITH-HOLDING TAX ON MAN. FEES:

Fees subject to the 35% Additional Tax but First Category tax deducted. For engineering or technical services the rate is 20%.

Cell: J171
Note: FOREIGN LOANS (PW. 30, 34):

30 per cent of the principal has to be deposited in a non-interest bearing account for one year. This requirement can be replaced by the acquisition and simultaneous repurchase of Central Bank 'paper'; whereby the Central Bank deducts from the repurchase the LIBOR rate plus 4 per cent.

Cell: J223
Note: GENERAL TAX ISSUES:

There do not appear to be any major advantages to foreign corporations in operating as a subsidiary corporation or branch office. There are no specific requirements for foreign investors to participate with local partners. Generally the procedures for constituting an entity in Chile are inexpensive and the time required is relatively short.

Cell: J224
Note: COMPUTATION OF TAXABLE INCOME (FW: 93-98, 125) ; (WGMI: 9):

Taxable income is gross income less:
direct costs, business expenses, depreciation, exploration and development, research and development, net exchange losses, net interest expenses. Taxes other than income tax are deductible.

First Category Tax applied to accrued taxable income for all mining enterprises.
Secondary or Additional Tax applied when profits/dividends are remitted abroad. A credit of the First Tax is allowed against the Additional Tax, e.g.

Taxable income	100
First Cat. Tax	15
Avail. for remittance	85

Taxable income	100
Additional Tax	35
Less 15% tax	15
Net additional tax due	20
Total taxation	35 (or 35%)

Cell: J226
Note: TAX UNIT VALUE (FW: 132):

Various fiscal charges are calculated in terms of a certain number of tax units. The value of the tax unit is adjusted on the basis of the CPI. For purposes of standardisation the unit is given here in US dollars, but as of May 1994, a YEARLY tax unit was worth Ch$229 524 = US$537,5 (Ch$427 = US$1). Monthly tax unit = US$44,8

Cell: J230
Note: TAXATION RATES (FW: 89, 125):

Consists of a First Category Tax of 15% on all mining enterprises. An Additional Tax of 35% is applied to distributed earnings to foreign investors. In this instance, the FCT can be credited against the Additional Tax levied.

Cell: J323
Note: INVESTMENT RECOVERY PERIOD. N/A to Chile.

Cell: J324
Note: TARGET INCOME RATE: N/A to Chile.

Cell: J327
Note: ADDITIONAL PROFITS TAX: N/A to Chile.

Cell: J333
Note: LOSSES CARRIED OVER FOR TAX (FW: 90):

The period allowed for carry forward of net losses to be offset against future income. Tax losses may be carried forward indefinitely. Losses may not be carried backwards.

NOTE: Period allowed for in the simulation formula is 1-8 years. If more than this then assumed as 20 years or indefinite.

Cell: J339
Note: DEPLETION ALLOWANCE (GOLD AND SILVER): Not applicable to Chile.

Cell: J340
Note: DEPLETION ALLOWANCE (OTHER MINERALS): Not applicable to Chile.

Cell: J348
Note: DEPRECIATION (FW: 93, 126):

Depreciation determined by straight line method, except for land. Annual depreciation applied after revaluation of fixed assets according to rules on inflation adjustment. Accelerated depreciation can be applied to assets with useful lives over 5 years

Cell: J373
Note: MINERAL CLAIM COSTS (WGMI: 11):

Deducted as a direct cost, calculated as a proportion of annual ore extracted versus the reserves technically contained in the respective claims. Assumed equal instalments over the life of the operation.

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]				INDONESIA	
11	[illegible]			[illegible]	[illegible]	
14						
15	COUNTRY INFLATION RATE				[illegible]	
20						
21	EXCHANGE RATE (PER US$)				[illegible]	RUPIAH x 1000 PER US$
43						
44	[illegible]					
45					MIN.	MAX.
46	PROD. ROYALTY ON COPPER			[illegible]	[illegible]	[illegible]
47	PRICE RANGE				[illegible]	[illegible]
48	PROD. ROYALTY ON GOLD			[illegible]	[illegible]	[illegible]
49	PRICE RANGE				[illegible]	[illegible]
50	EXPORT ROYALTY				[illegible]	
51	TAX ON ALLUVIAL GOLD				[illegible]	[illegible]
52						
56	SALES TAXES / VAT			VAT	[illegible]	ZERO RATED
58	SOCIAL SECURITY CHARGES				[illegible]	[illegible]
59	TRAINING EXPENSES				[illegible]	
61	CUSTOMS DUTIES				[illegible]	
64	LAND/BUILDING TAXES				[illegible]	
65	DEAD RENT				[illegible]	[illegible]
66	STAMP DUTIES				[illegible]	
67	REAL ESTATE TAX				[illegible]	
68	CAPITAL TAX				[illegible]	[illegible]
69	MINING CONCESSION FEES				[illegible]	[illegible]
70	EXCISE TAX: AUTO FUEL				[illegible]	
71	EXCISE TAX: DIESEL				[illegible]	
72						
77	ROYALTIES (NON-GOVT.)				[illegible]	
80						
81	[illegible]					
82						
84	COMPANY TAXATION				SEE TAX NOTE BELOW	
90	TAX CREDITS					
92	ADDITIONAL PROFITS TAX				SEE APT NOTES BELOW	
93	PROVINCIAL/LOCAL TAXES				[illegible]	
97	INTEREST CHARGE BY LOCAL BANK				[illegible]	
98	EMPLOYEES' SHARE OF PROFITS				[illegible]	
99	PERCENTAGE OF INCOME				[illegible]	
100	MAXIMUM BONUS AMOUNT				0	[illegible]
105						
106	[illegible]					
107						
108	DIVIDENDS: SUBSIDIARY				[illegible]	
109	DIVIDENDS: BRANCH				[illegible]	
110						
111	ROYALTIES: NON-ASSOC.				[illegible]	
112	ROYALTIES: ASSOCIATE				[illegible]	
113						
114	LOAN INTEREST				[illegible]	
115						
116	MANAGEMENT FEES				[illegible]	
117	(to non-resident)					
118	ROYALTIES TO LANDOWNERS				[illegible]	
169						
170	[illegible]				[illegible]	
171					[illegible]	
172						
173						
222						
223	[illegible]				[illegible]	
224						
225						

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]				INDONESIA	
236	MONTHLY TAX UNIT				[illegible]	
236				INV. REC.	NORMAL	OTHER
237	TAXATION RATES			[illegible]	STATUS	FACTORS
238	SUBSIDIARY			35.0%	[illegible]	0
239	BRANCH			35.0%	[illegible]	
240	SURCHARGES					0.0
241	ALLOWANCE ON CAPITAL TAX %					0.0
319						
320	[illegible]					
321						
322	INVESTMENT RECOVERY PERIOD				[illegible]	
324	TARGET INCOME				[illegible]	
326						
327	ADDITIONAL PROFITS TAX (APT)				[illegible]	
328	NET CASHFLOW (EXCLUDING INTEREST & DEPREC.)					
329	NPV AT US PRIME + STIPULATED % P.A.				12.0%	
330						
333	ANNUAL LOSS COUNTER				[illegible]	YEARS
338	DEPLETION ALLOWANCES:					
339	GOLD & SILVER SALES				[illegible]	
340	OTHER METALS/MINERALS				[illegible]	
341						
342						
343						
344	[illegible]					
345				ASSET	STRAIGHT	DECLINING
346				CATEGORY	LINE	BALANCE
347				GROUP:	1.00	1.00
348				[illegible]	FLAG: Y = 1.00	
349	MINING MACHINERY/PLANT			2	0.0%	25.0%
350	SMELTING/REFINING PLANT			2	0.0%	25.0%
351	BUILDINGS, MINESITE PERM.			4	5.0%	0.0%
352	[illegible]			2	0.0%	25.0%
353	EARTHMOVING EQUIP.			2	0.0%	25.0%
354	BUILDINGS-STEEL			4	5.0%	0.0%
355	BUILDINGS-WOOD, PRE-FAB.			2	0.0%	25.0%
356	MAS. SURVEY EQUIP.			4	5.0%	0.0%
357	COMPUTERS			1	0.0%	50.0%
358	FURNITURE/FITTINGS			1	0.0%	50.0%
359	OTHER OFFICE EQUIP.			1	0.0%	50.0%
360	MOTOR VEHICLES			1	0.0%	50.0%
361	CONCRETE MIXERS			2	0.0%	25.0%
362	[illegible] VIBRATORS			2	0.0%	25.0%
363	CRANES			2	0.0%	25.0%
364	AIR-CONDITION PLANT			2	0.0%	25.0%
365	VEHICLE REPAIR EQUIP.			2	0.0%	25.0%
366	PORTABLE SLEEPING UNITS			2	0.0%	25.0%
367	CARPETS			1	0.0%	50.0%
368	POWER TOOLS (HAND)			1	0.0%	50.0%
369					0.0%	[illegible]
370	CAPITALISED OP. EXPENSES					
371					0.0%	[illegible]
372	EXPLORATION EXPENDITURE					
373	MINERAL CLAIMS COSTS (0% OF EXPLOR.)				[illegible]	0.0%
374						
375						
376	SOURCES OF DATA:	Price Waterhouse (PW, 1993)				
377		IWGMI (1993b)				
378		World Bank (1992)				
379		IMF (1993)				
380						

Cell: I11
Note: GENERAL BUSINESS PROCEDURES (PW: 33, 49, 50, 59, 87-90):

Foreign and domestic investment is coordinated by the Badan Koordinasi Penanaman Modal (BKPM). Procedures are generally well administered.

There is rarely any choice in the form of business structure. It must be a limited liability company incorporated in Indonesia, i.e. the Penanaman Modal Asing (PMA). The government requires foreign investment to be undertaken with Indonesian interests.

Usually 20 per cent local ownership initially, increasing to 51 per cent in 20 years. 100 per cent foreign ownership is allowed if the investment is at least US$ 50 million and is located in a remote area. This must be reduced to 95 per cent within 5 years after initial production and to 80 per cent ownership within 20 years.

There is no restriction on the movement of capital and profits. It is usually more efficient to repatriate profits via royalties, interest and management fees than by way of dividends.

There is no shortage of unskilled, low cost labour but skilled staff are not as readily available. There can be problems with importing expatriate skills.

Only Indonesians have the right to own land but foreigners can be given the right to 'build' and to 'exploit'.

Cell: J11
Note: MINING PROCEDURES (PW. 101-102, 151-152) : (IWGMI: 5) , (World Bank. 69):

This must be negotiated through the Ministry of Mines and Energy which is entitled to grant the relevant agreements, including the Contract of Work (CoW). The CoW is submitted to the BKPM and contains all the terms attached to the investment, development and production phases. Mining is regulated by authorizations known as kuasa pertambangan (KP) which can only be held by Indonesians.

Ownership of minerals in the ground vests in the State and the right to extraction by foreign investors is effected through the CoW. The CoW provides for various phases of development, e.g.:

General prospecting, 1 year; exploration, 3 years; evaluation, 1 year; construction, 3 years, operating period, 10 - 30 years.

A production royalty is paid by the company to the government in respect of ownership consideration. The amount is approximately 2 per cent of the sales value (see formulae below).

Cell: I46
Note: PRODUCTION ROYALTY FOR COPPER (IWGMI: 20):

Calculated using a formula:

R = 1.50 + (ACP - 90/20), where;

ACP = Applicable copper price

If price US$ 0.90 /lb or less then 1.5% of the sales price. If price exceeds $1.10/lb then 3.5% of the sales price.

Cell: J46
Note: LOWER LIMIT ROYALTY RATE FOR COPPER:

% rate on copper price less than or equal to lower limit (shown in US$ /lb).

NOTE: If a normal revenue based royalty, enter % rate here. Set minimum and maximum price to NIL.

Cell: K46
Note: UPPER LIMIT ROYALTY RATE FOR COPPER:

% rate on copper price higher than or equal to upper limit (shown in US$ /lb).

Cell: I48
Note: PRODUCTION ROYALTY FOR GOLD (IWGMI: 20):

Calculated using a formula:

R = 1.00 + (AGP - 300/100) as a %.
where;
AGP = Applicable gold price.

If price $300/oz or less then 1.0%. If price exceeds $400/oz then 2.0% of the sales price.

Cell: J48
Note: LOWER LIMIT ROYALTY RATE FOR GOLD:

% rate on gold price less than or equal to lower limit (shown in US$ /oz).

NOTE: If annual revenue based royalty, enter % rate here. Set minimum and maximum price at nil.

Cell: K48
Note: UPPER LIMIT ROYALTY RATE FOR GOLD:

% rate on gold price higher than or equal to upper limit (shown in US$ /oz).

Cell: J50
Note: EXPORT ROYALTIES:

Does not appear to be any export-type royalty but the production royalty is payable, as described above.

Cell: J56
Note: VAT TREATMENT (PW: 179 180):

Mining companies are required to register for VAT. Exported products are zero rated and all VAT paid on inputs is reclaimed.

Mining companies exempt for pre-production period and first ten years of production (to be confirmed)

Cell: J58
Note: SOCIAL SECURITY (PW. 109):

Worker's Social Insurance Programme, ASTEK, provides accident/retirement benefits scheme and covers minimum benefits. The conditions are as follows:

Accident insurance: Paid by employer and varies from 0.24 - 3.6% of basic salary.

Retirement: 2.5% of the employee's basic salary; comprising 1.5% by employer and 1.0% by employee.

Death insurance: Paid by employer at a rate of 0.5% of basic salary.

All are deductible for tax in the hands of the employer but pension is not a taxable benefit for the employee.

NOTE: For purposes of this exercise assume: 2.0 % + 1.5 % + 0.5 % = 4.0 % to the account of the employer.

Cell: K58
Note: PAYROLL TAXES:

Percentage of turnover for employee development. N/A to Indonesia.

Cell: J61
Note: IMPORT DUTIES (PW: 81-82):

Varies between 0 - 100% with luxury items attracting up to 20% duties. Exceptions are.

PRIMARY EQUIPMENT: 100% exempt.

SUPPORT EQUIPMENT: 50% exempt.

SPARES: 100% exempt for main equipment, up to a value of 5% of the main equipment' s value

RAW MATERIALS: 100% exempt for the first two years of production for goods not available locally. If the duty is 5% or higher, the exemption is 50%.

CONSUMABLES: 100% exemption if related to main equipment for first year of operation

ASSUME 100% EXEMPT FOR PURPOSES OF THIS EXERCISE.

Cell: J64
Note: LAND/BUILDING TAXES (PW: 128):

There are many provisions depending on the category of the asset. These can also differ according to the COW generation. In general the tax rate is 0.1% per annum on the value of the land and buildings.

Cell: J65
Note: DEAD RENT:

Dead rent in US $ per hectare for the CONSTRUCTION period.

Cell: K65
Note: DEAD RENT:

Dead rent in US $ per hectare for the OPERATING period. There are different rates for other stages of activity, such as the general survey period, exploration period and feasibility study period.

Cell: J66
Note: STAMP DUTIES (FW: 187, 217):

Items include receipts, cheques, agreements and powers of attorney.
Stamp tax amounts to Rp 1000 (US$0.55) for most documents. Cheques attract a tax of Rp 500 regardless of value.

Assumed negligible for purposes of this exercise. Difficult to simulate the various transactions attached to the project.

Cell: J68
Note: CAPITAL TAX (A): No information available.

Cell: K68
Note: CAPITAL TAX (B) (FW: 92):

Tax rate payable on formation of company. Varies from 0.01 to 0.05 % of the invested capital. Assumed 0.03 % for purposes of the exercise

Cell: J69
Note: LEGAL FEES. No information available, but would market related as per lawyer rates.

Cell: K69
Note: LICENCE FEES: No information available.

Cell: J70
Note: EXCISE TAX ON AUTO FUEL: No information available.

Cell: J71
Note: EXCISE TAX ON DIESEL FUEL: No information available.

Cell: J77
Note: NON-GOVERNMENT ROYALTIES (FW: 143-144):

To be scrutinised by the government. Royalties of this nature are tax deductible. Intercompany charges are treated similarly.

Cell: J93
Note: REGIONAL TAXES (FW: 180):

Minor taxes are levied by regional governments. No information was available on rates and conditions

Cell: J98
Note: MANDATORY PROFIT SHARE: N/A to Indonesia.

Cell: J108
Note: WITH-HOLDING TAXES ON DIVIDENDS (FW: 153, 204):

15 per cent for residents and 20 per cent for non-residents, but may be reduced if tax treaty in force. Assume no tax treaty for purposes of this analysis.

It is normally better to extract profits via royalties, interest and management fees.

Cell: J109
Note: WITH-HOLDING TAXES (BRANCHES):

20 per cent irrespective of whether remitted overseas or not.

Cell: J111
Note: WITH-HOLDING TAX ON ROYALTIES:

20% to non-resident companies which may be different if tax treaty in force. 15% if the recipient is a resident.

Cell: J114
Note: WITH-HOLDING TAX ON INTEREST:

20% to non-resident companies which may be different if tax treaty in force. 15% is levied if recipient is a resident. There are no specific limitations regarding debt-equity ratio.

Cell: J116
Note: WITH-HOLDING TAX ON MAN. FEES.

20% to non-resident companies which may be different if tax treaty in force. 15% is levied if recipient is a resident.

Cell: J171
Note: LOAN RESTRICTIONS (FW: 38, 145):

There appears to be no restriction on the debt-equity relationship. The Minister of Finance does have some discretion on this issue, however. Some COW have stipulated limits in respect of hard-rock mining.

Cell: J172
Note: LOAN INTEREST FOR TAX PURPOSES (PW. 143):

Generally deductible for tax purposes provided principal amount borrowed for purposes of earning taxable income.

Some discretion is required on excessive interest being paid on debt finance and to related parties.

Cell: J224
Note: COMPUTATION OF TAXABLE INCOME (PW: 142-145):

All income less the costs of securing that income, e.g. :

Wages/salaries, honoraria, interest, rent, royalties, travel costs, bad debts, insurance premiums, administration costs and taxes other than income tax.

Cell: J226
Note: TAX UNIT VALUE: N/A to Indonesia.

Cell: J237
Note: INVESTMENT RECOVERY PERIOD: N/A to Indonesia.

Cell: J238
Note: CORPORATE TAX RATES (PW: 138):

Profits of corporations are taxed at the top rate of 35%

Cell: J239
Note: BRANCH TAX RATE (PW: 159).

Branches of foreign corporations are taxed at normal rates on income attributable to Indonesian operations.
A further 20% is payable on after-tax income irrespective if a dividend is declared and retained in Indonesia. Branch operations are only allowed for certain service type businesses.

Cell: J323
Note: INVESTMENT RECOVERY PERIOD: N/A to Indonesia

Cell: J324
Note: TARGET INCOME RATE: N/A to Indonesia.

Cell: J327
Note: ADDITIONAL PROFITS TAX: N/A to Indonesia.

Cell: J333
Note: LOSSES CARRIED FORWARD FOR TAX (PW: 140):

The period allowed for tax losses to be carried forward to be offset against future income. Losses may not be carried backwards.

Period allowed for in the simulation formula is 1-8 years. If more than this then assumed 20 years or indefinite.

Cell: J339
Note: DEPLETION ALLOWANCE (GOLD AND SILVER): Not applicable to Indonesia.

Cell: J340
Note: DEPLETION ALLOWANCE OTHER MINERALS): Not applicable to Indonesia.

Cell: J348
Note: DEPRECIATION FOR TAX PURPOSES (PW: 142, 300):

Assets to be depreciated from time of purchase, or time of first use (approval by tax authorities). Depreciation in the pre-production period would be classified as deferred expenses.

Assets are classified per four categories (see below in capex schedule) and are depreciated using the Declining Balance method at the prescribed rates. Building and infrastructure related assets are depreciated using the Straight Line method. The cost of land is not allowable as a depreciable write-off.

Pre-production and and production costs cannot be transferred from one COW area to another, i.e the ring-fencing principle applies.

Cell: K370
Note: PRE-PRODUCTION EXPENSES (WGMI: 14):

Pre-production costs are depreciable from first production at rates agreed upon in the CoW. Assume declining balance method at 25% per annum.

Cell: K372
Note: EXPLORATION/DEVELOPMENT EXPENSES (WGMI: 14):

The COW specifies the following to be amortized at 25% per annum using the DB method:

Patents, franchises, concessions, licenses, leasehold interest and pre-production expenses. Effective from the date of commercial production and are deferred expenses until then.

Cell: J373
Note: MINERAL RIGHTS CLAIMS (PW: 143):

Costs of acquiring mineral rights can be amortized by the unit of production method up to a maximum of 20% per annum.

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]			PAPUA NEW GUINEA		
11	[illegible]			NONE	[illegible]	
14						
15	COUNTRY INFLATION RATE				8.0%	
20						
21	EXCHANGE RATE (PER US$)				1.20	KINA PER US$
43						
44	[illegible]					
45					MIN.	MAX.
46	PROD. ROYALTY ON COPPER				[illegible]	[illegible]
47	PRICE RANGE				$0.00	$0.00
48	PROD. ROYALTY ON GOLD				[illegible]	[illegible]
49	PRICE RANGE				$0	$0
50	EXPORT ROYALTY				[illegible]	
51	TAX ON ALLUVIAL GOLD				[illegible]	[illegible]
52						
56	SALES TAXES / VAT			SALES TAX	[illegible]	
58	SOCIAL SECURITY CHARGES				[illegible]	0.0%
59	TRAINING EXPENSES				[illegible]	
61	CUSTOMS DUTIES				[illegible]	
64	LAND/BUILDING TAXES				[illegible]	
65	HEAD RENT				[illegible]	[illegible]
66	STAMP DUTIES				[illegible]	
67	REAL ESTATE TAX				0.0%	
68	CAPITAL TAX				NOTE	NOTE
69	MINING CONCESSION FEES				[illegible]	[illegible]
70	EXCISE TAX: AUTO FUEL				[illegible]	
71	EXCISE TAX: DIESEL				[illegible]	
72						
77	ROYALTIES (NON-GOVN.)				[illegible]	
80						
81	[illegible]					
82						
86	COMPANY TAXATION				SEE TAX NOTE BELOW	
90	TAX CREDITS					
92	ADDITIONAL PROFITS TAX				SEE APT NOTES BELOW	
93	PROVINCIAL/LOCAL TAXES				0.0%	
97	INTEREST CHARGE BY LOCAL BANK				[illegible]	
98	EMPLOYEES' SHARE OF PROFITS				[illegible]	
99	PERCENTAGE OF INCOME				0.0%	
100	MAXIMUM BONUS AMOUNT				0	$0.0
104						
106	[illegible]					
107						
108	DIVIDENDS: SUBSIDIARY				[illegible]	
109	DIVIDENDS: BRANCH				0.0%	
110						
111	ROYALTIES: NON-ASSOC.				[illegible]	
112	ROYALTIES: ASSOCIATE				30.0%	
113						
114	LOAN INTEREST				[illegible]	
115						
116	MANAGEMENT FEES				[illegible]	
117	(to non-residents)					
118	ROYALTIES TO LANDOWNERS				[illegible]	
160						
170	[illegible]				[illegible]	
171					[illegible]	
172						
173						
222						
223	[illegible]				[illegible]	
224					[illegible]	
225						

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]			PAPUA NEW GUINEA		
235	MONTHLY TAX UNIT				[illegible]	
236				INV. REC. PERIOD	NORMAL STATUS	OTHER FACTORS
237	TAXATION RATES:					
238	SUBSIDIARY			[illegible]	[illegible]	1
239	BRANCH			[illegible]	[illegible]	
240	SURCHARGES					0.0
241	ALLOWANCE ON CAPITAL TAX %					0.0
319						
320	[illegible]					
321						
323	INVESTMENT RECOVERY PERIOD				[illegible]	
324	TARGET INCOME				[illegible]	
326						
327	ADDITIONAL PROFITS TAX (APT)				[illegible]	
328	NET CASHFLOW (EXCLUDING INTEREST & DEPREC.)				[illegible]	
329	NPV AT US PRIME + STIPULATED % P.A.				[illegible]	
330						
332	ANNUAL LOSS FOR TAX PURPOSES					
333	ANNUAL LOSS [illegible]				[illegible]	YEARS
338	DEPLETION ALLOWANCES					
339	GOLD & SILVER SALES				[illegible]	
340	OTHER METALS/MINERALS				[illegible]	
342						
344	[illegible]					
345				[illegible] RATE	[illegible] LIFE	[illegible] BALANCE
346						
347					1.00	0.00
348					FLAG Y = 1.00	
349	MINING MACHINERY/PLANT			[illegible]	[illegible]	[illegible]
350	SMELTING/REFINING PLANT			15.0%	[illegible]	15.0%
351	BUILDINGS, [illegible]			2.0%	[illegible]	[illegible]
352	[illegible]			7.5%	[illegible]	[illegible]
353	EARTHMOVING EQUIP.			[illegible]	[illegible]	15.0%
354	BUILDINGS/STEEL			4.0%	[illegible]	[illegible]
355	BUILDINGS/WOOD, PRE-FAB.			[illegible]	[illegible]	[illegible]
356	MAG. SURVEY EQUIP.			3.0%	[illegible]	15.0%
357	COMPUTERS			[illegible]	[illegible]	15.0%
358	FURNITURE/FITTINGS			7.5%	[illegible]	[illegible]
359	OTHER OFFICE EQUIP.			[illegible]	[illegible]	[illegible]
360	MOTOR VEHICLES			[illegible]	[illegible]	[illegible]
361	CONCRETE MIXERS			[illegible]	[illegible]	[illegible]
362	[illegible] VIBRATORS			[illegible]	[illegible]	15.0%
363	CRANES			[illegible]	[illegible]	[illegible]
364	AIR-CONDITION PLANT			[illegible]	[illegible]	[illegible]
365	VEHICLE REPAIR EQUIP.			[illegible]	[illegible]	[illegible]
366	PORTABLE SLEEPING UNITS			[illegible]	[illegible]	[illegible]
367	CARPETS			[illegible]	[illegible]	15.0%
368	POWER TOOLS (HAND)			[illegible]	[illegible]	[illegible]
369						
370	CAPITALISED OP. EXPENSES			[illegible]	[illegible]	[illegible]
371						
372	EXPLORATION EXPENDITURE			[illegible]	[illegible]	[illegible]
373	MINERAL CLAIMS COSTS ([illegible] OF EXPLOR.)			[illegible]	5.0%	[illegible]
374						
375						
376	SOURCES OF DATA:	Price Waterhouse (PW, 1990a)				
377		Coopers and Lybrand (1991)				
378		IWGMI (1993c)				
379		Kumar (1991)				
380		IMF (1995)				

Cell: I11
Note: GENERAL BUSINESS PROCEDURES (PW: 31, 39, 47-50, 25-29):

Investment and setting up a business in PNG is controlled through the National Investment and Development Authority (NIDA), although exceptions do pertain to mining and petroleum exploration companies and certain support services.

There is a choice in the form of business entity for foreign investment. Branches are taxed at a higher rate than local subsidiaries but the cost of setting up the latter is higher. To simplify the process investors can make use of 'shelf' companies which can be bought form legal or accounting practice firms.

Although there are no restrictions to the level of foreign shareholding, the government prefers a degree of local participation (see mining procedures). Companies are expected to train local staff to managerial positions as soon as is practicable.

There are no restrictions to the repatriation of capital and profits All liabilities and tax payments must settled, however, before repatriation. The Bank of PNG is the exchange control authority and oversees conditions underlying most transfers of funds from PNG.

Cell: J11
Note: MINING PROCEDURES (PW: 105-108):

Development of a large scale mining project is effected through a Special Mining Lease (SML).

A prospecting authority is granted to an explorer over an area not exceeding 25 000 square kilometres. It is usually valid for 2 years and grants the holder the exclusive right to prospect for specified minerals in that area.

On discovering a mineral deposit the prospector applies for the SML which covers an area not exceeding 60 square kilometres. An agreement is drawn up with the government before the SML is granted and this would include the government's option to acquire equity in the project between 10 - 30 per cent.

Before the SML is granted a Proposal for Development must be verified by the authorities which forms the basis of the Mineral Development Contract between the State and the investors (IWGMI 3).

Cell: J46
Note: LOWER LIMIT ROYALTY RATE FOR COPPER:

% rate on copper price less than or equal to lower limit (shown in US$ /lb).

NOTE:If a normal revenue based royalty, enter % rate here. Set minimum and maximum price to NIL.

Latter applicable to PNG.

Cell: K46
Note: UPPER LIMIT ROYALTY RATE FOR COPPER: N/A to PNG.

Cell: J48
Note: LOWER LIMIT ROYALTY RATE FOR GOLD (Coopers and Lybrand: 75) ; (IWGMI: 21):

% rate on gold price less than or equal to lower limit (shown in US$ /oz).

NOTE: If normal revenue based royalty, enter % rate here. Set minimum and maximum price at nil.

Latter applicable to PNG.

Cell: K48
Note: UPPER LIMIT ROYALTY RATE FOR GOLD: N/A to PNG.

Cell: J50
Note: EXPORT ROYALTIES: N/A to PNG but production royalties are payable as displayed above.

Cell: J51
Note: ALLUVIAL GOLD TAXES (Coopers and Lybrand: 75) ; (IWGMI: 22):

The rate payable at point of export on processed or unprocessed alluvial gold, metallic ores and concentrates and roasted iron pyrites.

Cell: K51
Note: PROPORTION ALLUVIAL GOLD:

The percentage of gold produced from alluvial sources, for purposes of the simulation.

Cell: J56
Note: SALES TAXES (PW: 146) ; (IWGMI: 21):

The right to impose taxes on sales is vested in the provincial governments and varies between 1 and 4 per cent.

Assume 3% for purposes of this exercise.

Cell: J58
Note: SOCIAL SECURITY PAYMENTS (PW: 63) ; (IWGMI: 24):

An employer of 25 or more personnel has to register with the National Provident Fund. Membership is compulsory for personnel working more than 59 days in a three month period. The following rates apply to gross salary:

Employees: 5 per cent minimum, with voluntary contributions up to a maximum of 10 per cent.

Employers: 7 per cent which is non-refundable, but is tax deductible.

Cell: J59
Note: TRAINING LEVY (PW: 61) ; (IWGMI: 25):

Applied at a rate of 2 per cent of taxable salary, including benefits. The amount is reduced by the expenses actually incurred on training of PNG citizens. Companies are required to submit proposals setting out reasons for employing expatriate staff and plans for training local personnel. Costs were not stipulated. K500 must be paid for approval of every ex-patriate position held.

Cell: J61
Note: IMPORT DUTIES (PW: 145, 174):

Customs duties are levied by the federal government on most imported products at the CIF value. The range varies as follows:

Clothing	30 %
Motor vehicles	25 to 75 %
Hand tools	9 %
Typewriters, calculators and computers	9 %
Drilling rigs	9 %

There may be certain reductions for investment and development purposes.

Assumed an average of 10 per cent for purposes of this exercise.

Cell: J64
Note: LAND TAXES (PW: 76, 147):

The annual rate applied by provincial and local governments on the unimproved capital value of the property. The value is determined by the PNG Valuer General. Reportedly these taxes are relatively nominal. Set at zero for purposes of this exercise.

Cell: J65
Note: DEAD RENT CONSTRUCTION PERIOD: N/A to PNG.

Cell: K65
Note: DEAD RENT FOR OPERATING PERIOD: N/A to PNG.

Cell: J66
Note: STAMP DUTIES (PW: 146) ; (IWGMI: 22-23):

A range of stamp duties payable on various transactions; cheques, loan agreements, leases, transfers of marketable securities land ownership. Appear to be small in relative terms. Difficult to simulate for this exercise so not accounted for.

Cell: J68
Note: CAPITAL TAX (A): No information available.

Cell: K68
Note: CAPITAL TAX (B) (PW: 51):

The fee for registration of a company is K10 000 for capitalisation over K 1 million.

Cell: J69
Note: LEGAL FEES: Information not available.

Cell: K69
Note: LICENCE FEES: Information not available.

Cell: J70
Note: EXCISE TAX ON AUTO FUEL: Information not available.

Cell: J71
Note: EXCISE TAX ON DIESEL FUEL: Information not available.

Cell: J77

Note: NON-GOVERNMENT ROYALTIES (PW: 94, 98, 119) ; (IWGMI: 20):

To be scrutinised by the government. Royalties of this nature are tax deductible.

Cell: J98
Note: MANDATORY PROFIT SHARE: N/A to PNG.

Cell: J108
Note: WITH-HOLDING TAXES ON DIVIDENDS (PW: 85, 119, 149) ; (IWGMI: 20):

The with-holding tax on dividends is set at 17% irrespective of whether the recipient is a resident or non-resident.

Cell: J111
Note: WITH-HOLDING TAXES ON ROYALTIES (PW: 85, 119, 149) ; (IWGMI: 20):

Where the recipient is not an associated entity a 10% tax is levied. If an associate entity then a 30% tax is with-held. An associated entity includes relatives, partners, companies under effective control and related trust interests.

Cell: J114
Note: WITH-HOLDING TAXES ON INTEREST (PW: 97):

48% w/hold tax payable when:

- money is secured by debentures of the company or money used to acquire assets

- money lodged with a company for interest.

Care should taken in structuring the loans so as to avoid the 48 per cent tax rate.

Does not apply to companies engaged in mining or petroleum operations if money used for developing these operations (IWGMI: 20).

Cell: J116
Note: WITH-HOLDING TAXES ON MAN. FEES (PW: 119):

On payments to contractors hired from outside PNG, a rate of 17% is levied and pertains to non-residents having 'permanent establishment' in PNG

Cell: J118
Note: WITH-HOLDING TAXES ON ROYALTIES TO LANDOWNERS (PW: 162):

On mining royalties paid to landowners, a 5% tax is levied.

Cell: J171
Note: LOAN RESTRICTIONS (PW: 27, 42):

Central bank imposes a limit on the loan portion of a foreign investment. Usually the limit is set at maximum of 3:1 debt:equity ratio. Exemptions do exist for companies undertaking mining and petroleum exploration. There is a one year moratorium before instalments on the principal can be repaid. A 2:1 limit is set for local borrowings. No limits are applied in respect of mineral exploration businesses.

Cell: J172
Note: INTEREST FOR TAX (PW: 97):

Generally deductible for tax purposes provided principal amount borrowed for purposes of earning taxable income. Can only be carried forward seven years for purposes of being offset against future taxable income.

Cell: J223
Note: GENERAL TAX ISSUES (PW: 109):

A foreign investor may operate in PNG as a branch or a subsidiary. Most investors choose the subsidiary as the operating entity.

Main difference in tax structure is that the branch is taxed at 48% and the subsidiary is taxed at 35% plus a 17% with-holding tax on dividends paid.

Cell: J224
Note: COMPUTATION OF TAXABLE INCOME (PW: 95-102, 105-107):

Taxable income is calculated as gross income less, for example:

business expenses, depreciation, exploration and development, research and development, exchange losses, net interest expenses, royalties, service fees, bad debts.

Tax losses from one mining lease cannot be offset against taxable profits on another, i.e. the concept of 'ring-fencing' applies.

Cell: J236
Note: TAX UNIT VALUE: N/A to PNG.

Cell: J238
Note: CORPORATE TAX RATES (FW: 157):

Profits of corporations are taxed at the top rate of 35%. It has been proposed that this be reduced in 1995 to 25% but the production royalty has been increased from 1.25 per cent to 2 per cent.

Cell: J239
Note: BRANCH TAX RATE (FW: 103):

Branches of foreign corporations are taxed at the higher tax rates as shown. The with-holding tax does not apply, however.

Cell: J323
Note: INVESTMENT RECOVERY PERIOD (IRP) (FW: 100):

The IRP begins with the receipt of the first income and ends when the net total income exceeds the total initial investment on exploration and development. Accelerated capital write-off against taxable income is allowed, thereby reducing tax payable and shortening the investment payback period.

Cell: J324
Note: TARGET INCOME RATE:

The target income rate is the after-tax return on the initial capital invested to develop the project.

Cell: J327
Note: ADDITIONAL PROFITS TAX (APT) (FW: 108) ; (Kumar: 144):

The tax rate applied (70%-corp tax rate) to the excess of income after a specified return on capital invested has been reached. The specified return can be either a flat rate (20 per cent for PNG) or the U.S. prime rate plus a premium (12 per cent for PNG) dependent on the taxpayer's one time election.

Cell: J328
Note: NET CASHFLOW FOR APT (IWGMI: 19):

As applied to the case of PNG, the annual cashflow to offset against total capital invested is calculated as follows:

All assessable income (excl. interest earned),
less;
all costs in deriving income, excluding depreciation, residual capital and exploration, prior year tax losses and interest on loans,
less;
allowable capital and exploration expenditure and cost of plant,
less;
mining income tax in year,
plus/less;
the change in value of the average value of consumables.

Cell: J333
Note: LOSSES CARRIED OVER FOR TAX (FW: 101):

The period allowed for tax losses to be carried forward to be offset against future income. Losses may not be carried backwards.

NOTE: Period allowed for in the simulation formula is 1-8 years. If more than this then assumed 20 years or indefinite.

Cell: J339
Note: DEPLETION ALLOWANCE (GOLD AND SILVER): Not applicable to PNG.

Cell: J340
Note: DEPLETION ALLOWANCE (OTHER MINERALS): Not applicable to PNG.

Cell: I345
Note: ACTUAL RATES:

The rates shown are those actually determined by the tax office for straight line depreciation.

Cell: J345
Note: STRAIGHT LINE DEPRECIATION (FW: 95, 107, 158) ; (IWGMI: 13):

Capital expenditure deducted from taxable income at a rate of 10% (10 years) per annum or the remaining life of the mine, whichever is the lesser figure.

Cell: K345
Note: DECLINING BALANCE:

The depreciation rate for the DB method is automatically 50% higher than that applied for Straight Line method.

Code: I972
Note: EXPLORATION DEDUCTION (PW: 107):

Allowance calculated by dividing the undeducted balance of exploration expenditure by 5 or the remaining life of the mine, whichever is the lesser. The exploration expenditure cannot be carried forward for more than 11 years.

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]				SOUTH AFRICA	
11	[illegible]			[illegible]	[illegible]	
14						
15	COUNTRY INFLATION RATE				[illegible]	
20						
21	EXCHANGE RATE (PER US$)				5.70	RAND
43						PER US$
44	[illegible]					
45					MIN.	MAX.
46	PROD. ROYALTY ON COPPER			[illegible]	[illegible]	[illegible]
47	PRICE RANGE				[illegible]	[illegible]
48	PROD. ROYALTY ON GOLD				[illegible]	[illegible]
49	PRICE RANGE				[illegible]	[illegible]
50	EXPORT ROYALTY				[illegible]	
51	TAX ON ALLUVIAL GOLD				[illegible]	[illegible]
[illegible]						
[illegible]	SALES TAXES / VAT			VAT	[illegible]	ZERO RATED
[illegible]	SOCIAL SECURITY CHARGES				[illegible]	[illegible]
[illegible]	TRAINING EXPENSES				0.0%	
61	CUSTOMS DUTIES				[illegible]	
64	LAND/BUILDING TAXES				[illegible]	
65	DEAD RENT				[illegible]	[illegible]
66	STAMP DUTIES				[illegible]	
67	REAL ESTATE TAX				[illegible]	
68	CAPITAL TAX				[illegible]	[illegible]
69	MINING CONCESSION FEES				[illegible]	[illegible]
70	EXCISE TAX: AUTO FUEL				[illegible]	
71	EXCISE TAX: DIESEL				[illegible]	
72						
77	ROYALTIES (NON-GOVN.)				[illegible]	
80						
81	[illegible]					
82						
86	COMPANY TAXATION				SEE TAX NOTE BELOW	
90	TAX CREDITS					
92	ADDITIONAL PROFITS TAX				SEE APT NOTES BELOW	
93	PROVINCIAL/LOCAL TAXES				0.0%	
97	INTEREST CHARGED BY LOCAL BANK				[illegible]	
98	EMPLOYEES' SHARE OF PROFITS				[illegible]	
99	PERCENTAGE OF INCOME				[illegible]	
100	MAXIMUM BONUS AMOUNT				[illegible]	[illegible]
[illegible]						
[illegible]	[illegible]					
107						
[illegible]	DIVIDENDS: SUBSIDIARY				[illegible]	
[illegible]	DIVIDENDS: BRANCH				0.0%	
110						
111	ROYALTIES: NON-ASSOC.				[illegible]	
112	ROYALTIES: ASSOCIATE				0.0%	
113						
114	LOAN INTEREST				[illegible]	
115						
116	MANAGEMENT FEES				[illegible]	
117	(to non-residents)					
118	ROYALTIES TO LANDOWNERS				0.0%	
[illegible]						
170	[illegible]				[illegible]	
171					[illegible]	
172						
173						
223	[illegible]				[illegible]	
224					[illegible]	
225						
226	MONTHLY TAX UNIT				[illegible]	

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	CRITERIA HEADINGS				SOUTH AFRICA	
227	TAX RATE ON NON-MINING INCOME				[illegible]	
228	ORDINARY COMPANY TAX RATE				[illegible]	
229	SECONDARY TAX ON COMPANIES				25.0%	
236				INV. REC.	NORMAL	OTHER
237	TAXATION RATES:			PERIOD	STATUS	FACTORS
238	SUBSIDIARY			40.0%	[illegible]	[illegible]
239	BRANCH			40.0%	35.0%	
240	SURCHARGES					0.0
241	ALLOWANCE ON CAPEX: TAX %					[illegible]
319						
320	[illegible]					
321						
322	INVESTMENT RECOVERY PERIOD				[illegible]	
324	TARGET INCOME				[illegible]	
326						
327	ADDITIONAL PROFITS TAX (APT)				[illegible]	
328	NET CASHFLOW (EXCLUDING INTEREST & DEPREC.)					
329	NPV AT US PRIME + STIPULATED % P.A.				12.0%	
330						
333	ANNUAL LOSS COUNTER				[illegible]	YEARS
338	DEPLETION ALLOWANCES:					
339	GOLD & SILVER SALES				[illegible]	
340	OTHER METALS/MINERALS				[illegible]	
343						
344	CAPITAL [illegible]					
345				[illegible]	STRAIGHT	DECLINING
346					LINE	BALANCE
347					1.00	0.00
348					FLAG Y = 1.00	
349	MINING MACHINERY/PLANT				100.0%	100.0%
350	SMELTING/REFINING PLANT				100.0%	100.0%
351	BUILDINGS, MINESITE PERP.				10.0%	100.0%
352	[illegible]				100.0%	100.0%
353	EARTHMOVING EQUIP.				100.0%	100.0%
354	BUILDINGS/STEEL				100.0%	100.0%
355	BUILDINGS/WOOD, PRE-FAB.				100.0%	100.0%
356	MAG. SURVEY EQUIP.				100.0%	100.0%
357	COMPUTERS				20.0%	100.0%
358	FURNITURE/FITTINGS				5.0%	100.0%
359	OTHER OFFICE EQUIP.				100.0%	100.0%
360	MOTOR VEHICLES				20.0%	100.0%
361	CONCRETE MIXERS				100.0%	100.0%
362	IMMERSION VIBRATORS				100.0%	100.0%
363	CRANES				100.0%	100.0%
364	AIR-CONDITION PLANT				100.0%	100.0%
365	VEHICLE REPAIR EQUIP.				10.0%	100.0%
366	PORTABLE SLEEPING UNITS				100.0%	100.0%
367	CARPETS				100.0%	100.0%
368	POWER TOOLS (HAND)				100.0%	100.0%
369						
370	CAPITALISED OP. EXPENSES				100.0%	0.0%
371						
372	EXPLORATION EXPENDITURE			[illegible]	100.0%	0.0%
373	MINERAL CLAIMS COSTS (% OF EXPLOR.)			[illegible]	5.0%	0.0%
374						
375						
376	SOURCES OF DATA:	Price Waterhouse (PW, 1994b)				
377		IWGMI (1993d)				
378						
379						
380						

Cell: I11
Note: GENERAL BUSINESS PROCEDURES (PW: 49-56, 85, 99):

Foreign investment into S.A. requires approval by the exchange control authorities (Reserve Bank) There is a preference for equity capital rather than by way of loans. There is no restriction to the level of foreign ownership.

The most common form of business entity for foreign corporate investors is the private limited company.

Foreign loan finance will usually be allowed provided that there is sufficient equity capital to cover fixed asset requirements.

Local loan finance to foreign investors is restricted, e.g. if 100 per cent foreign owned then borrowings allowed to 50 per cent of foreign capital invested. If partially owned with resident investors then a formula is applied.

There are no restrictions on capital repatriation. Until recently (1995) these transactions had to take place through the financial rand mechanism, which traded at a discount to the commercial rand ranging from 10-40 per cent. The discount depends on investors' perceptions of sovereign and related risks.

Likewise there are no restrictions on transfer of profits and dividends. These were not transferred through the financial rand but the commercial rand. There is usually no restriction on the transfer of interest, royalties and service fees provided market related rates apply.

Cell: J11
Note: MINING PROCEDURES:

Cell: I46
Note: ROYALTIES FOR S.A.:

The lease royalty, or state's share of profits, fell away as from 1 January 1994. The royalty was calculated by formula, similar in structure to the gold mining tax, but not as high. The amount was tax deductible.

Cell: I54
Note: VAT OR SALES TAXES (PW: 77, 134, 216):

An invoice based VAT of 14 per cent applies to most transactions. All exported goods are zero-rated which means that most mining businesses can claim the VAT charge as a refund.

Cell: I56
Note: SOCIAL SECURITY (PW: 107-108, 109):

PAYROLL LEVY: Based on the amount paid to employees, the rate varies from 0.275% TO 0.3%. The levy is deductible for tax purposes and is paid to the Regional Services Councils.

UNEMPLOYMENT INSURANCE: 1% of eligible employees' wages paid by the employer and 1% paid by employee. Assumed 50% of wage bill represents eligible employees.

PENSIONS: Contributions shared between company and employee, each contribution being of the order of 5 per cent of gross salary.

MEDICAL: 6 per cent of salary on average paid by employer.

Total for purposes of this simulation is 5%+(50% of 1%)+0.3%+6% = 11.8% to the employer's account and are tax deductible.

Cell: K58
Note: REGIONAL LEVIES (PW: 134, 230):

PAYROLL: Based on the amount paid to employees, the rate varies from 0.275% TO 0.3%. The levy is deductible for tax purposes. (included in Social Security payments as based on salaries)

ESTABLISHMENT: Levies range between 0.10% and 0.15% on sales in the ordinary course of business. The levy is deductible for tax purposes.

Levies are paid to Regional Services Councils.

Cell: J64
Note: CUSTOMS DUTIES (PW: 77):

20 per cent of the sub-headings in the customs tariff are duty free. Most of the remainder carry duty rates between 5 and 25 per cent and some items can be as much as 100 per cent. Assume 10 per cent on imported items for purposes of the exercise.

Cell: J64
Note: PROPERTY TAXES :

See real estate tax note.

Cell: J65
Note: DEAD RENT CONSTRUCTION PERIOD. N/A to South Africa.

Cell: K65
Note: DEAD RENT FOR OPERATING PERIOD: N/A to South Africa.

Cell: J66
Note: STAMP DUTIES (PW: 265):

Payable on a variety of transactions and documents. Difficult to simulate and is negligible in the context of the whole project.

Cell: J67
Note: REAL ESTATE TAX (PW: 233):

Rates are levied on all properties, including unoccupied and undeveloped land and buildings. Values are set by municipalities every three or more years. Rates are tax deductible for businesses.

Cell: J68
Note: COMPANY FORMATION TAX (PW: 86):

Registration fee of R350. Share capital duty set at R5 per R1000 (or 0.5%) of the nominal value of the authorised share capital. Legal costs relating to the registration of a company vary considerably, depending on the complexity of the memorandum and articles of association

Cell: K69
Note: SHARE ISSUE TAXES (PW: 96).

Stamp duty of 5 cents per R20 (or 0.25% of value) is payable on the nominal plus premium value of the shares issued.

Cell: J70
Note: EXCISE TAX: AUTO FUEL
Assumed negligible in terms of scale of operation.

Cell: J71
Note: EXCISE TAX: ON DIESEL FUEL
Assumed negligible in terms of scale of operation.

Cell: J77
Note: NON-GOVERNMENT ROYALTIES (PW: 108).

To be scrutinised by the government to ensure that the rate is not excessive. Royalties of this nature are tax deductible.

Cell: J98
Note: MANDATORY PROFIT SHARE: N/A to South Africa.

Cell: J108
Note: WITH-HOLDING TAXES ON DIVIDENDS (PW: 190-191):

15% was payable up to 1st October 1995. The tax was scrapped in the 1995 budget speech to come into line with the non-resident's tax of NIL on interest bearing investments.

Cell: J111
Note: WITH-HOLDING TAX ON ROYALTIES (IWGMI: 21):

Payments of royalties to non-residents need to be approved by exchange control authorities. The NRST levied is 30% subject to treaty arrangements with some countries.

Cell: J114
Note: WITH-HOLDING TAX ON INTEREST (PW: 173, 190):

No NRST is payable on interest bearing investments or loans after March 1988.

Cell: J116
Note: WITH-HOLDING TAX ON MAN. FEES (IWGMI, 21):

Generally fees up to 4% of working costs and 6% of capital costs will be allowed. A witholding tax of 30% is levied, however.

Cell: J171
Note: LOAN RESTRICTIONS (PW: 32-34):

Foreigners are restricted on the level of local borrowing. This is calculated as a percentage of the total effective capital or the net worth of the company. For example, owning 100% of the local company entitles borrowing up to 50% of net worth

Cell: J172
Note: INTEREST FOR TAX (PW: 167):

Generally deductible for tax purposes provided principal amount borrowed for the business of earning taxable income.

Cell: J223
Note: GENERAL TAX ISSUES (PW: 173, 185):

Branch entities of foreign companies are treated the same as locally registered companies. The branch, however, may remit its after-tax profit without payment of the with-holding tax. Also, the initial losses may be written off against the income of the foreign company from other sources within South Africa.

Cell: J224
Note: COMPUTATION OF TAXABLE INCOME (PW: 163):

Taxable income is gross income less any expenses:

-incurred in the carrying on of trade.
- in production of income.
- not of a capital nature.

Cell: J226
Note: TAX UNIT VALUE: Applicable to Chile.

Cell: J227
Note: NON-MINING INCOME (PW: 179):

Tax rate on non-mining income is different to the formula tax. If mining expenditures (excluding capital but including exploration expenses) exceeds mining income to create a loss, the loss can be offset against non-mining income for tax purposes. This can be carried forward to be offset against future mining and non-mining income.

Cell: J228
Note: ORDINARY COMPANY TAX RATES (PW. 245):

For the tax year to 31 March 1994 the tax rate was reduced to 40% from 48% but a secondary tax on companies was introduced at 15% of net dividend declared. From March 1994 the tax rate was reduced to 35% and the STC rate was increased to 25% of the net dividend paid.

Gold mining companies had the option of retaining the old formula tax system and most accepted the latter (see below).

Cell: J230
Note: TAXATION RATES (PW 180):

The formula tax applies to gold mining businesses exempt from STC:

Y = 58 - 290/X where;

Y is the percentage tax payable.
X = Profit/revenue written as a percentage, i.e. 0.5 would read 50.

Non-mining income is taxed at 48 per cent.

Cell: K241
Note: CAPITAL ALLOWANCES:

An allowance on capital granted at 12 per cent for post-1990 gold mines for a period until all capital redeemed against taxable income.

The allowance of 12 per cent also granted for deep level mines, i.e. most production sourced from depths > 7500 feet. The allowance continues for a period of ten years.

Cell: J323
Note: INVESTMENT RECOVERY PERIOD: N/A to South Africa.

Cell: J324
Note: TARGET INCOME RATE: N/A to South Africa.

Cell: J327
Note: ADDITIONAL PROFITS TAX: N/A to South Africa.

Cell: J333
Note: LOSSES CARRIED OVER FOR TAX (PW: 172):

The period allowed for carry forward of tax losses to be offset against future income. In the case of S.A. this period is indefinite provided the company does not stop trading completely. Losses may not be carried backwards.

NOTE: The simulation formula caters for periods of 1 - 8 years. Any period more than this is set at 20 years or indefinite.

Cell: I339
Note: DEPLETION ALLOWANCE (GOLD AND SILVER): Not applicable to S.A.

Cell: J340
Note: DEPLETION ALLOWANCE (OTHER MINERALS): Not applicable to S.A.

Cell: I345
Note: DEPRECIATION FOR TAX (PW: 179):

Capital expenditure for mining businesses is allowable in the year incurred with the exception of mine housing, social infrastructure, railways (10 year write-off) and employees' motor vehicles (5 year write-off).

Cell: I372
Note: DEDUCTION OF EXPLORATION COSTS (PW: 178):

Generally fully deductible against mining income. Includes costs for surveys, boreholes, trenches, pits, and any other work of an establishment nature.

Cell: I373
Note: COSTS OF MINERAL RIGHTS (IWGMI: 16):

Not allowable for deduction against taxable income.

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]				ZIMBABWE	
11	[illegible]			[illegible]	[illegible]	
14						
15	COUNTRY INFLATION RATE				20.0%	
20						
21	EXCHANGE RATE (PER US$)				9.00	Z-DOLLAR PER US$
43						
44	[illegible]					
45					MIN.	MAX.
46	PROD. ROYALTY ON COPPER				0.0%	0.0%
47	PRICE RANGE				$0.00	$0.00
48	PROD. ROYALTY ON GOLD				0.0%	0.0%
49	PRICE RANGE				$0	$0
50	EXPORT ROYALTY				0.00%	
51	TAX ON ALLUVIAL GOLD				0.0%	0.0%
52						
54	SALES TAXES / VAT			SALES TAX	[illegible]	
55	SOCIAL SECURITY CHARGES				[illegible]	[illegible]
59	TRAINING EXPENSES				[illegible]	
61	CUSTOMS DUTIES				[illegible]	
64	LAND/BUILDING TAXES				0.0%	
65	DEAD RENT				[illegible]	[illegible]
66	STAMP DUTIES				[illegible]	
67	REAL ESTATE TAX				0.0%	
68	CAPITAL TAX			NOTE	0.00%	[illegible]
69	MINING CONCESSION FEES			NOTE	0.00	0.00
70	EXCISE TAX: AUTO FUEL				[illegible]	
71	EXCISE TAX: DIESEL				[illegible]	
72						
77	ROYALTIES (NON-GOVN.)				[illegible]	
80						
81	[illegible]					
82						
86	COMPANY TAXATION				SEE TAX NOTE BELOW	
90	TAX CREDITS					
92	ADDITIONAL PROFITS TAX				SEE APT NOTES BELOW	
93	PROVINCIAL/LOCAL TAXES				0.0%	
97	INTEREST CHARGE BY LOCAL BANK				[illegible]	
98	EMPLOYEES' SHARE OF PROFITS				[illegible]	
99	PERCENTAGE OF INCOME				0.0%	
100	MAXIMUM BONUS AMOUNT				$	$0.0
101						
104	[illegible]					
107						
108	DIVIDENDS: SUBSIDIARY				[illegible]	
109	DIVIDENDS: BRANCH				0.0%	
110						
111	ROYALTIES: NON-ASSOC.			CHECK THIS FOR M	[illegible]	
112	ROYALTIES: ASSOCIATE				0.0%	
113						
114	LOAN INTEREST				[illegible]	
115						
116	MANAGEMENT FEES				[illegible]	
117	(to non-residents)					
118	ROYALTIES TO LANDOWNERS				0.0%	
169						
170	[illegible]				[illegible]	
171					[illegible]	
172						
173						
222						
223	[illegible]				[illegible]	
224					[illegible]	
225						
226	MONTHLY TAX UNIT				[illegible]	

	F	G	H	I	J	K
1	COUNTRY CRITERIA			NB: Blocked or shaded cells indicate		
2	SIMULATION MODEL			conditions are attached. Refer to notes		
3				as per respective cell addresses.		
4	COUNTRY CRITERIA MODULE					
5						
6	[illegible]				ZIMBABWE	
236				INV. REC.	NORMAL	OTHER
237	TAXATION RATES			PERIOD	STATUS	FACTORS
238	SUBSIDIARY			37.5%	37.5%	0
239	BRANCH			47.5%	[illegible]	
240	SURCHARGES					0.0
241	ALLOWANCE ON CAPITAL TAX %					0.0
319						
320	[illegible]					
321						
322	INVESTMENT RECOVERY PERIOD				[illegible]	
324	TARGET INCOME				[illegible]	
326						
327	ADDITIONAL PROFITS TAX (APT)				[illegible]	
328	NET CASHFLOW (EXCLUDING INTEREST & DEPREC.)					
329	NPV AT US PRIME + STIPULATED % P.A.				12.0%	
330						
332	ANNUAL LOSS FOR TAX PURPOSES					
333	ANNUAL LOSS COUNTER				[illegible]	YEARS
338	DEPLETION ALLOWANCES					
339	GOLD & SILVER SALES				[illegible]	
340	OTHER METALS/MINERALS				[illegible]	
343						
344	[illegible]					
345					STRAIGHT	DECLINING
346					LINE	BALANCE
347				[illegible]	1.00	0.00
348					FLAG: Y = 1.00	
349	MINING MACHINERY/PLANT				50.0%	100.0%
350	SMELTING/REFINING PLANT				50.0%	100.0%
351	BUILDINGS, MINESITE PROP.				10.0%	100.0%
352	SHIPS/STEAMERS				100.0%	100.0%
353	EARTHMOVING EQUIP.				100.0%	100.0%
354	BUILDINGS-STEEL				100.0%	100.0%
355	BUILDINGS-WOOD, PRE-FAB.				100.0%	100.0%
356	MAG. SURVEY EQUIP.				100.0%	100.0%
357	COMPUTERS				100.0%	100.0%
358	FURNITURE/FITTINGS				10.0%	100.0%
359	OTHER OFFICE EQUIP.				100.0%	100.0%
360	MOTOR VEHICLES				20.0%	100.0%
361	CONCRETE MIXERS				100.0%	100.0%
362	IMMERSION VIBRATORS				100.0%	100.0%
363	CRANES				100.0%	100.0%
364	AIR-CONDITION PLANT				100.0%	100.0%
365	VEHICLE REPAIR EQUIP.				10.0%	100.0%
366	PORTABLE SLEEPING UNITS				100.0%	100.0%
367	CARPETS				100.0%	100.0%
368	POWER TOOLS (HAND)				100.0%	100.0%
369						
370	CAPITALISED OP. EXPENSES				100.0%	0.0%
371						
372	EXPLORATION EXPENDITURE			[illegible]	100.0%	0.0%
373	MINERAL CLAIMS COSTS (5% OF EXPLOR.)			20.00	5.0%	0.0%
374						
375						
376	SOURCES OF DATA:	Price Waterhouse (PW, 1990b)				
377		Deloitte & Touche (1994)				
378		Edwards and Co. (1994)				
379		IWGMI (1993c)				
380		IMF (1995)				

Cell: I11
Note: GENERAL BUSINESS PROCEDURES (PW: 34-39) ; (PWGMI: 6) ; (Edwards and Co) .

All foreign investment has to be approved by the Ministry of Finance, Economic Planning and Development who have vested authority in the Investment Centre and the Reserve bank. There are limits, however, to the amounts that the Investment Centre is entitled to approve.

Foreign investors may use either branch or subsidiary entities, although the authorities prefer the latter - promotes a sense of permanency. The tax burden for the branch entity is marginally higher. 100 per cent foreign ownership is allowed, although some local participation in the equity of the business is preferred.

Prior to about 1993 there were very strict exchange controls in place but these have been relaxed considerably over the past few years. Foreign investors, pursuant to the above channels for investment, are free to transfer funds to and from the country.

Cell: J11
Note: MINING INVESTMENT PROCEDURES:

MARKETING OF MINERALS: Exports of minerals, except for gold, are controlled by the Minerals Marketing Corporation.

Cell: J56
Note: GENERAL SALES TAX (Deloitte and Touche: 21) ; (PW: 167-168):

Most goods levied at 10% with certain higher rated goods at 15-20%.

Refunds may be allowed on sales tax and import tax on prescribed goods of a capital nature. Applicable to mining operations in specified locations and/or approved new mining projects.

Cell: J58
Note: SOCIAL SECURITY (PW: 71):

No comprehensive social security plan is in operation. Membership of a pension plan is normally a condition of employment. The employer and employee each contribute of the order of 6 per cent of gross salary. Medical Aid contributions are also made by each, assumed at 5 per cent of salary.

Cell: J59
Note: TRAINING ALLOWANCES (PW: 115):

An allowance is given amounting to 50 per cent of the cost of new buildings and equipment used solely for training purposes. Specific mention is made of the mining industry in this regard.

NOTE: Assume 10 per cent of costs of new buildings, furniture and computer equipment is for training purposes.

Cell: J61
Note: IMPORT DUTIES (Deloitte and Touche: 6):

As of 29th July 1994 duties on all imports of capital goods, except motor vehicles, will be exempt.

Cell: J65
Note: DEAD RENT CONSTRUCTION PERIOD: N/A to Zimbabwe.

Cell: K65
Note: DEAD RENT FOR OPERATING PERIOD: N/A to Zimbabwe.

Cell: J66
Note: STAMP DUTIES (PW: 168, 192):

Various duties are payable on transfers of immovable property, share transactions, and mortgage bonds. Assumed negligible for purposes of the simulation exercise.

Cell: I68
Note: CAPITAL TAXATION:

There is no wealth or tax based on the value of property to a company or individual.

Cell: K68
Note: CAPITAL TAX (B) (PW: 42, 192):

Tax cost payable on formation of company amounts to 0.2 per cent of the authorised capital. An annual maximum fee of Z$300 (as at 1990) is payable. Legal fees will vary considerably according to the complexity and size of the deal.

Assumed negligible for purposes of simulation exercise.

Cell: I69
Note: MINERAL CLAIMS:

Costs of purchasing mineral claims is not deductible for tax purposes.

Cell: J70
Note: EXCISE TAX: AUTO FUEL
Assumed negligible in terms of scale of operation.

Cell: J71
Note: EXCISE TAX: ON DIESEL FUEL
Assumed negligible in terms of scale of operation.

Cell: J77
Note: NON-GOVERNMENT ROYALTIES (PW: 117):

To be scrutinised by the government. Royalties of this nature are tax deductible, however.

Cell: J98
Note: MANDATORY PROFIT SHARE: N/A to Zimbabwe.

Cell: J108
Note: WITH-HOLDING TAX ON DIVIDENDS (PW: 137) ; (Deloitte and Touche: 19-21, 24):

20 per cent rate applicable to residents, and non-resident individuals and companies, BUT NOT TO resident companies receiving dividends

Cell: J111
Note: WITH-HOLDING TAX ON ROYALTIES (PW: 137).

20 per cent rate on royalties to non-residents for use of a wide range of works, patents, formulae, equipment, but excluding those in respect of minerals.

Cell: J114
Note: WITH-HOLDING TAX ON INTEREST (PW: 111, 137):

Payments to non-residents is subject to the 10% w/h tax. Also specific mention of this tax being paid on interest on loans to the mining industry. This includes payments to bankers.

Cell: J116
Note: WITH HOLDING TAX ON MAN. FEES (PW: 112):

Fees for services, e.g. technical, managerial, administrative, consulting, and paid to non-residents, are subject to 20% tax.

Cell: J171
Note: LOAN RESTRICTIONS (PW: 51-52):

The repatriation terms attached to external loans are dealt with when originally approved by the authorities. There are restrictions to foreign investors borrowing on the local market, particularly if their ownership is more than 25 per cent.

Cell: J172
Note: INTEREST & TAX DEDUCTIONS (PW 116):

Interest is allowable if loans are used for business purposes, which includes financing the acquisition of capital assets.

Interest on loans to finance capital projects, e.g. buildings, is deductible as per allowances attached to the particular asset.

Interest to a foreign parent is deductible, if not excessive, and would be subject to exchange control.

Interest payments to foreign banks is deductible.

Cell: J223
Note: GENERAL TAX ISSUES (Deloitte and Touche: 2, 24) ; (PW: 120):

Foreign companies can set up either a branch or subsidiary. There is no pre-requisite for a foreign investor to enter into a JV arrangement with a domestic investor. Some sensitivity is recommended on this issue, however.

The main difference between a branch and a subsidiary is that the branch is subject to the additional profit tax, i.e. 8.4 per cent currently added on to the normal tax rate (now 37.5%) The net effect of these options can vary according to the existence of a tax treaty between Zimbabwe and the country in which the head office or parent company operates.

Cell: J224
Note: COMPUTATION OF TAXABLE INCOME (PW: 113-119):

Taxable income is gross income less, for example:

Business expenses, exploration expenses, interest expenses, inter-company charges, royalties, remuneration (no limits), retirement fund contributions, experiment costs, insurance premiums, depletion (removed 1995), and training allowances.

See below (depreciation - capital breakdown) for deductions in respect of capital expenditure.

No deductions are allowed for costs of mineral claims.

Cell: J226
Note: TAX UNIT VALUE: Applicable to Chile.

Cell: J239
Note: BRANCH PROFITS TAX (PW: 120, 137):

Profits on branch operations are subject to the normal tax plus 8.4 per cent (15 per cent of 56 per cent of taxable income).

Cell: J323
Note: INVESTMENT RECOVERY PERIOD: N/A to Zimbabwe.

Cell: J324
Note: TARGET INCOME RATE: N/A to Zimbabwe.

Cell: J327
Note: ADDITIONAL PROFITS TAX: N/A to Zimbabwe.

Cell: J335
Note: LOSSES CARRIED OVER FOR TAX (PW: 120):

The period allowed for carry forward of tax losses to be offset against future income. Losses may not be carried backwards.

NOTE: The simulation formula caters for periods of 1 - 8 years. Any period more than this is set at 20 years or indefinite.

Cell: J339
Note: DEPLETION ALLOWANCES (Deloitte and Touche: 2):

Up to March 1995 the allowance was 5 per cent of proceeds from the sales of minerals. This amount was then deducted from taxable income, thereby reducing tax payable. NB: The allowance has been scrapped totally as from 1st April 1995.

Cell: J340
Note: DEPLETION ALLOWANCE (OTHER MINERALS): Not applicable to Zimbabwe.

Cell: J347
Note: CAPITAL ALLOWANCES (PW: 124-128) ; (RWGM: 10-12):

Deductions in respect of capital expenditure are known as the Capital Redemption Allowance (CRA). Any amounts carried forward to subsequent years are termed the unredeemed balance of capital expenditure.

The two methods of deduction are:

Firstly, the life-of-mine basis where the life (in years), as determined by an estimate of ore reserves, is divided into the balance of unredeemed capex.

Secondly, the current capital expenditure basis (CCE) where the unredeemed balance and current capex can be deducted in the year incurred

There is no 'ring-fencing' of capex and deductions from one operation can be off-set against the taxable income of another.

No deductions are allowed for costs of mineral claims.

Cell: J372
Note: EXPLORATION NOTE:

Provision does exist for deducting expenses on prospecting etc. for purposes of acquiring mineral rights. Allowed as a deduction in the year of expenditure and can be carried forward.