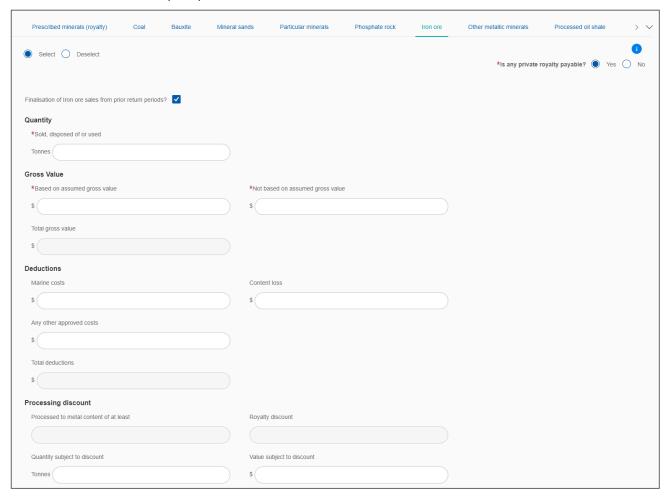
# **QRO Online guide: Iron ore**

To demonstrate all fields relating to this commodity, in this guide private royalty has been selected as payable and finalisation of sales from a prior period has been selected.



### **General information**

Relevant data is to be entered in relation to all iron ore sourced from the operation for which the return is being lodged and sold, disposed of or used during the return period. This applies irrespective of:

- whether the iron ore was extracted before or during the return period
- whether the iron ore was extracted by the producer or some other person
- whether the iron ore was sold, disposed of or used by the producer or some other person
- when (or if) the producer receives full or partial payment for any sale.

For the purpose of calculating royalty, iron ore that is transferred from one of the producer's mining operations to another is deemed to have been sold or disposed of by the first operation (depending on whether the second operation pays for the iron ore).

**REVENUE OFFICE** 

All amounts must be expressed in Australian dollars. The conversion of foreign currency into Australian dollars should use an exchange rate for the appropriate date obtained from a consistent, reasonable source. Examples of an exchange rate that is considered reasonable include the hedge settlement rate (the WM/Reuters Australia Fix 10.00am rate for the particular day), the WM/Reuters Australia Fix 4.00pm rate for the particular day, or a rate published by a major Australian commercial bank or financial institution.

## Quantity

| Field                     | Guidance   |
|---------------------------|--|
| Sold, disposed of or used | Enter the total quantity of iron ore sold, disposed of or used during the return period. |

#### **Gross value**

The gross value must be determined for all iron ore sold, disposed of or used during the return period that is sourced from this operation.

<u>Public Ruling MRA002</u> provides guidance about how the gross value of iron ore is to be determined in particular circumstances.

In determining the gross value, note the following:

- In certain circumstances (especially where the iron ore is not sold on an arm's length basis, or is sold to a
  related party), the gross value will be the amount determined by the Commissioner under a gross value royalty
  decision.
- The gross value includes any amount recovered from the purchaser of the iron ore in relation to the royalty payable for the iron ore.
- Where the gross value is determined with reference to the amount for which the iron ore is sold, that amount
  includes all amounts paid or payable by the buyer in relation to the sale (including, but not limited to, production
  or other costs of the producer that are explicitly recovered from the buyer in addition to the stated sales price),
  even if such amounts are invoiced separately. Amounts paid by a buyer on account of GST, or interest in
  relation to iron ore sold on an extended credit basis, are excluded.
- The gross value is not reduced by any amount payable by the producer to the buyer (even if the parties agree to offset that amount against the sale price) or invoiced by the producer but not recovered from the buyer (i.e. a bad debt).

Special rules apply to the calculation of royalty if, under the terms of the contract of sale, the gross value of the iron ore cannot be finally worked out before the royalty return for the return period in which it is sold (the sale period) is required to be lodged (adjustment mineral). Under these rules (the adjustment method):

- the royalty payable in the sale period (the provisional royalty) must be calculated based on the gross value of the adjustment mineral, determined by reference to the information available at the time the return is lodged (the assumed gross value)
- in the royalty return for the period in which the actual gross value is determined:
  - the royalty payable in relation to the adjustment mineral (the actual royalty) must be calculated based on the actual gross value of the adjustment mineral
  - the difference between the actual royalty and the provisional royalty must be stated and any additional royalty must be paid.

For more information on the adjustment method, see <u>Public Ruling MRA002</u> and <u>Royalty calculations for prescribed and specified minerals</u>.

For iron ore sold, disposed of or used during the return period and to which the adjustment method:

- applies (i.e. adjustment mineral)—enter the assumed gross value in the Based on assumed gross value field
- does not apply—enter the gross value in the **Not based on assumed gross value** field.

| Field                            | Guidance  |
|----------------------------------|---|
| Based on assumed gross value     | Enter the assumed gross value of adjustment mineral sold during the return period.  |
| Not based on assumed gross value | <ul> <li>Enter the total of the gross value of the iron ore:</li> <li>sold during the return period and to which the adjustment method does not apply</li> <li>disposed of or used during the return period, as determined under a gross value royalty decision.</li> </ul> |
| Total gross value                | This will populate on clicking 'Calculate'.   |

### **Deductions**

The Mineral Resources Regulation 2013 (the Regulation) provides that certain expenses can be deducted when calculating the value of mineral that is subject to royalty.

Deductions must be claimed on a GST-exclusive basis.

| Field                    | Guidance  |
|--------------------------|---|
| Marine costs             | Enter the amount of any freight or insurance cost payable by the producer relating to the transport of the iron ore by water to a port outside Queensland.  |
|                          | Only freight and insurance costs attributable to activities occurring, or risks arising, after iron ore is loaded on a vessel may be deducted. Accordingly, any other freight- or insurance-related costs payable by the producer may not be deducted in this category, including but not limited to costs associated with: |
|                          | transporting the iron ore to the point of loading, or insuring the iron ore before that point   |
|                          | preparing the iron ore for loading, or loading the iron ore, onto a vessel.   |
| Content loss             | The content loss deduction recognises that, where iron ore is sold by a producer, royalty should not be payable on reasonable losses occurring in the subsequent processing of the iron ore for which the producer is not paid.   |
|                          | A deduction will only be available in relation to iron ore if the producer applies to the Commissioner for a content loss determination. For more information, see <a href="Public Ruling MRA002">Public Ruling MRA002</a> and Royalty calculations for prescribed and specified minerals.                                  |
|                          | Enter the amount of any applicable content loss deduction.  |
| Any other approved costs | Enter the amount of any cost that the Commissioner has decided is a type of cost that should be subtracted from the gross value.  |
| Total deductions         | This will populate on clicking 'Calculate'.   |

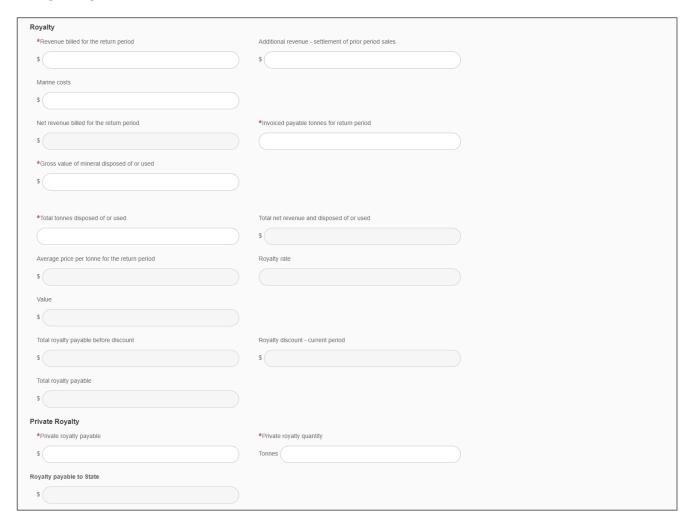
# **Processing discount**

The Regulation allows a 20% reduction in the royalty payable for iron ore sold, disposed of or used where the iron ore is processed in Queensland and after processing, the iron ore has a metal content of at least 95%.

See Public Ruling MRA002 for more information.

| Field                                  | Guidance  |
|--|---|
| Processed to metal content of at least | This will populate on clicking 'Calculate'.   |
| Royalty discount                       | This will populate on clicking 'Calculate'.   |
| Quantity subject to discount           | Enter the total quantity of the iron ore sold, disposed of or used during the return period and subject to the processing discount. |
| Value subject to discount              | Enter the gross value of the iron ore sold, disposed of or used during the return period and subject to the processing discount.    |

## Royalty



| Field  | Guidance   |
|--|--|
| Revenue billed for the return period                       | Enter the revenue billed for iron ore sold during the return period (including any amount on account of ocean freight). This may differ from the gross value.  |
|  | Any foreign currency amounts must be converted into Australian dollars at the prevailing exchange rate for the bill of lading date (for iron ore sold on the export market) or the invoice date (for iron ore sold on the domestic market) (the relevant date). Any exchange rate variations between the relevant date and the date of receipt of funds are not taken into account (but are relevant for calculating the value of iron ore to which royalty is applied). |
|  | Where the iron ore sold during a return period is the subject of a gross value royalty decision, the total revenue billed for that iron ore should be calculated by reference to the gross value of the iron ore under that decision rather than any revenue actually billed.  |
|  | No regard is had to the timing of receipt, or the recoverability from any given buyer, of any part of the total revenue billed (i.e. ignoring that some of the revenue billed may ultimately be written off by the producer as a bad debt).  |
| Additional revenue—<br>settlement of prior<br>period sales | Enter the amount of any additional revenue received during the return period on account of partial or final settlement of a sale of iron ore in a prior return period, to the extent that such revenue has not previously been included in the <b>Revenue billed for the return period</b> field in the return for a prior return period.  |
| Marine costs   | Enter the amount of any freight or insurance cost payable by the producer relating to the transport of the iron ore by water to a port outside Queensland.   |
|  | Only freight and insurance costs attributable to activities occurring, or risks arising, after iron ore is loaded on a vessel may be deducted. Accordingly, any other freight- or insurance-related costs payable by the producer may not be deducted in this category, including but not limited to costs associated with:  |
|  | transporting the iron ore to the point of loading, or insuring the iron ore before that point  |
|  | preparing the iron ore for loading, or loading the iron ore, onto a vessel.  |
| Net revenue billed for the return period                   | This will populate on clicking 'Calculate'.  |
| Invoiced payable tonnes for return period                  | Enter the total tonnes of iron ore sold during the return period.  |
| Gross value of mineral disposed of or used                 | Enter the gross value of the total iron ore disposed of or used during the return period, as determined under a gross value royalty decision.  |
| Total tonnes disposed of or used                           | Enter the total tonnes of iron ore disposed of or used during the return period.   |
| Total net revenue and disposed of or used                  | This will populate on clicking 'Calculate'.  |

| Field   | Guidance                                    |
|---|---|
| Average price per tonne for the return period | This will populate on clicking 'Calculate'. |
| Royalty rate                                  | This will populate on clicking 'Calculate'. |
| Value   | This will populate on clicking 'Calculate'. |
| Total royalty payable before discount         | This will populate on clicking 'Calculate'. |
| Royalty discount—<br>current period           | This will populate on clicking 'Calculate'. |
| Total royalty payable                         | This will populate on clicking 'Calculate'. |
| Royalty payable to State                      | This will populate on clicking 'Calculate'. |

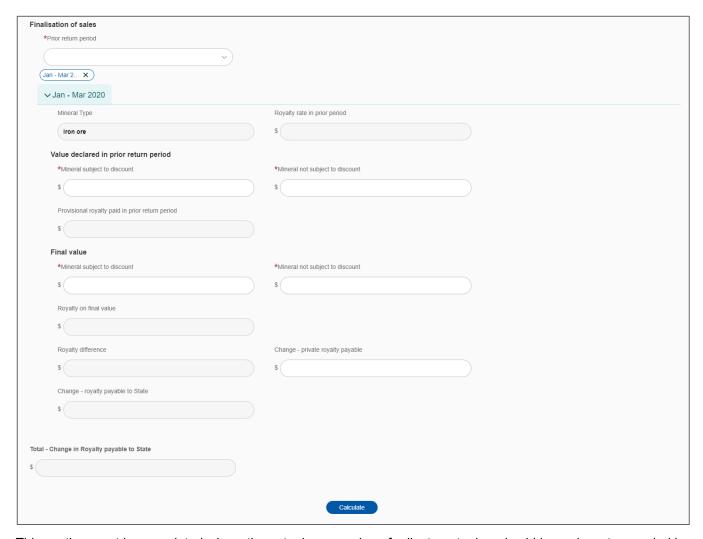
## **Private royalty**

Mineral rights in Queensland are generally held by the state. However, if freehold title to the land was granted before 1 March 1910, a private holder may hold the mineral rights.

If this is the case, royalties are payable directly to the private holder, not to the state (except where any of the land is or becomes a road). However, details of mineral subject to private royalty must be recorded in the royalty return.

| Field                    | Guidance  |
|--------------------------|---|
| Private royalty payable  | Enter the amount of private royalty payable in relation to the iron ore sold, disposed of or used during the return period.     |
| Private royalty quantity | Enter the total quantity of the iron ore sold, disposed of or used during the return period that is subject to private royalty. |

### Finalisation of sales



This section must be completed where the actual gross value of adjustment mineral sold in a prior return period is determined in the current period, to determine the difference between the actual royalty and the provisional royalty.

A separate schedule must be completed for each sale period for which sales of adjustment mineral are finalised in the current period. In the following guidance, finalised mineral refers to adjustment mineral sold in the particular sale period and for which the actual gross value was determined in the current period.

For more information on the adjustment method, see <u>Public Ruling MRA002</u> and <u>Royalty calculations for prescribed and specified minerals</u>.

| Field                        | Guidance  |
|------------------------------|---|
| Prior return period          | Select the sale period from the drop-down list.  For clients who pay royalty on a monthly basis, select the relevant sale period with '(Monthly)' in the description. |
| Royalty rate in prior period | This will populate on clicking 'Calculate'.   |

### **REVENUE OFFICE**

| Field   | Guidance  |
|---|---|
| Value declared in<br>prior return period—<br>Mineral subject to<br>discount     | For finalised mineral for which the processing discount was claimed in the sale period, enter the assumed gross value of the mineral (as recorded in the 'Based on assumed gross value' field in the royalty return for the sale period).     |
| Value declared in<br>prior return period—<br>Mineral not subject<br>to discount | For finalised mineral for which the processing discount was not claimed in the sale period, enter the assumed gross value of the mineral (as recorded in the 'Based on assumed gross value' field in the royalty return for the sale period). |
| Provisional royalty paid in prior return period                                 | This will populate on clicking 'Calculate'.   |
| Final value—Mineral subject to discount   | Enter the actual gross value of the finalised mineral for which the processing discount was claimed in the sale period.   |
| Final value—Mineral not subject to discount                                     | Enter the actual gross value of the finalised mineral for which the processing discount was not claimed in the sale period.   |
| Royalty on final value  | This will populate on clicking 'Calculate'.   |
| Royalty difference  | This will populate on clicking 'Calculate'.   |
| Change—private royalty payable  | Enter the amount of the royalty difference that is payable to (or recoverable from) an entity with private royalty rights in relation to the finalised mineral.   |
| Change—royalty payable to State   | This will populate on clicking 'Calculate'.   |
| Total—change in royalty payable to State  | This will populate on clicking 'Calculate'.   |