

Gold Royalty Information Sheet

A royalty applies to gold produced in Victoria from 1 January 2020

Royalty is paid at the rate of 2.75% of the 'net market value'.

Royalty also applies to any silver or other mineral produced as a by-product of producing the gold which must be declared.

The royalty does not apply to:

- gold produced on a prospecting licence; or
- the first 2500 ounces produced each year.

Net Market Value

Under Regulation 4 of the *Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2019* net market value means:

'the market value of the mineral at the time it is first sold, transferred or disposed of less any costs reasonably, necessarily, and directly incurred by the licensee in connection with the sale, transfer or disposal (including insurance, freight and marketing).'

Determining Net Market Value

The *market value of the mineral* means the value of the mineral if it were sold to an unrelated party in an arms-length commercial sale. The transfer or sale of the mineral to a related party at a price not reflecting the market value of the mineral is not accepted as the *market value of the mineral*.

If Earth Resources Regulation is of the opinion that the net market value is not a true or fair value in relation to the mineral the Minister may determine the net market value.

Deductible Costs

Minerals royalty under the *Mineral Resources (Sustainable Development) Act 1990* is a royalty on *value, not profit*. As such, the costs that are deductible are only those that relate to the movement or sale of the finished product from the mine site to the customer (first receiver).

Deductible costs are those incurred directly by the licensee to the extent that these are attributable to the processing, sale and transfer of the mineral from the mine to the first receiver, including:

- purchase, hire or maintenance of transport vehicles
- insurance of the product in transit
- marketing of the product
- refining or smelting costs

Mining operation costs are not deductible.

Costs claimed that are not 'reasonable, necessary and direct' may be disallowed.

Royalty Returns

All Mining Licence holders are required to complete and submit a Production and Royalty Return for assessment. It is preferred that the return is submitted using the Resource Rights Application Management System (RRAM).

Earth Resources Regulation will deduct the 2500 exempt ounces and will issue an invoice to the licensee for any royalty payable.

Licensees are required to retain records for at least five (5) years of production, disposals, transfers, sales and costs. Earth Resources Regulation may seek copies of these records as part of audits of annual returns.

Penalties may apply for non-compliance.

Period and Timing

A licensee can request to vary the period and timing for submission of royalty returns and payment of royalties. Please contact Earth Resources Regulation to lodge a request.

Further Information

Please contact Earth Resources Regulation on returns.err@ecodev.vic.gov.au if you require further information.