

Resources & investment

NSW minerals & petroleum - Royalty

On this page

[Mineral royalties in New South Wales](#)

[Royalty collection](#)

[Non-coal royalties](#)

[Coal royalties](#)

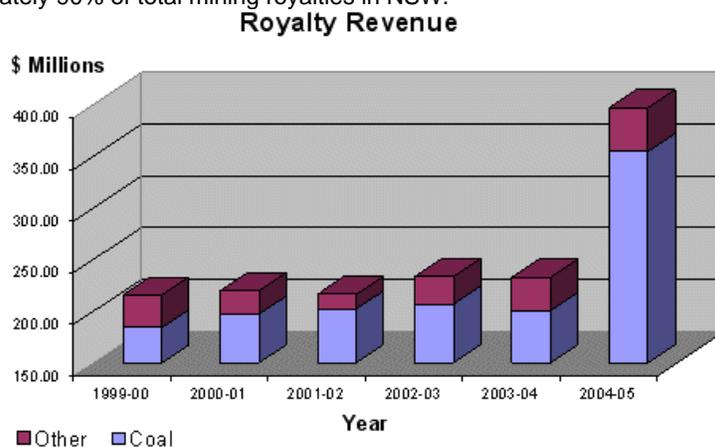
[Petroleum royalties](#)

[Royalties on privately owned minerals](#)

Mineral royalties in New South Wales

The Crown, or in other words the people of NSW, owns the majority of mineral assets in NSW. A mineral royalty is the price charged by the Crown for the transfer of the right to extract a mineral resource. The price (*royalty rate*) is prescribed in [legislation](#). It is the role of the Department, through the Royalty and Statistics Branch, to administer the legislation relating to mineral royalty, collect the royalty due, disburse royalty to private mineral owners and maintain a mining statistics database.

Total royalty revenue generated by the NSW minerals sector progressively increased up to 2003-04. In 2004-05 royalty revenue was over \$395 million as a result of substantially higher coal and mineral prices and the introduction of an 'ad valorem' royalty regime for coal. Coal accounts for approximately 90% of total mining royalties in NSW.



Royalty collection

The collection of mining royalties is based on 'self assessment'. It is the responsibility of the mining leaseholder to calculate and promptly lodge the royalty return. Each year the [Royalty and Statistics Branch](#) of the Department issues every leaseholder with a Return of Royalty form which provides details of all leases held during the year ended June 30. The Royalty and Statistics Branch undertakes a number of audits annually to review the royalty returns lodged by lease holders.

Mining royalties in NSW are payable on minerals. Royalties are divided into non-coal royalties, coal royalties and petroleum royalties.

Non-coal royalties

The date of lodgement of annual returns and payment of royalty for all non-coal minerals is 31 July for the preceding financial year for producers with an annual royalty liability of less than \$50 000.

Quarterly royalty returns and instalments are required for producers with an annual royalty liability greater than \$50 000. The due dates are 30 April, 31 July, 31 October, and 31 January.

For details and examples on how to complete a Royalty and Statistics Return for non-coal operation contact the [Royalty and Statistics Branch](#).

Three separate types of royalty exist:

Quantum Royalty;

Ad valorem Royalty; and

Profit-based Royalty

Quantum royalty

Quantum royalty is levied at a flat rate per unit of quantity. The rate of royalty is dependent on the mineral being extracted. This is a relatively simple calculation and easy to administer. Quantum royalties are generally utilised for low value to volume minerals such as coal, limestone, and the various clays.

Ad Valorem royalty

Ad valorem royalties are levied as a percentage of the total value of minerals recovered, or the ex-mine value.

The ex-mine value refers to the value of the mineral once it is mined and brought to the surface. In some cases the costs associated with the processing or treatment may be allowable deductions. However, the costs associated with exploration, development and mining of the ore body and the rehabilitation of the site are not allowable deductions. The current base rate applicable for most minerals is 4% of 'ex-mine' value. Ad valorem royalty is applied to high value to volume minerals.

Profit-based royalty

Profit-based royalties apply only to specific mining operations located at Broken Hill. Royalty profit is substantially different from corporate profit or tax profit. The provisions associated with profit-based royalties are complex. Further information may be obtained by

contacting the [Royalty and Statistics Branch](#).

Coal royalties

Leaseholders are required to lodge monthly returns and payment on or before the 21st day of the month following extraction of coal, and annual returns on or before 31 July each year. For details and examples on how to complete a Royalty and Statistics Return for a coal operation contact the [Royalty and Statistics Branch](#).

Royalties are levied on all coal recovered in New South Wales, and two types of coal royalties apply:

Ad Valorem Royalty

Coal Reject Royalty

Ad Valorem royalty

On 1 July 2004 the NSW Government introduced a new Ad Valorem coal royalty regime. Under this regime, royalty is charged as a percentage of the value of production (total revenue less allowable deductions). The new coal ad valorem royalty rates are 5% for deep underground mines (coal greater than 400 metres), 6% for underground mines and 7% for open cut mines. Details of the method of calculation can be found in the file below:

Download files

	Size
 Minister's determination of 25 June 2004	106 Kb

Coal reject royalty

Royalty is payable on coal in coal reject if the coal reject is used or disposed of for the purpose of producing energy. Coal reject is defined as the by-product of the mining or processing of coal that has energy value of less than 16 gigajoules per dry tonne or contains more than 35% ash by dry weight. The rate of royalty on the coal in coal reject is the lesser of 5% of the Ex mine Value of Coal Reject for the Period or 50% of Ad valorem royalty for the period divided by quantity of net disposal.

Petroleum royalties

Currently, royalty is payable at the rate of 10% of the 'well-head value' of the petroleum. The well head is the point where the petroleum reaches the surface and the 'well-head value' is the revenue and/or savings from the generation of electricity after deducting costs incurred downstream of the well head.

For titles granted or renewed after 21 August 1992, under the Petroleum (Onshore) Act 1991, the rate of royalty for the first five years of commercial production is nil; and for the sixth year 6%, rising by 1% each year up to 10% of the well-head value in the tenth year.

Royalties on privately owned minerals

Where royalty is collected on minerals not owned by the Crown legislation requires that 7/8th or 87.5% of the royalty collected is to be paid to the private mineral owner.

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