

Mineral Royalty Act 1982: Royalty Guideline – RG-MRA-007: Capital recognition deduction factors

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Acronyms	Full form
CRD	Capital recognition deduction
ECAE	eligible capital assets expenditure
MRA	<i>Mineral Royalty Act 1982</i>

Contents

Purpose	3
Introduction	3
Factors to be used in calculating capital recognition deduction and the periods during which the factors apply	4
MRA publications	5

Purpose

1. This guideline announces the capital recognition deduction (CRD) factors and the period during which they apply for the purpose of sections 4C(2) and (6) of the *Mineral Royalty Act 1982* (the MRA). This guideline also explains how CRD is to be determined for the purposes of the MRA, and is to be read in conjunction with Guideline RG-MRA-006: *Capital recognition deduction*.
2. This guideline is issued by the Secretary under section 4E of the MRA.

Introduction

3. As detailed in Guideline RG-MRA-006: *Capital recognition deduction*, CRD must be determined as follows:
 - (1) CRD is a fraction of each item of 'eligible capital assets expenditure' (ECAE) actually used on a production unit, for the purposes of the operations of the production unit, during the whole or part of a six-month period of a royalty year.
 - (2) The fraction, known as the CRD factor, is published or announced from time to time by the Secretary, and applies retrospectively for the period specified in the announcement (being six months before the announcement).
 - (3) The Secretary determines the CRD factor by converting a given present value capital sum into a series of semi-annual annuities at a prescribed rate of interest.
 - (4) The implicit interest rate is the 10-year bond rate for Australian Government Securities, uplifted by 2%.
 - (5) Each item of ECAE is allocated a period of years over which a CRD will be allowed. This will generally be aligned to the *Income Tax Assessment Act 1936* periods for depreciation. The CRD on ECAE is claimed over a period of three, five or 10 years, in accordance with the capital deduction life schedule set out in paragraphs 37 to 38 of Guideline RG-MRA-006: *Capital recognition deduction*.
 - (6) In respect of each item of ECAE, CRD has an allowable deduction for a period not exceeding the period outlined in paragraph 3(5) above, whether that period is a period of uninterrupted use or the sum of fractional periods of use.
 - (7) Where an item of ECAE is sold independently from a production unit for a value different from its written-down value, and such sale is at arm's length, the difference is recognised in determining gross realisation, for the purpose of calculating royalty liability.

4. The announcement of the factors to be used in calculating CRD and the period during which the factors will apply is generally made within a week after the end of each six-month period. This allows royalty payers sufficient time to determine their royalty liabilities. In default of the Secretary making an announcement within 12 months of the most recent announcement, the factors announced in the most recent announcement shall continue to apply for the next consecutive six-month periods until the Secretary makes a new announcement of the factors and periods.
5. Announcements of the factors to be used in calculating CRD and the period during which they apply will be made in the form of a guideline, to the extent that it is capable of being a guideline in terms of section 4E of the MRA, for the purposes of the MRA, and will be made publicly available online at www.revenue.nt.gov.au.

Factors to be used in calculating capital recognition deduction and the periods during which the factors apply

6. The factors, the periods during which the factors apply and the period of years over which the CRD will be allowable to be taken into account for the purposes of calculating CRD, are presented in this table.

CRD period	Factors by period of years		
	3 years	5 years	10 years
1 Jul to 31 Dec 2021	0.17690	0.10977	0.05958
1 Jan to 30 Jun 2021	0.17698	0.10983	0.05965
1 Jul to 31 Dec 2020	0.17520	0.10812	0.05792
1 Jan to 30 Jun 2020	0.17537	0.10829	0.05810
1 Jul to 31 Dec 2019	0.17586	0.10876	0.05857
1 Jan to 30 Jun 2019	0.17815	0.11097	0.06080
1 Jul to 31 Dec 2018	0.18038	0.11312	0.06298
1 Jan to 30 Jun 2018	0.18082	0.11355	0.06342
1 Jul to 31 Dec 2017	0.18048	0.11322	0.06308
1 Jan to 30 Jun 2017	0.18044	0.11318	0.06304
1 Jul to 31 Dec 2016	0.17915	0.11193	0.06177
1 Jan to 30 Jun 2016	0.17988	0.11264	0.06249
1 Jul to 31 Dec 2015	0.18086	0.11359	0.06346
1 Jan to 30 Jun 2015	0.18048	0.11323	0.06309
1 Jul to 31 Dec 2014	0.18256	0.11523	0.06515
1 Jan to 30 Jun 2014	0.18454	0.11718	0.06717
1 Jul to 31 Dec 2013	0.18456	0.11719	0.06717
1 Jan to 30 Jun 2013	0.18276	0.11544	0.06536
1 Jul to 31 Dec 2012	0.18180	0.11450	0.06440
1 Jan to 30 Jun 2012	0.18360	0.11625	0.06620

MRA publications

7. Guideline RG-MRA-001: *Guidelines and advance opinions*, which sets out information on the guideline system, is incorporated into and read as one with this guideline.



Sarah Rummery
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