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## WA government claims BHP owes up to \$300 million in underpaid royalties

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The WA government is attempting to claw back up to \$300 million from mining giant BHP over a claim the multibillion-dollar company may have underpaid royalties for more than a decade.

The dispute between the government and the world's biggest miner, relating to deductions applied to royalties on shipments of the steel-making commodity iron ore dug up in WA, has been ongoing since November 2016, it was revealed on Monday.

Late last year, the company paid \$530 million to the Australian Tax Office to settle a matter that now appears to be related to this new row.

It is understood the amount the government is attempting to recover is between \$200 and \$300 million.

"Following a recent audit the state government identified an underpayment of royalties under various state agreements over a number of years," a government spokesperson said on Monday.

"The state government is negotiating with BHP to resolve the matter in the best interests of the state."

BHP responded by saying the deduction had applied to its iron ore royalties for several decades, was clearly identified on its royalty returns and had been regularly audited and accepted by the state's mining department.

"The mines department has recently queried a long-standing and historically accepted deduction of costs related to the sale of iron ore," a company spokeswoman said.

"It's concerning that previously audited and accepted payments to the government are now being revisited." BHP said it was working with the mines department to resolve the matter.

WA Treasurer Ben Wyatt said there was "clearly a difference of opinion" between the two parties about the royalties payable under state acts. "The state has a fairly firm view and we'll work that through with BHP," he told reporters.

News of the dispute broke on Monday following a lengthy investigation by Perth radio 6PR presenter Gareth Parker.

It comes after BHP struck a deal with the Australian Tax Office late last year, agreeing to pay \$529 million in additional taxes on income for 2003 to 2018. The

dispute centred on the amount of tax payable from the sale of BHP's commodities dug up in Australia to the company's marketing business in Singapore, before they were sold off with a mark-up to customers in China and elsewhere.

ATO had initially been seeking \$1 billion, but the amount was lowered after BHP vowed to change the ownership structure of the controversial hub.

Mining industry analysts said a stoush over \$200-300 million was relatively insignificant for BHP.

"Three-hundred million dollars is a lot of money to the man on the street," said one investment bank analyst, "but in the scheme of things, for a company the size of BHP, it's not material."

Nationals WA leader Mia Davies on Monday said it was concerning the negotiations between BHP and the state government were being conducted in secret.

"What was fair in the 1960s is not, I don't think or was ever anticipated, to be played out in the way these companies are structured now," she said.

"This trading hub] is exactly one of the things we were raising concerns about in terms of why there needed to be a review of these overseas state agreements

"So this was one of the issues we were raising back in the election, only to have a majority of I think our opposition and the company saying 'nothing to see here'."

The Nationals ran their 2017 election campaign with a strong emphasis on a proposed mining tax, with then-leader Brendon Grylls insisting mining companies did not return their fair share to the state when mining on their land.

"I think that the thing that concerns me now is that the premier is negotiating this – in secret, it turns out – he hasn't had the stomach to say 'yes, we could go through a review of these legacy state agreements', despite us continuing to put that forward.

"So does the Premier have the stomach to see these negotiations through on behalf of all Western Australians? That's the question that we've got."