How to participate in the JMEI

QC: 54872 Content revised: No Abstract revised: No

Abstract:

The JMEI is voluntary. If you wish to participate, there are a number of steps involved.

To participate, you need to notify us of the following items for the income year for which you are applying to participate in the JMEI:

* estimated greenfields minerals expenditure
* estimated tax loss
* estimated [corporate tax rate that applies to you](https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Reducing-the-corporate-tax-rate/)
* estimated amount of capital you intend raising.

You can notify us by completing the [junior minerals exploration incentive participation form](https://www.ato.gov.au/Forms/Junior-Minerals-Exploration-Incentive-Participation---forms-and-instructions/) and lodging it through the Business Portal or Tax Agent Portal.

# Lodgment due dates

If you wish to participate in the JMEI, you will need to lodge your participation form within the times and dates outlined in the table below:

Table 1: Lodgment application dates

|  |  |  |
| --- | --- | --- |
| Income Year | Application period opens | Application period closes |
| 2017–18 | 12:00am AEST on 16 April 2018 | 11:59pm AEST on 15 May 2018 |
| 2018–19[1](#footnote1) | 9:00am AEST on 1 June 2018 | 11:59pm AEST on 30 June 2018 |
| 2019–20 | 9:00am AEST on 1 June 2019 | 11:59pm AEST on 30 June 2019 |
| 2020–21 | 9:00am AEST on 1 June 2020 | 11:59pm AEST on 30 June 2020 |

1 The annual exploration credit cap for 2018-19 has now been exhausted. Applications received from 18 June to 30 June will not receive an exploration credit allocation.

 Participation in the JMEI is voluntary and participation is on a first come, first served basis. You must lodge your participation form within the time frames in Table 1. Those participation forms received before the opening of the application period or those received after the application period closes will not be considered.

If you have a substituted accounting period (SAP), you will need to link your application to the financial year that corresponds to your SAP income year.

This means you may have to estimate the greenfields minerals expenditure you expect to incur during the remainder of your income year.

See also:

* [Junior minerals exploration incentive participation form and instructions](https://www.ato.gov.au/Forms/Junior-Minerals-Exploration-Incentive-Participation---forms-and-instructions/)

# Allocation of an exploration credit amount

We will consider all JMEI applications in the order we receive them until the annual exploration cap for the particular year is exhausted. The maximum amount of the annual exploration cap you can access is 5%.

We will determine your exploration credit allocation for the relevant income year based on the information you provide. We will notify you of your allocation in writing as soon as practical after you have lodged your application.

If we have information that raises concerns about the reasonableness of your application, you may be prevented from participating in the JMEI for that year. In assessing the reasonableness of your application we may consider whether you:

* meet the eligibility requirements for participating in the JMEI
* have a history of failed capital raisings
* have no previous experience in undertaking exploration activities
* are an entity that is an affiliate of, or connected with, another entity that has carried on or is carrying on mining operations.

If we receive your application after the annual exploration cap has been exhausted, you will not receive an exploration credit allocation. If you do not receive a written notification from us as to the status of your application and allocation of exploration credits, your allocation of exploration credits for the relevant period is nil.

# Exploration investments and creating exploration credits

An exploration investment arises when you issue ordinary shares to an investor on or after the day the Commissioner has provided you with an exploration credit allocation and before the end of that income year. You cannot issue exploration credits in relation to existing equity interests.

You can go to market to raise new capital as soon as you have received a written determination from us stating your exploration credit allocation for a particular income year. Once you have conducted your capital raising, you can create and issue exploration credits to your investors who make an exploration investment.

To create credits you must first have:

* lodged your income tax return
* been assessed for income tax for the income year which relates to the year you are creating exploration credits for.

You can only make one decision to create an amount of exploration credits for an income year and cannot revoke or modify that decision.

The maximum amount of credits you can create for an income year, is the lesser of the following – your:

* actual greenfields exploration expenditure for the income year multiplied by your corporate tax rate for the income year
* actual tax loss for the income year multiplied by your corporate tax rate for the income year
* exploration credits allocation determined by us plus any unused portion of your exploration credits allocation relating to the preceding income year.

The amount of exploration credits you create cannot exceed the [maximum amount of exploration credits you are actually able to distribute](#Issuingexplorationcredits).

|  |
| --- |
| Example  For the 2018–19 income year, GreenfieldCo had:   * a corporate tax rate of 30% * incurred greenfields exploration expenditure totalling $1,000,000 * incurred a tax loss of $750,000 * received an exploration credits allocation totalling $400,000.   The maximum amount of exploration credits GreenfieldCo can create is $225,000 being the $750,000 tax loss multiplied by the 30% corporate tax rate that applied for the income year. |

After you have created exploration credits for an income year you must reduce your tax loss by dividing the total amount of exploration credits you created by the corporate tax rate that applied to you for that year. If there are losses remaining you will need to amend the relevant losses schedule that accompanies your income tax return to reflect the amount of losses remaining.

|  |
| --- |
| Example  GreenfieldCo creates $210,000 of exploration credits for the 2018–19 income year. As a result, GreenfieldCo will need to reduce its tax loss by $700,000 ($210,000 ÷ 30%). GreenfieldCo will then need to amend its 2018–19 income tax return to disclose the $50,000 ($750,000 − $700,000) balance in the 2019 losses schedule. This amount may be available to offset future assessable income amounts. |

# Issuing exploration credits

You can only issue exploration credits to investors who made an eligible exploration investment for the income year or the immediately preceding year. The amount of exploration credits you issue to an investor is limited by:

* the amount of eligible exploration investment made by that investor × the income tax rate that applied to you for the income year.

|  |
| --- |
| Example  For the 2019–20 income year, GreenfieldCo receives an exploration credit allocation of $300,000 and:   * raises $1 million in capital (which is an eligible exploration investment) * incurs eligible greenfields exploration expenditure of $8 million * incurs a tax loss of $8.5 million * is subject to a corporate tax rate of 30%.   Despite incurring eligible greenfields exploration expenditure of $8 million, the fact that GreenfieldCo was only able to raise $1 million in capital means the amount of exploration credit that can be issued to eligible investors is $300,000 (30% of $1 million). |

In issuing exploration credits, you must first determine which of the three potential scenarios applies to you.

Scenario 1 – No unused allocation of exploration credits from the preceding year:

* You can only issue credits to investors that made an exploration investment in the relevant income year.
* You cannot issue exploration credits to investors that made an exploration investment in the preceding year.

Scenario 2 – Exploration credits created for the year exceed the unused allocation of exploration credits from the preceding year:

* You must issue credits to investors who invested in the immediately preceding year before you issue them to those who made an investment in the relevant income year.

Scenario 3 – Exploration credits created for the year are equal to or less than the unused allocation of exploration credits from the preceding year:

* You will only have sufficient credits to issue to investors who invested in the preceding year.
* The amount of credit you issue to an investor cannot exceed the amount of the investor’s exploration investment multiplied by the corporate tax rate that applies to you for the relevant income year.

Exploration credits that you create but do not issue will expire.

|  |
| --- |
| Example  During the 2018–19 income year, GreenfieldCo raises $600,000 in capital after receiving an exploration credit allocation from the ATO. Therefore, GreenfieldCo will only be able to distribute $180,000 of the exploration credits despite creating $225,000 in exploration credits. As a result $45,000 worth of exploration credits will expire at the end of the income year. |

# Notifying eligible investors of their entitlement to exploration credits

You must provide written notification to investors who made an exploration investment that contains the following:

* your entity name
* your Australian business number (ABN)
* the date the exploration credits are issued and the income year in which they must be included in the investor's income tax return
* the amount of exploration credits issued to the investor under Subdivision 418-E of the Income Tax Assessment Act 1997 (ITAA 1997)
* a statement that the issuing of the exploration credits complies with section 418-120 of the ITAA 1997.

# Notifying us of the issuing or expiry of exploration credits

For each relevant income year, you must notify us of the amount of exploration credits you:

* issued
* have created which have expired.

You can do this by completing [the notification of the issue or expiry of exploration credits form](https://www.ato.gov.au/Forms/Notification-of-the-issue-or-expiry-of-exploration-credits---form-and-instructions/) and lodging it with us.

## When you need to notify us

If you are an investment body for [Part VA investments](https://www.ato.gov.au/Business/Third-party-reporting/Annual-investment-income-report/What-is-an-investment-body-/), you must lodge this form on or before the due date of your annual investment income report for the subsequent income year.

For all other entities, you must lodge this form on or before the due date of your income tax return for the subsequent income year.

See also:

* [Notification of the issue or expiry of exploration credits form and instructions](https://www.ato.gov.au/Forms/Notification-of-the-issue-or-expiry-of-exploration-credits---form-and-instructions/)

# Notifying us of the distribution of excess exploration credits

If you have distributed exploration credits in excess of your maximum exploration credit amount, you will be liable to pay tax equal to the amount of the excess issued. You may also be liable for interest and penalties.

Where this occurs, you must lodge an [excess exploration credit tax return](https://www.ato.gov.au/Forms/Exploration-Development-Incentive-Excess-Exploration-Credit-tax-return-form-and-instructions/). You must also pay any amount of excess exploration credits tax by 21 July of the financial year corresponding to the income year in which you distributed the excess exploration credits. Penalties and interest may apply if you do not lodge or pay on time.

See also:

* [Excess exploration credits form and instructions](https://www.ato.gov.au/Forms/Exploration-Development-Incentive-Excess-Exploration-Credit-tax-return-form-and-instructions/)