

Critical Minerals Production Tax Incentive

The Critical Minerals Production Tax Incentive (CMPTI) provides an uncapped 10% refundable tax offset on eligible processing expenditure for up to 10 years. The program is designed to encourage investment in downstream Australian critical minerals processing and refining facilities.

The CMPTI is a refundable tax offset designed to support eligible downstream processing and refining of critical minerals in Australia. The program supports processing of critical minerals currently listed under Division 419 of the Income Tax Assessment Act 1997 (ITAA 1997) or prescribed regulations.

Example of critical minerals included in this program:

- Lithium
- Nickel
- Antimony
- Rare Earth Elements (REE)
- Platinum Group Elements (PGE)
- Cobalt
- Gallium
- Manganese
- Tungsten
- Vanadium
- High Purity Alumina (HPA)
- Graphite
- Precursor cathode active materials (pCAM)

The offset is **uncapped** and is **equal to 10% of eligible CMPTI expenditure** incurred in carrying on registered CMPTI processing activities. It is available for eligible income years from **1 July 2027 to 30 June 2040, for up to 10 years** per registered processing activity.

The CMPTI is jointly administered by Department of Industry Science and Resources (DISR) and the ATO. DISR is responsible for registration and activity eligibility, while the ATO administers the tax offset and expenditure eligibility through the company tax return.



Eligibility requirements

Eligible claimants

A company is eligible for the CMPTI refundable tax offset for an income year where it:

- is a constitutional corporation
- is not an exempt entity
- meets the residency requirement, being an Australian tax resident with an ABN or a foreign resident carrying on the activity through an Australian permanent establishment with an ABN
- carries on one or more registered CMPTI processing activities in Australia
- incurs eligible CMPTI expenditure in carrying on those activities
- complies with applicable Future Made in Australia's **Community Benefit Principles**.^{**}

Eligible activities

A CMPTI processing activity must be carried on at one or more Australian facilities and either:

- involve substantially transforming a feedstock containing a critical mineral through extractive metallurgical processing into a purer or more refined, chemically distinct form, with a substantial purpose of achieving that transformation; or
- be a prescribed activity producing a prescribed outcome.

The *2025 Critical Minerals Regulations* prescribe additional eligible activities for high purity alumina, graphite and critical mineral-containing precursor cathode active materials.

Ineligible activities

Mining and beneficiation activities (including grinding, crushing, floating and mechanical processing of ores), and manufacturing activities are specifically excluded.

Registration and reporting

To access the CMPTI, companies must register eligible processing activities with DISR before claiming the tax offset. The proposed process involves:

1. Apply for registration – submit details of the processing activity, facilities, eligibility basis and supporting documentation.*
2. DISR assessment – DISR assesses the application and, if eligible, issues a registration certificate that may remain in force for up to 10 years.
3. Claim the offset – include the registered activity and eligible expenditure in the company's income tax return.
4. Annual reporting – provide annual reports on production outputs and significant events affecting eligibility to maintain registration.

**required information may include activity details, facilities, process flow diagrams, details of process descriptions and processing techniques, chemical formulae, production information and examples of related costs*

***companies need to consider the compliance and reporting requirements under the **Community Benefit Principles** that will be a condition of entitlement to the CMPTI.*

Eligible expenditure

Expenditure incurred in carrying on registered CMPTI processing activities may include:

- labour costs (employees and contractors)
- chemicals and reagents
- utilities (electricity, gas, water)
- waste treatment and disposal costs
- other expenditure directly attributable to eligible processing activities, subject to legislative requirements and exclusions.

Apportionment

Where a registered processing activity produces a non-critical mineral output that has value, expenditure must be apportioned between the critical mineral output and the non-critical mineral output.

No apportionment is required for outputs considered to be waste.

Ineligible expenditure

Excluded expenditure includes:

- capital expenditure
- financing costs
- feedstock costs, including ores, mineral concentrates and intermediate processing outputs
- amounts taken into account in calculating decline in value (tax depreciation)
- intellectual property expenditure exceeding the 10% cap
- any other expenditure prescribed by the Regulations.

What you should consider now

Interaction with R&D Tax Incentive

Companies should assess the interaction between CMPTI and the R&D Tax Incentive, including expenditure attribution, feedstock adjustment implications and comparative benefit outcomes. For some entities, CMPTI's uncapped refundable tax offset may provide a greater cash-flow benefit than the non-refundable R&D Tax Incentive.

- **JV structures.** Unincorporated JV participants should assess eligibility and determine their share of CMPTI expenditure.
- **Registration and reporting.** CMPTI registration is expected to require detailed technical and cost information, supported by ongoing annual reporting.
- **Community Benefit Principles.** Compliance with future Community Benefit Principles rules will be a condition of eligibility.
- **Expenditure capture.** Cost capture methodologies to be implemented now in preparation. The methodology should sufficiently distinguish eligible, excluded and apportionable expenditure.

Areas requiring further guidance

- **Maintenance and shutdown activities.** Further clarification may be required on the treatment of maintenance expenditure incurred during planned or unplanned shutdowns where processing activities are temporarily suspended and no critical mineral output is produced.
- **Overheads and shared services.** Additional guidance may be required on the eligibility and apportionment of costs that support production activities but are not directly attributable to processing activities, such as logistics, laboratories, HSE functions, site services, administration and other shared overheads.
- **Non-critical mineral outputs.** Further guidance may be beneficial on determining when an output is considered a by-product versus waste, and the associated expenditure apportionment requirements where non-critical mineral outputs are produced.
- **Administrative requirements.** Registration forms, annual reporting requirements, transfer provisions and other administrative processes remain subject to ongoing consultation and further guidance from DISR and the ATO.



How we can assist

KPMG's R&D Incentives and Grants team can support businesses across CMPTI eligibility, registration, expenditure modelling, documentation, annual reporting and regulator engagement.



Current producers

Assess eligibility of existing processing activities, quantify expected benefits, develop cost-capture methodologies and support registration/annual reporting.



Future producers

Assess planned processing activities, model expected CMPTI benefits and support integration into feasibility studies, business cases and investment decision materials.



Incentive benefit assessment and modelling

Consider CMPTI interactions with the R&D Tax Incentive, ordinary income tax outcomes, franking and other relevant tax provisions, and any potential impact on your tax position / cash benefits.



Registration, Reporting and Regulator Engagement

Assistance with activity registration, supporting documentation, expenditure eligibility assessments and engagement with DISR and the ATO.



CMPTI Governance, Record Keeping and Cost Capture Frameworks

Design and implementation of governance processes, documentation frameworks and cost capture methodologies to identify, track and substantiate eligible CMPTI activities and expenditure, including expenditure apportionment, transfer request, variation request and annual reporting requirements.

Contact us



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