

10 Net finance income/(expense)

	2023 \$m	2022 \$m
Investment income		
Interest income	43.1	19.8
Gains on liquid investments held at fair value through profit or loss	95.0	20.4
	138.1	40.2
Interest expense		
Interest expense	(105.6)	(78.6)
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Other finance items		
Unwinding of discount on provisions	(15.8)	(16.9)
Exceptional fair value gains	167.1	-
Effects of changes in foreign exchange rates	12.5	(12.8)
Preference dividends	(0.1)	(0.1)
	163.7	(29.8)
Net finance income/(expense)	196.2	(68.2)

During 2023, amounts capitalised and consequently not included within the above table were as follows: \$104.2 million at Los Pelambres (year ended 31 December 2022 - \$47.0 million) and \$7.9 million at Centinela (year ended 31 December 2022 - \$2.0 million).

The interest expense shown above includes \$10.5 million in respect of leases (2022 - \$7.1 million). The interest paid in respect of leases was \$9.7 million (2022 - \$6.0 million).

An exceptional fair value gain of \$167.1 million has been recognised in respect of an agreement the Group entered into during 2023 to acquire up to an additional 30 million shares in Compañía de Minas Buenaventura S.A.A., as detailed in Notes 4 and 22.

11 Income tax expense

The tax charge for the year comprised the following:

	2023 \$m	2022 \$m
Current tax charge		
- Corporate tax (principally first category tax in Chile)	(472.8)	(340.4)
- Mining tax (royalty)	(109.3)	(83.9)
- Withholding tax	(4.5)	(24.5)
- Exchange rate	(0.2)	-
	(586.8)	(448.8)
Deferred tax charge		
- Corporate tax (principally first category tax in Chile)	(3.7)	(96.5)
- Mining tax (royalty)	(2.7)	(9.8)
- Adjustment to deferred tax due to introduction of new royalty	(34.3)	-
- Exceptional items	(41.8)	-
- Withholding tax	3.2	(48.5)
	(79.3)	(154.8)
Total tax charge	(666.1)	(603.6)

The rate of first category (i.e. corporate) tax in Chile is 27.0% (2022 - 27.0%).

In addition to first category tax and the mining tax, the Group incurs withholding taxes on any remittance of profits from Chile. Withholding tax is levied on remittances of profits from Chile at 35% less first category (i.e. corporate) tax already paid in respect of the profits to which the remittances relate. The withholding tax charge in the current period reflected a one-off adjustment of \$34.7 million to the provision for deferred withholding tax, as a result of an intra-group restructuring of intercompany balances.

The Group's mining operations are also subject to a mining tax (royalty). During 2023, production from Los Pelambres, Antucoya, Encuentro (oxides), the Tesoro North East pit and the Run-of-Mine processing at Centinela Cathodes was subject to a rate of between 5-14%, depending on the level of operating profit margin, and production from Centinela Concentrates and the Tesoro Central and Mirador pits at Centinela Cathodes was subject to a rate of 5% of taxable operating profit.

New mining royalty

In August 2023, the new Chilean mining royalty law was approved. The new law has taken effect from 1 January 2024, replacing the existing specific mining tax. However, companies with tax stability agreements will continue to be governed by their current terms until those agreements expire. The new regime applied to Los Pelambres' and Zaldivar's royalty payments from the start of 2024. Centinela and Antucoya had tax stability agreements which extend beyond that point, and so the new royalty rates will only impact their royalty payments from 2030 onwards.

The new royalty terms include a 1% ad valorem royalty on copper sales, as well as a royalty ranging from 8% to 26% applied to the "Mining Operating Margin", depending on each mining operation's level of profitability. The new royalty terms have a cap, establishing that total taxation, which includes corporate income tax, the two components of the new mining royalty, and theoretical tax on dividends, should not exceed a rate of 46.5% on Mining Operating Margin less the royalty ad-valorem expense.

The impact on the Group's royalty payments starting in 2024 will be subject to various factors, including future revenue and earnings, which will be influenced by parameters such as copper prices, production volumes, and operating costs. A one-off adjustment has been recognised to the deferred tax balances of all of the Group's mining operations as at 31 December 2023, resulting in an increase in the Group's deferred tax liability balance of \$34.3 million, along with a corresponding deferred tax expense. The Chilean tax authority has issued definitive interpretations regarding the methodologies for determining and calculating the new royalty amounts. The new administrative interpretation refers to all issues included in the new Royalty Law published in August 2023.