

The Senate

Economics
Legislation Committee

Minerals Resource Rent Tax Repeal and
Other Measures Bill 2013 [Provisions]

December 2013

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Senate Economics Legislation Committee

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Chapter 1

Introduction and conduct of the inquiry

1.1 On 14 November 2013, the Senate referred the provisions of the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 for inquiry and report by 2 December 2013.

1.2 Schedule 1 to the Bill proposes to repeal the Minerals Resource Rent Tax (MRRT), thereby giving effect to a key commitment of the government at the 2013 Federal Election. In addition, the Bill repeals or revises a number of MRRT-related measures.

1.3 Specifically, the Bill repeals the following measures:

- the company loss carry-back regime (schedule 2);
- the geothermal expenditure deduction (schedule 5);
- the low income superannuation contribution (LISC) (schedule 7);
- the income support bonus (schedule 8); and
- the schoolkids bonus (schedule 9).

1.4 The Bill revises the following measures:

- the increase in the small business instant asset write-off threshold (schedule 3);
- deductions for motor vehicles (schedule 4); and
- the phased increase in the superannuation guarantee (SG) charge percentage (schedule 6).

1.5 This chapter provides:

- a summary of Treasury's consultation on the Bill;
- a summary of the conduct of the inquiry;
- an overview of the policy context of the Bill, including a brief history of the MRRT and its failure to raise the revenue the previous government had projected;
- a summary of the changes given effect by the Bill; and
- a summary of the financial impact of the repeal of the MRRT and related measures.

Consultation on the Bill

1.6 The Treasurer, Minister for Industry and Minister for Finance announced the release of the draft legislation on 24 October 2013, and called for submissions by

31 October 2013. Treasury also invited relevant industry associations to engage in a direct dialogue in addition to making a submission on the draft legislation.

1.7 Fifty-two submissions were received, three of which were confidential. The submissions and a summary of the consultation process have been published on Treasury's website.¹

Conduct of the inquiry

1.8 The committee advertised the inquiry on its website, and wrote directly to a range of individuals and organisations inviting written submissions by 21 November 2013. The committee received 24 written submissions, which are listed at Appendix 1.

1.9 The committee held a public hearing in Canberra on 27 November 2013. The names of witnesses who appeared at the hearing are at Appendix 2.

Overview of the policy context

The implementation of the MRRT

1.10 The former government first announced a resource rent tax on 2 May 2010, in the form of the proposed Resource Super Profits Tax (RSPT).

1.11 Upon becoming Prime Minister on 24 June 2010, the Hon Julia Gillard MP announced that the government would enter into negotiations with the mining industry to reach consensus on the RSPT.

1.12 Following a brief period of negotiation between the then government and representatives of the three largest mining companies operating in Australia, the government announced on 2 July 2010 that it would not introduce the RSPT as originally proposed, but would instead introduce the MRRT, along with the onshore extension of the Petroleum Resource Rent Tax (PRRT) regime.

1.13 Subsequent to this announcement, the government established a Policy Transition Group (PTG), to be co-chaired by the recently retired BHP Billiton Chairman, Mr Don Argus AC, and the then Minister for Resources and Energy, the Hon Martin Ferguson AM MP.

1.14 The MRRT commenced operation on 1 July 2012.

1.15 A brief overview of the history of the MRRT's development is available in the May 2013 report by the Senate Economics References Committee on the development and operation of the MRRT.²

1 The Treasury, 'MRRT Repeal and related measures,' <http://treasury.gov.au/ConsultationsandReviews/Consultations/2013/MRRT-and-related-measures-Repeal>.

The operation of the MRRT

1.16 The MRRT imposes an effective 22.5 per cent tax on the above-normal profits earned by the mining of iron ore and coal. The MRRT was also applied to coal seam gas produced as a necessary incident of coal mining, and changes were made to the *Petroleum Resource Rent Tax Assessment Act 1987* (PRRTAA 1987) so that the PRRT would not apply to those resources.³

1.17 An overview of how the MRRT works is provided in the abovementioned Senate Economics References Committee report on the development and operation of the MRRT.⁴

Related expenditure measures

1.18 The revenue that the MRRT was expected to raise was intended to fund a range of tax and social security measures. These measures, as summarised by the Explanatory Memorandum, included:

- company tax loss carry-back arrangements, which enable companies making a tax loss of up to \$1 million to recoup taxes paid on an equivalent income amount earned in the previous two years;
- increasing the instant asset write-off threshold from \$1,000 to \$5,000 as part of the MRRT and subsequently from \$5,000 to \$6,500 as part of the carbon tax package commencing from the 2012–13 income year. This allows small businesses to immediately claim a deduction for depreciating assets costing less than \$6,500;
- accelerated depreciation arrangements for motor vehicles from the 2012–13 income year, allowing small businesses to claim a \$5,000 immediate deduction for a motor vehicle;
- the inclusion of geothermal exploration within the wider definition of exploration;
- the phased increase in the Superannuation Guarantee from 9 per cent to 12 per cent by 2019;
- the Low Income Superannuation Contribution (LISC) for contributions made from 2012–13, equal to 15 per cent of the concessional contributions (up to a \$500 maximum) made by or for individuals with taxable income not exceeding \$37,000;
- the Income Support Bonus, which provides an annual income tax exempt payment to certain income support recipients; and

2 Senate Economics References Committee, *Development and Operation of the Minerals Resource Rent Tax*, May 2013, pp. 2-7.

3 The MRRT also applies to anything produced from a process that results in iron ore being consumed or destroyed without extraction.

4 Senate Economics References Committee, *Development and Operation of the Minerals Resource Rent Tax*, May 2013, pp. 7-12.

- the Schoolkids bonus, which commenced on January 2013 and is payable to parents who have dependent children in primary or secondary education; and to students receiving certain Government payments.
- the phase down of Interest Withholding Tax from 2014–15, which currently applies to financial institutions; and
- the Regional Infrastructure Fund (RIF) which provides funding to support infrastructure investments, particularly in regional areas associated with mining.⁵

1.19 As noted at the start of this chapter, the Bill repeals or rephases these measures (with the exception of the phase down of the interest withholding tax and the discontinuation of the RIF, neither of which requires legislative action).

1.20 While the revenue raised by the MRRT has fallen short of projections (as briefly noted below), the above expenditure measures that were intended to be funded by the tax have remained in place. Taken together, these measures have a cost to the budget over the forward estimates of approximately \$16.7 billion (see Table 1). In his second reading speech, the Treasurer suggested that while 'some of the related expenditure initiatives are worthy in nature, they have been carelessly linked to a complicated and burdensome tax that will, at the end of the day, never pay its way.'⁶

Failure of the MRRT to raise projected revenue

1.21 Revenue projections for the MRRT have been revised downward on numerous occasions since its announcement in 2010.⁷

1.22 The Senate Economics References Committee's report on the development and operation of the MRRT explored the reasons for this shortfall in depth, and concluded that 'specific design features' of the MRRT, agreed to by the then government in its negotiations with the three big mining companies, 'are mainly to blame for the massive revenue shortfall compared to the [Treasurer Wayne Swan's] budget estimates.'⁸

5 Explanatory Memorandum, Minerals Resource Rent Tax Repeal and Other Measures Bill 213, pp. 47-48.

6 The Hon Joe Hockey MP, *House of Representatives Proof Hansard*, 13 November 2013, p. 23.

7 See, in particular, Senate Economics References Committee, *Development and Operation of the Minerals Resource Rent Tax*, May 2013, p. 13.

8 Senate Economics References Committee, *Development and Operation of the Minerals Resource Rent Tax*, May 2013, p. 39.

The government's commitment to repeal the MRRT and related measures

1.23 The repeal of the MRRT and the repeal or rephrasing of most of its associated spending measures was a key election commitment of the government in the 2013 Federal Election.

1.24 Both in opposition and government, the Coalition has consistently maintained that the MRRT is a flawed tax. As the Treasurer put it in his second reading speech on the Bill, the MRRT 'imposes a significant regulatory and compliance burden on the iron ore and coal mining industry and has damaged business confidence in these industries that are critical to future investment and jobs.'⁹

1.25 As the Explanatory Memorandum notes, the government has also:

...committed to discontinuing those expense measures associated with the MRRT, with the exception of the phased increase in the Superannuation Guarantee in relation to which it committed to delay the scheduled ramp-up of the superannuation rate by two years, to recommence on 1 July 2016.¹⁰

Summary of changes given effect by the Bill

1.26 As noted at the start of this chapter, the Bill repeals the MRRT, and repeals or amends a range of MRRT-related measures.

1.27 The changes given effect by the Bill are summarised in Table 1 below.

Table 1: Comparison of key features of the new law and current law¹¹

<i>New law</i>	<i>Current law</i>
<i>MRRT Repeal: Imposition of tax (schedule 1)</i>	
Taxpayers are not subject to MRRT on and from 1 July 2014.	Taxpayers must pay MRRT at a rate of 22.5 per cent on their mining profit, less MRRT allowances, from coal and iron ore mining projects reduced by their offsets.
<i>MRRT Repeal: Treatment of coal seam gas (schedule 1)</i>	
The definition of 'petroleum' under the PRRT includes all coal seam gas. Rights or licences that only allow incidental and non-commercial activities in relation to coal seam gas are not production licences, exploration permits and retention leases. As a result, incidental coal seam gas recovered under those licences is not subject to MRRT or PRRT. Similarly, exploration that only	The definition of 'petroleum' under the PRRT does not include coal seam gas that is incidentally recovered in the course of coal mining operations. Instead, it is subject to MRRT.

9 The Hon Joe Hockey MP, *House of Representatives Proof Hansard*, 13 November 2013, p. 21.

10 Explanatory Memorandum, pp. 51-52.

11 This table has been created using two tables contained in the Explanatory Memorandum, pp. 15, 26-28.

<i>New law</i>	<i>Current law</i>
<p>incidentally relates to coal seam gas is not deductible exploration expenditure under the PRRT.</p>	
<i>Repeal of loss carry back (schedule 2)</i>	
<p>Companies can only carry their tax losses forward to use as a deduction for a future year.</p>	<p>Companies can either carry their tax losses forward to use as a deduction for a future income year or carry up to \$1 million back to an earlier year (in which they paid tax) to obtain a tax offset for the current year.</p>
<i>Changes to the capital allowances for small business entities (schedules 3 and 4)</i>	
<p>Small business entities can claim a deduction for the value of a depreciating asset that costs less than \$1,000 in the income year the asset is first used or installed ready for use.</p> <p>Small business entities can claim a deduction for an amount included in the second element of the cost of a depreciating asset that was first used or installed ready for use in a previous income year. The amount must be less than \$1,000.</p> <p>Small business entities can allocate depreciating assets that cost \$1,000 or more to their general small business pool and claim a deduction for the depreciation of the assets in the pool.</p> <p>Assets allocated to the general small business pool depreciate at a rate of 15 per cent in the year they are allocated, and a rate of 30 per cent in subsequent income years.</p> <p>If the value of a small business entity's general small business pool is less than \$1,000 at the end of the income year, the small business entity can claim a deduction for the entire value of the pool.</p> <p>Motor vehicles are subject to the same rules as other depreciating assets.</p>	<p>Small business entities can claim a deduction for the value of a depreciating asset that costs less than \$6,500 in the income year the asset is first used or installed ready for use.</p> <p>Small business entities can claim a deduction for an amount included in the second element of the cost of a depreciating asset that was first used or installed ready for use in a previous income year. The amount must be less than \$6,500.</p> <p>Small business entities can allocate depreciating assets that cost \$6,500 or more to their general small business pool and claim a deduction for the depreciation of the assets in that pool.</p> <p>Assets allocated to the general small business pool depreciate at a rate of 15 per cent in the year they are allocated, and a rate of 30 per cent in subsequent income years.</p> <p>If the value of a small business entity's general small business pool is less than \$6,500 at the end of the income year, the small business entity can claim a deduction for the entire value of the pool.</p> <p>Special rules apply to depreciating assets that are motor vehicles. A small business entity can deduct the first \$5,000 of the cost of a motor vehicle, plus 15 per cent of any remaining cost, in the income year that it is first used or installed ready for use.</p> <p>The motor vehicle is then added to the small business entity's general small business pool, and depreciated as part of the pool at a rate of 30 per cent in subsequent income years.</p>

<i>New law</i>	<i>Current law</i>
<i>Repeal of the geothermal exploration deduction (schedule 5)</i>	
<p>Geothermal energy exploration and prospecting expenditure is not immediately deductible.</p> <p>If a geothermal exploration right is exchanged for a geothermal energy extraction right relating to the same, or a similar area, then a capital gains tax (CGT) roll-over applies to defer the liability until the sale of the extraction right.</p>	<p>Geothermal energy exploration and prospecting expenditure is deductible in the income year that the asset is first used or expenditure is incurred.</p> <p>No CGT roll-over is provided for geothermal explorers when an exploration right is exchanged for a geothermal energy extraction right as the geothermal exploration right is a depreciating asset, not a CGT asset. However, there is relief from income tax liability upon disposal of a geothermal exploration right.</p>
<i>Rephasing of the SG charge percentage increase (schedule 6)</i>	
<p>The SG charge percentage will pause at 9.25 per cent for the years starting on 1 July 2014 and 1 July 2015, and increase to 9.5 per cent for the year starting on 1 July 2016, and then gradually increase by half a percentage point each year until it reaches 12 per cent for years starting on or after 1 July 2021.</p>	<p>The SG charge percentage will increase from 9.25 per cent to 9.5 per cent for the year starting on 1 July 2014, and gradually increase by half a percentage point each year until it reaches 12 per cent for years starting on or after 1 July 2019.</p>
<i>Repeal of the LISC (schedule 7)</i>	
<p>The low income superannuation contribution (LISC) is not payable in respect of concessional contributions made after 1 July 2013.</p>	<p>The LISC is payable each year in respect of concessional contributions made in each income year.</p>
<i>Repeal of the income support bonus (schedule 8)</i>	
<p>The income support bonus is repealed.</p> <p>Saving provisions apply to preserve the law with respect to the income support bonus in relation to taxpayers' entitlements to payments of income support bonus for the period before the repeal, whether payments are made before, on or after the commencement of the amendments.</p>	<p>The income support bonus is an income tax exempt, indexed, non-means tested payment paid twice annually to eligible social security recipients.</p>
<i>Repeal of the schoolkids bonus (schedule 9)</i>	
<p>The schoolkids bonus is repealed.</p> <p>Saving provisions apply to preserve the law with respect to schoolkids bonus in relation to eligibility on a bonus test day occurring before commencement and in relation to payments of schoolkids bonus made before, on or after the commencement of the amendments.</p>	<p>The schoolkids bonus is an income tax exempt, indexed family assistance payment that is available to eligible families receiving Family Tax Benefit Part A and young people in school receiving youth allowance or certain other income support or veterans' payments on two test dates each year.</p>

Date of effect of measures in the Bill

1.28 The date of effect of the different measures in the Bill varies:

- The repeal of the MRRT (schedule 1) would mean that taxpayers would not incur liabilities for the MRRT on or after 1 July 2014.

- The repeal of the loss carry-back measure (schedule 2) applies from the start of the 2013–14 income year.
- The changes made to the capital allowances for small business entities (schedules 3 and 4) apply on or after 1 January 2014.
- The repeal of the geothermal expenditure deduction measures (schedule 5) applies on and after 1 July 2014.
- The pause in the increase of the SG charge percentage (schedule 6) applies to financial quarters starting on and after 1 July 2014 and ending before 1 July 2016.
- The repeal of the low income superannuation contribution (schedule 7) applies to concessional contributions for financial years starting on and after 1 July 2013.
- The repeal of the low income support bonus (schedule 8) applies to new instalments of the bonus after Royal Assent. The next instalment is due to be paid to recipients in March 2014.
- The repeal of the schoolkids bonus (schedule 9) applies to new instalments after Royal Assent. The next instalment would be in respect of the bonus test day occurring on 1 January 2014.

Financial impact of the Bill

1.29 According to the Explanatory Memorandum, the repeal of the MRRT and related measures will result in estimated savings over the forward estimates (2013–14 to 2016–17) of approximately \$13.4 billion. This figure is based on savings from the repeal and rephrasing of associated spending measures (approximately \$16.7 billion) minus the revenue that the MRRT was most recently forecast to raise over the forward estimates (approximately \$3.3 billion).

1.30 The \$16.7 billion of savings includes \$405 million for the phase down of interest withholding tax, and approximately \$2.7 billion for the discontinuation of the Regional Infrastructure Fund and the Regional Development Australian Fund. The Bill does not contain amendments to give effect to these measures as the phase down of interest withholding tax was not enacted and no legislative changes are required to discontinue the Regional Infrastructure Fund or the Regional Development Australia Fund.

1.31 A breakdown of the financial impact of the measures in the Bill over the forward estimates period is provided at Table 2.

Table 2: Financial impact of the repeal of the MRRT and repeal and rephrasing of related measures¹²

<i>Measure</i>	<i>2013-14</i> <i>\$m</i>	<i>2014-15</i> <i>\$m</i>	<i>2015-16</i> <i>\$m</i>	<i>2016-17</i> <i>\$m</i>	<i>Total</i> <i>\$m</i>
Repeal of MRRT	21.7	-430.9	-1,130.2	-1,778.7	-3,318.1
Discontinuing company loss carry-back	-	350.0	300.0	300.0	950.0
Reduction of instant asset write-off threshold from \$5,000 to \$1,000#	-	500.0	900.0	900.0	2,300.0
Discontinuing vehicle accelerated depreciation	-	100.0	200.0	150.0	450.0
Amending geothermal exploration treatment	-	-	5.0	5.0	10.0
Rephrasing the superannuation guarantee increase	-	170.0	565.0	845.0	1,580.0
Abolishing the low income superannuation contribution	-	836.1	939.6	923.3	2,699.0
Abolishing the income support bonus	150.7	323.8	314.3	316.4	1,105.2
Abolishing the school kids bonus	549.5	1,301.1	1,325.2	1,346.6	4,522.4
No phase down of interest withholding tax*	-	80.0	160.0	165.0	405.0
Discontinuing Regional Infrastructure Fund & Regional Development Australia Fund*	326.8	986.9	621.6	746.7	2,682.0
Net Impact	1,048.7	4,217.0	4,200.5	3,919.3	13,385.5

The increase in the instant asset write-off threshold from \$5,000 to \$6,500 was intended to be funded by revenue expected from the carbon tax. The financial impact of the reduction of the part of the threshold associated with the carbon tax from \$6,500 to \$5,000 results in a gain to revenue of \$300m over the forward estimates period, comprising \$50m in 2014-15, \$150m in 2015-16 and \$100m in 2016-17.

* This Bill does not contain amendments to give effect to these measures as the phase down of interest withholding tax was not enacted and no legislative changes are required to discontinue the Regional Infrastructure Fund or the Regional Development Australia Fund.

12 This table is reproduced as it appears in the Explanatory Memorandum, p. 7.

Chapter 2

Views on the Bill

2.1 The committee heard from a broad range of witnesses who, in varying degrees, supported or opposed different aspects of the Bill. For the most part witnesses focused on specific aspects of the Bill, rather than supporting or opposing the Bill as a whole.

2.2 Mining companies and peak bodies were strongly supportive of the repeal of the MRRT. These companies and peak bodies were broadly united in arguing that the MRRT was a poorly designed tax which imposed a significant compliance cost on the Australian mining industry and undermined the industry's competitiveness. In contrast, other witnesses argued that the MRRT provided a mechanism, however flawed, for capturing the rents earned through the exploitation of Australia's non-renewable resources.

2.3 A number of witnesses addressed the repeal of the loss carry-back regime. Broadly speaking, witnesses argued that that the loss carry-back regime was a useful means of reducing the asymmetrical treatment of tax losses in Australia.

2.4 Similarly, several witnesses advocated retaining in their current form the small business capital allowances that would be revised by the Bill. Others, however, acknowledged the difficulty in retaining the current measures given the challenging fiscal situation confronting the government.

2.5 Superannuation organisations and peak bodies were united in arguing for the retention of the LISC as a means of addressing the effective lack of concessions available on the superannuation contributions of low income earners.

2.6 Similarly, most of these superannuation organisations argued against the rephrasing of the increase in the SG rate, although there was some recognition of why the rephrasing was necessary. In contrast, the Ai Group and the Australian Chamber of Commerce and Industry (ACCI) supported the rephrasing, while arguing that the government's broader commitment to lifting the rate to 12 per cent should be subject to review.

2.7 Welfare advocates and unions argued against the abolition of the income support bonus and the schoolkids bonus, underlining the apparent impact these changes would have on welfare recipients and low and middle income earners. Other witnesses, however, acknowledged the difficulties of funding these measures given the failure of the MRRT to raise any significant revenue and the imminent repeal of the tax.

Views on the Bill as a whole

2.8 As noted above, most witnesses addressed their comments to specific schedules to the Bill, rather than assessing it as a whole. One exception was the Australia Institute, which, in addition to criticising discrete parts of the Bill, also argued that:

...this package as a whole transfers income from something like 10 million Australians, including the poorest ... as well as at any time around 8.2 million wage and salary earners. The main beneficiaries, as we point out in the submission, are a handful of foreign owned corporations that are collectively worth \$200 billion.¹

2.9 The Australian Council of Trade Unions (ACTU) also noted its opposition to the Bill as a whole, suggesting:

...it is very rare in approaching an omnibus tax bill to not find any redeeming features in respect of any of the measures, but this is such a bill. We say all the elements of this bill are retrograde steps and we reject the bill in its entirety.²

2.10 The Australian Council of Social Service (ACOSS), meanwhile, challenged the packaging of the repeal of MRRT-related measures with the repeal of the MRRT, arguing that each measure should be assessed on its own merits. It referred, in this respect, to recommendations it had made in its submission to the Commission of Audit about how social spending could be funded by the government:

We have made a range of recommendations for how we can raise revenue and make savings in order to meet those social objectives, but as we were just discussing, the social expenditure measures in this bill have compelling social objectives behind them and there are pressing needs to be met in those areas. So the simplistic linking of this tax measure with these spending measures is hugely problematic and would cause great damage in the short term, by the abolition of those payments. I do not think this is the forum in which to do away with a range of measures that were making some, however small, progress towards greater equity in this country—by a knee-jerk abolition of those payments due to a point-of-time link with this tax measure.³

2.11 Although concerned with different aspects of the Bill than ACOSS, the ACCI also made the argument that decisions relating to certain measures in the Bill should not be linked to the MRRT. Specifically, the ACCI argued that existing small business

1 Mr David Richardson, Senior Research Fellow, The Australia Institute, *Proof Committee Hansard*, p. 2.

2 Mr Tim Lyons, Assistant Secretary, Australian Council of Trade Unions, *Proof Committee Hansard*, p. 2.

3 Ms Jacqui Phillips, Director of Policy and Campaigns, Australian Council of Social Service, *Proof Committee Hansard*, p. 8.

capital allowances and the loss carry-back regime 'have merit in their own right and should always have been decoupled from the MRRT legislation and funded independently.'⁴

2.12 Expanding on this point, the ACCI told the committee that:

...in the context of the overall Commonwealth budget, these measures are relatively small, particularly in circumstances where the incoming government is putting in place and able to put in place some different approaches to spending priorities leading up to the May budget next year. There should be mechanisms found inside the overall budget to keep funding these two measures.⁵

2.13 While noting that revenue from the MRRT was not directly hypothecated to measures in the Bill, Treasury agreed with the suggestion that, given the inherent volatility of MRRT revenue and the relative stability of the expenditure measures, the passage of the Bill would have a positive impact on the structural position of the budget on an ongoing basis.⁶

Schedule 1: Minerals resource rent tax

2.14 The committee received evidence both in support of retaining the MRRT (or an improved version of it), and in support of its repeal.

Arguments for retaining the MRRT

2.15 The ACTU, the Construction, Forestry, Mining and Energy Union (CFMEU) and the Shop, Distributive and Allied Employees' Association (SDA) argued in favour of resource rent taxation for the mining industry generally, and suggested that while the MRRT might be flawed in design, it should nonetheless be retained and improved, rather than abolished.⁷

2.16 ACOSS also spoke in favour of the idea of resource rent taxation. While conceding that the MRRT itself was flawed in design, ACOSS contended that:

4 Australian Chamber of Commerce and Industry, *Submission 18*, p. 2.

5 Mr Peter Anderson, Chief Executive, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, p. 11.

6 Mr Robert Heferen, Executive Director Revenue Group, Treasury, *Proof Committee Hansard*, p. 35.

7 Mr Tim Lyons, Assistant Secretary, Australian Council of Trade Unions, *Proof Committee Hansard*, pp. 3–4; Construction, Forestry, Mining and Energy Union, *Submission 3*, pp. 3, 5; Shop, Distributive and Allied Employees' Association, *Submission 5*, p. 1.

...if we were to choose to abolish a list of poorly designed, economically inefficient and distortionary taxes, there is a long queue ahead of the MRRT. It is still a relatively good tax, and we need the revenue.⁸

2.17 The Australia Institute, meanwhile, argued that the mining industry was paying relatively low levels of tax by historical standards, and that given the high levels of foreign ownership of mining operations in Australia, much of the benefit from mining was not going to the Australian community. At the same time, the Australia Institute rejected the idea that investment in the Australian mining industry had been adversely impacted by the MRRT. It further suggested that resource rent taxation was an efficient means of capturing a better return for Australians on the mining of the resources they owned.⁹

Responses to supporters of resource rent taxation and the MRRT

2.18 In evidence to the committee, the Minerals Council of Australia (MCA) disputed suggestions that resource rent taxation does not impact on investment decisions. This was, the MCA told the committee, simply a 'theoretical and conceptual argument,' and one that was not borne out by the mining industry's experience with the MRRT.¹⁰

2.19 The MCA also challenged the notion that the MRRT was a necessary or significant component in ensuring Australians benefited from mining in Australia. In particular, the MCA pointed to its most recent annual survey of taxes paid by the industry, which showed that mining companies had paid \$17.6 billion in company tax and state royalties in that tax year. This figure, it was stressed, did not include MRRT payments or indirect taxes, and made for an effective tax rate of 42 per cent.¹¹

2.20 For its part, the Association of Mining and Exploration Companies (AMEC) took issue with the idea that resource rent taxation was an efficient means of taxing non-renewable resources, and suggested governments should look elsewhere if it believed the Australian community was not receiving a fair share from mining:

I do not think that the MRRT or the RSPT were in any way a clever way in which the government and the Australian community were going to get their so-called fair share. There is already a system in place through the Commonwealth Grants Commission to achieve that. If you really want to

8 Mr Peter Davidson, Senior Advisor, Australian Council of Social Service, *Proof Committee Hansard*, p. 2.

9 Mr David Richardson, Senior Research Fellow, The Australia Institute, *Proof Committee Hansard*, p. 1; and Dr Richard Denniss, Executive Director, The Australia Institute, *Proof Committee Hansard*, p. 2.

10 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, p. 20.

11 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, pp. 21–22.

start somewhere and look at the taxation and the whole issue of fair share, go back to the CGC and go back to horizontal fiscal equalisation to see how that has played havoc with this whole system, including royalties.¹²

2.21 The MCA, AMEC and Treasury all rejected the suggestion from the Australia Institute that the benefit Australians received from mining activity was significantly reduced as a result of the high proportion of foreign investment in the sector. For example, the MCA told the committee that:

...there have been a range of studies by the Bureau of Resources and Energy Economics, the Reserve Bank and Treasury, which have looked at the various mechanisms by which the benefits have flowed around Australia both directly, in terms of incomes to workers, in terms of increased purchasers to suppliers. In the last couple of weeks, the Minerals Council released some new work that looked at what we would call the community spend. None of that is charity. That is business spending on local suppliers, including Indigenous contractors; its local infrastructure. An element of that is a voluntary contribution. That was of the order of \$34.7 billion.¹³

2.22 Similarly, Treasury told the committee that foreign investment increased the national income, along with wages and output. Asked about the idea that profits resulting from foreign investment in mining overwhelmingly flowed offshore, Treasury responded:

Clearly profit does not go offshore in the sense that the investment comes in and then income is earned in Australia, and once it is earned in Australia it is taxed in Australia under the company income tax system. Now there are ongoing debates about how much of that can be shifted out of Australia. Clearly when you are digging rocks out of the ground and shipping them off somewhere it is pretty hard to push too much of that value out of Australia, so there is some clear benefit to Australia from that point of view.¹⁴

2.23 The MCA also made the broader point that foreign investment was an important and necessary component of a successful Australian resources industry.¹⁵

12 Mr Simon Bennison, Chief Executive Officer, Association of Mining and Exploration Companies, *Proof Committee Hansard*, pp. 27–28.

13 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, p. 21.

14 Mr Robert Heferen, Executive Director Revenue Group, Treasury, *Proof Committee Hansard*, p. 40.

15 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, p. 21.

Support for repealing the MRRT

2.24 In contrast to the evidence received from the unions, ACOSS and the Australia Institute, mining companies and industry peak bodies voiced strong support for repealing the MRRT.

2.25 For instance, the Chamber of Minerals and Energy of Western Australia welcomed the proposed repeal, suggesting the MRRT:

...has been administratively onerous and costly as well as ineffective, falling significantly short of delivering the genuine tax reform needed to ensure Australia's continuing international competitiveness.¹⁶

2.26 Similarly, the ACCI indicated that it had consistently opposed the MRRT and supported its repeal, on the grounds that the MRRT was a poorly designed tax that was implemented without proper consultation with the mining industry.¹⁷

2.27 The Ai Group suggested that while there is a good case for a well-designed tax on 'super profits', the MRRT is itself 'very poorly designed and would not serve as an effective basis on which to build a well-designed approach.'¹⁸

2.28 Fortescue Metals Group (FMG) argued that tax systems should be 'simple, transparent and efficient,' and that the MRRT, and the previously proposed RSPT, 'fail absolutely on these essential tax principles.' Expanding on this point, FMG wrote in its submission that:

...the MRRT introduced a new layer of administrative complexity into an already highly regulated industry. Taxing at a 'project' level rather than a corporate level has further complicated matters and has significantly increased the cost of overall taxation compliance. Implementing the MRRT regime, in terms of systems modification requirements, technical consultancies and legal interpretation, within Fortescue alone has cost millions of dollars. The MRRT imposes an additional unnecessary layer of taxation on top of the existing State and Territory based royalty systems, and the Federal income tax regime, in a manner that does not simplify taxation, nor make the taxation process more efficient. In fact, since it is an entirely new tax impost all it has done is to increase the complexity of the compliance burden and necessarily acts as an investment deterrent due to perceptions of sovereign risk and the extent that it reduces forecast project returns.¹⁹

16 Chamber of Minerals and Energy of Western Australia, *Submission 2*, p. 2.

17 Australian Chamber of Commerce and Industry, *Submission 18*, p. 1; Mr Peter Anderson, Chief Executive, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, p. 9.

18 Ai Group, *Submission 22*, p. 2.

19 Fortescue Metals Group, *Submission 10*, p. 1.

2.29 In their appearance before the committee, representatives of Atlas Iron and BC Iron also underlined the high administrative and compliance costs associated with the MRRT.²⁰

2.30 AMEC argued strongly in favour of the repeal of the MRRT, telling the committee it was:

... an ill-conceived, poorly designed and discriminatory tax that should be rescinded and replaced with a long-term tax strategy that encouraged investment and was internationally competitive.²¹

2.31 AMEC outlined the administrative and compliance burden imposed by the tax, even for hundreds of companies that have a pre-mining interest in iron ore and coal but may never have an actual MRRT liability. It told the committee that:

...minimum total set-up costs in the first year of smaller iron ore and coal miners and junior exploration companies, excluding large miners, was estimated to be over \$20 million and ongoing administration and compliance costs in excess of \$2 million.²²

2.32 The MCA also told the committee that it thought the Explanatory Memorandum's estimated annual cost of \$10.5 million to the mining industry for compliance with the MRRT was:

...a fairly conservative estimate. There are not just the ongoing costs, which we think would be higher than that. I cannot give you a precise figure without doing a survey of the whole industry, but based on what we know it would be higher. Added to that are the setup costs, I guess you could call them. Throughout the debate there has been a lot of toing and froing—valuations had to be done for starting bases, there are IT costs, systems setups and other such things and dealings with the ATO. That would be a very substantial sum of money; we estimate it would be well in excess of \$30 million over the last three years. That is not taken account of in the bill itself, because they are sunk setup costs rather than ongoing costs.²³

2.33 In response to the MCA's point, Treasury acknowledged that its estimate of a \$10.5 million MRRT compliance cost for mining companies in Australia might well be on the conservative side, and readily allowed that companies themselves would be

20 Mr Marcus Hughes, Group Tax Manager, Fortescue Metals Group, Hunt and Brown, *Proof Committee Hansard*, p. 29.

21 Mr Simon Bennison, Chief Executive Officer, Association of Mining and Exploration Companies, *Proof Committee Hansard*, p. 25.

22 Mr Simon Bennison, Chief Executive Officer, Association of Mining and Exploration Companies, *Proof Committee Hansard*, p. 26.

23 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, p. 24.

better placed than Treasury to provide advice on the costs of administering the MRRT.²⁴

2.34 Treasury also acknowledged, both at the hearing and in the Explanatory Memorandum, that far more companies need to comply with the MRRT than have actually had to pay the tax to date. Specifically, the Explanatory Memorandum confirmed that there are approximately 235 companies registered for the MRRT, and 65 more are due to register should the repeal of the MRRT not proceed. However, fewer than 20 companies had actually incurred an MRRT liability in 2012–13.²⁵

2.35 AMEC was particularly critical of what it regarded as the MRRT's bias against mining projects that were new or in relatively early stages of development. This bias, AMEC explained, resulted from the ability of established miners to apply the market value method to their depreciable starting base assets (that is, to use the market valuation of a mine as at 1 May 2010, just prior to the announcement of the RSPT), an option that in effect is not open to small and emerging miners:

Small, emerging miners are not able to claim such an extensive tax shield and therefore their unit cost of production and ultimate effective tax rate is detrimentally affected. So as much as you can be designing a tax with all the correct aspects incorporated in event, such as the asset base, it has a serious distortion effect and it is this distortion effect that has discriminated against, in particular, the mid-tier producers.²⁶

2.36 A number of witnesses also indicated that the MRRT had undermined the capacity of the Australian mining industry to attract much-needed investment.

2.37 In response to questions from the committee, FMG advised that it would have struggled to grow into the company it now was had it needed to contend with the MRRT when the company was getting started. In particular, FMG suggested it would have struggled to attract investors had the MRRT been in place at that time.²⁷

2.38 Atlas Iron provided a concrete example of the impact of the MRRT, suggesting that:

...the introduction of the MRRT substantially delayed the process of marketing our Ridley magnetite project to foreign investors as it created a further layer of cost and uncertainty over such projects which are already considered risky by virtue of their capital requirement.²⁸

24 Mr Robert Heferen, Executive Director Revenue Group, Treasury, *Proof Committee Hansard*, p. 33.

25 Explanatory Memorandum, pp. 53–54.

26 Mr Simon Bennison, Chief Executive Officer, Association of Mining and Exploration Companies, *Proof Committee Hansard*, p. 25.

27 Mr Marcus Hughes, Group Tax Manager, Fortescue Metals Group, *Proof Committee Hansard*, p. 30.

28 Atlas Iron, *Submission 16*, pp. 1–2.

2.39 Asked about the impact of the MRRT on foreign investment and growth in the mining industry, the ACCI responded that:

...the debate around the measure and the high level of questioning within the public and economic community about the measure and its iterations did contribute and was one of the elements that contributed to a reduction in business confidence, and business confidence includes investment confidence.²⁹

2.40 The MCA, meanwhile, suggested that while the impact of the MRRT itself on investment was difficult to assess, there 'is also an important point to be made that, particularly for some of the smaller players in the coal and iron-ore area, the debate in 2010 created particular difficulties in accessing capital.³⁰

2.41 Expanding on this point, the MCA told the committee:

I think there is a sense, though, in which the 2010 tax debate, as I said, casts a pall over Australia's investment reputation. You have seen that, for example, in some of the surveys done by the Canadian Fraser Institute, where the state jurisdictions of Australia invariably all sat within the top 20 of roughly 60 or 70 global jurisdictions. And even today they have moved to about the middle of the pack. So we have not actually seen any real recovery in terms of the investment standing of Australian jurisdictions based on that annual Fraser Institute survey. So I think there has clearly been an impact. Again, without commenting on particular examples, I am sure there are companies that have looked elsewhere based on the uncertainty that has existed in Australia's tax system over the last few years.³¹

2.42 Mr Michael Young, Non-Executive Director of BC Iron, provided the committee with anecdotal evidence illustrating the impact the debate over the proposed RSPT, and the subsequent introduction of the MRRT, had had on perceptions of Australia as a foreign investment destination. Conversely, this evidence also touched on the reaction of foreign investors to the proposed repeal of the MRRT:

When the RSPT was announced in 2010, in June of that year we travelled to New York, London and Toronto to raise money for BC Iron as we were in pre-development stages. I got some comments from one particular fund manager in New York who would not allow me to identify him. He runs a \$6 billion fund. They had several investments in Australian companies with assets in Australia. His comments were quite colourful, so I will not repeat them. He basically said: 'What the heck are you guys doing? You've just

29 Mr Peter Anderson, Chief Executive, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, p. 11.

30 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, p. 21.

31 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, p. 24.

come through the GFC and now you have introduced this tax. We don't understand it, but we've put a hold on Australia investment.' I want to reiterate that: his company with a \$6 billion fund and put a hold on investments in Australian companies in Australia. I had not heard from the guy again until last week. He called me last week, post election, and said, 'It looks like you guys are open for business again' and we had a long chat about investment in our company. I am now chairman of a uranium company as well in Australia. That sentiment was repeated over and over again, and I know of several companies.³²

2.43 Mr Young added that 'the investment community was basically shut down because of the uncertainty around the tax and it is really the uncertainty of that tax that created the issue.' Clarifying this point, Mr Young suggested that the MRRT was in fact only the 'tip of the iceberg,' and the problem was that it had created a perception (rightly or wrongly) that the then government was anti-mining, and this perception was in turn reinforced by a range of issues, such as the carbon tax.³³

2.44 Mr Young told the committee that the MRRT had, in fact, created perceptions of sovereign risk with respect to foreign investment in Australian mining projects. While acknowledging that some of the rhetoric was 'pretty thick' (particularly the comparisons of Australia to African nations), it was nonetheless the case that, for investors, 'perception is indeed reality'.³⁴

2.45 AMEC told the committee that the MRRT has impacted on investor confidence and business certainty in such a way as to detrimentally affect 'the risk profile of small Australian iron ore and coal miners and junior exploration companies, making raising equity and debt capital extremely difficult over the past three years.'³⁵

2.46 AMEC further suggested that the share of exploration funds raised on the ASX that went toward domestic mining projects had decreased significantly as a result of the MRRT, and the number of Initial Public Offerings (IPOs) of metals and mining companies had fallen.³⁶ To support this point, AMEC provided two graphs to the committee, reproduced below as Tables 3 and 4.

32 Mr Michael Young, Non-Executive Director, BC Iron Limited, *Proof Committee Hansard*, p. 28.

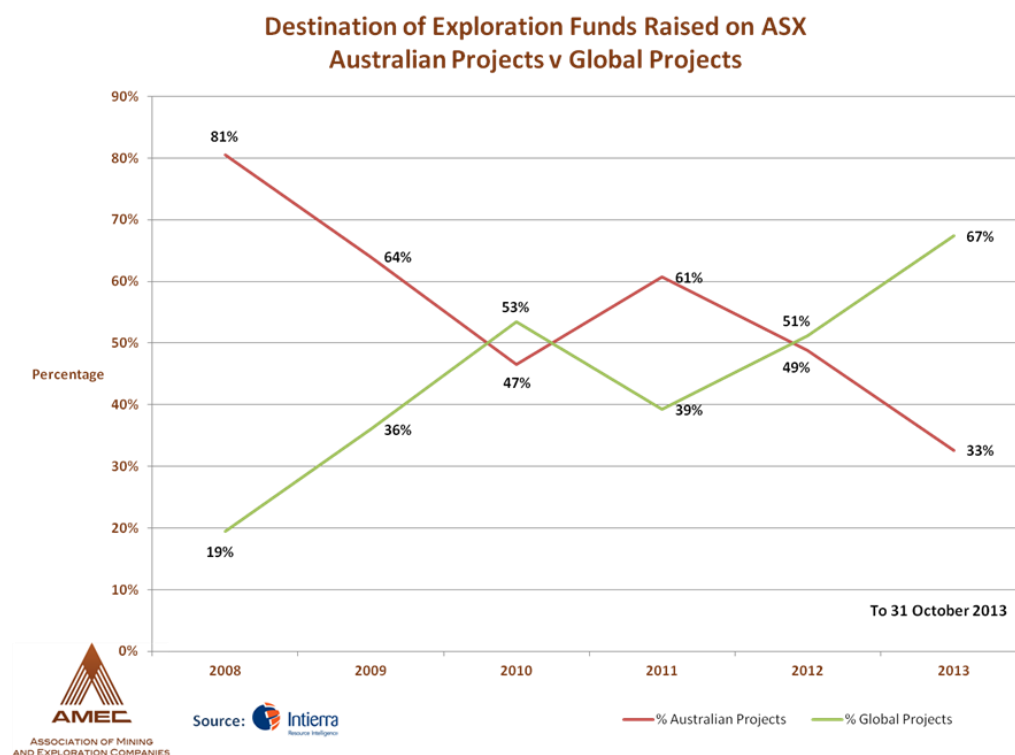
33 Mr Michael Young, Non-Executive Director, BC Iron Limited, *Proof Committee Hansard*, pp. 28–29.

34 Mr Michael Young, Non-Executive Director, BC Iron Limited, *Proof Committee Hansard*, p. 29.

35 Mr Simon Bennison, Chief Executive Officer, Association of Mining and Exploration Companies, *Proof Committee Hansard*, p. 25.

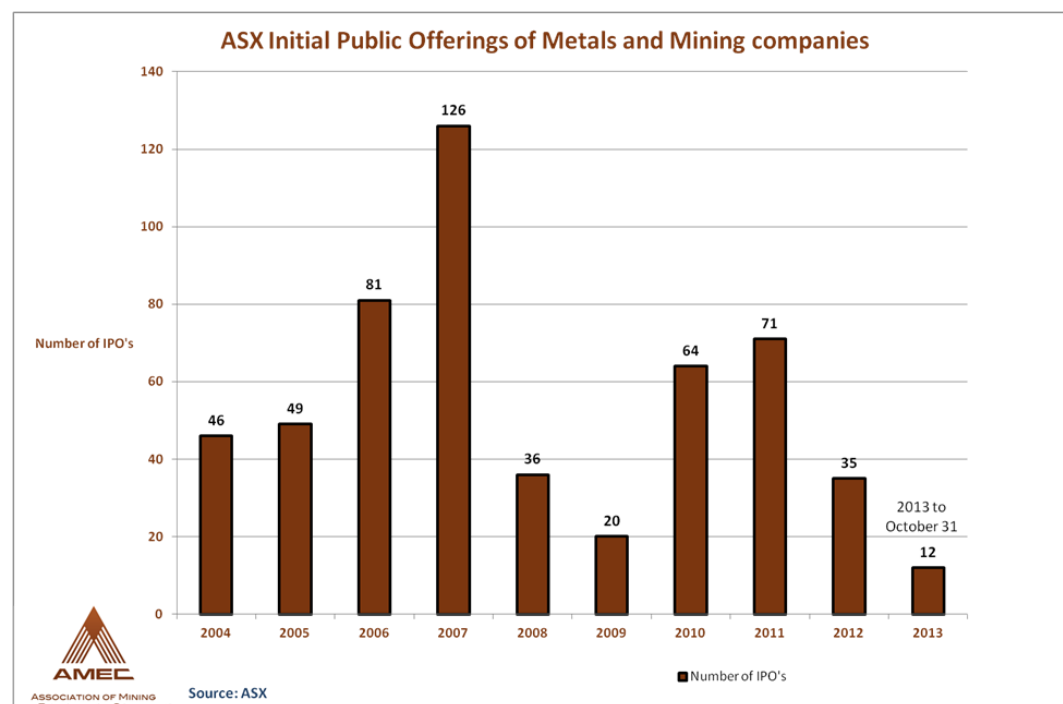
36 Mr Simon Bennison, Chief Executive Officer, Association of Mining and Exploration Companies, *Proof Committee Hansard*, p. 26.

Table 3: Destination of Exploration Funds Raised on ASX – Australian Projects v Global Projects



Source: Association of Mining and Exploration Companies, Additional Information, p. 5.

Table 4: ASX Initial Public Offerings of Metals and Mining Companies



Source: Association of Mining and Exploration Companies, Additional Information, p. 5.

2.47 AMEC concluded that:

... the implementation of the repeal of the MRRT combined with other initiatives contained in the coalition government's various policy documents will provide much needed stimulus to the Australian mining industry. These actions will help restore industry and investor confidence which are essential to growth and productivity and the creation of jobs in Australia.³⁷

2.48 Similarly, the MCA argued that the repeal of the MRRT would improve confidence in the mining industry and signal that Australia remained an attractive investment destination:

Repeal of the MRRT will help to restore industry confidence, remove an additional layer of tax on coal and iron ore projects, reduce compliance costs and improve the simplicity of the tax system. Repeal of the MRRT will send a powerful signal that Australia is determined to remain a world-leading destination for new investment and production.³⁸

2.49 The MCA argued that given the challenges currently facing the mining industry—including lower commodity prices, high production costs and growing sources of supply competition—it is now 'time to begin a new conversation about how Australia regains its competitiveness and wins its share of future minerals resource investment.'³⁹

Schedule 2: Loss carry-back

2.50 The ACTU argued strongly in favour of retaining the loss carry-back regime, and noted that it had in fact been involved in the design of the regime as a member of the Business Tax Working Group:

This was an important measure that ended the asymmetric treatment of tax losses. It was an important reform, particularly for small and medium sized businesses, especially in circumstances of an economic downturn. The Business Tax Working Group, which was made up of business groups, myself, academics and tax professionals, had a fair bit of difficulty agreeing on a lot of things but we did manage to agree on this as an important reform. It was a good thing the former government took it up. It is good for [small and medium enterprises] and it should be retained for the future.⁴⁰

37 Mr Simon Bennison, Chief Executive Officer, Association of Mining and Exploration Companies, *Proof Committee Hansard*, p. 26.

38 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, p. 20.

39 Dr John Kunkel, Deputy Chief Executive Officer, Minerals Council of Australia, *Proof Committee Hansard*, p. 20.

40 Mr Tim Lyons, Assistant Secretary, Australian Council of Trade Unions, *Proof Committee Hansard*, p. 4.

2.51 The ACTU concluded that the repeal of the loss carry-back regime would mean that more businesses would fail over the economic cycle, and this would in turn impact on employment.⁴¹

2.52 The CFMEU, meanwhile, expressed disappointment at the proposed repeal of the loss carry-back regime, which it suggested could 'help a firm survive a tough year or two'.⁴²

2.53 The Ai Group indicated that it did not support the repeal of the loss carry-back regime, which it regarded as a useful (if limited) step towards addressing the asymmetrical treatment of tax losses in Australia.⁴³

2.54 Expanding on this point, the Ai Group told the committee:

There are two benefits for the loss carryback. At present, a company in a loss-making year does not pay tax, nor is it entitled to a tax refund, even though when it makes a profit it pays a tax in the year that it makes the profit. It is entitled to claim that loss later on—when it next makes a profit it can claim that loss back against that profit in a subsequent year. However, waiting for that is recognised as a cost on business, across the globe. Most countries have loss carryback or other provisions that deal with this asymmetrical treatment of losses. Businesses making a loss need cash now. Rather than having a contingent asset on their books, if you like—that is, an ability to claim money when they are making money—loss carryback would be much better for them and for their businesses, and would reduce the business closure and so on that results when businesses go through this cash flow crisis in a year they make a loss. Symmetrical treatment of tax losses would alleviate that quite considerably. The present law gives them access on a limited basis to some of the tax they paid in the previous year, in the year they make a loss. This provides a very important boost to their cash flow at a time when they need it most and at a time when it is going to be most critical in ensuring the survival of that business.⁴⁴

Schedules 3 and 4: Capital allowances for small business entities

2.55 The Real Estate Institute of Australia suggested that the proposed changes to small business capital allowances, along with the changes to the loss carry-back regime, would:

...have a major detrimental impact on real estate agencies, their employees and, in general, all small businesses. For real estate agencies cars are a

41 Mr Tim Lyons, Assistant Secretary, Australian Council of Trade Unions, *Proof Committee Hansard*, p. 4.

42 Construction, Forestry, Mining and Energy Union, *Submission 3*, p. 6.

43 Ai Group, *Submission 22*, p. 2

44 Dr Peter Burn, Director, Public Policy, Australian Industry Group, *Proof Committee Hansard*, p. 10.

major part of conducting business and the asset base. The proposed repeal of the accelerated depreciation provisions will see a reduction in cash flow and a reduced turnover in motor vehicles with the consequent impacts on the local vehicle industry. The consequences on the turnover of computers and other office equipment will be similar.⁴⁵

2.56 Ai Group argued that the question regarding the measures was not whether deductions could be claimed or not, but when they could be deducted. As such, the issue was essentially one of timing, and the 'revenue estimates presented across the forward estimates grossly overstate the net present value of these measures to the Commonwealth.'⁴⁶

2.57 Ai Group outlined the benefits of the higher instant asset write-off threshold in its appearance before the committee:

It increases cash flow so that, instead of waiting over the life of the asset to recover its nominal value as a tax deduction, with a \$6,500 threshold you can claim a very large proportion of it in the year that it is made. So this boosts cash flow. It changes quite drastically the net present value calculations of any particular investment because it boosts their cash flow. Of course it reduces cash flow in subsequent years, because it is, after all, only a bring-forward of the depreciation deductions.

The second element—and in some ways more important, particularly for the small businesses to which it applies—is that the recordkeeping is very much reduced. Everyone who has been a small business person knows what a hassle it is to trace, over the life of an asset, the deductions that have been made in previous years and the statutory accelerated depreciation rates and to make small deductions over a number of years. Making a single big deduction in the year that it is purchased is simple. It relieves business of all the paperwork, it reduces the costs they have to pay to their accountants and it gives them more time in their businesses—less money to the accountants and more money for reinvestment.⁴⁷

2.58 Ai Group conceded that consideration of the capital allowances for small business could be considered as a part of the government's tax review, but maintained that:

...right now the Australian economy faces a large gap in investment, particularly outside the mining sector. This is an issue that the Reserve Bank, for example, has been raising. It is an issue that the Commonwealth Treasury has been raising. The proposal to remove the instant write-off facility for small business will have a material impact on them and will decrease investment at the time it is needed most. Waiting for the tax

45 Real Estate Institute of Australia, *Submission 4*, p. 2.

46 Dr Peter Burn, Director, Public Policy, Australian Industry Group, *Proof Committee Hansard*, p. 9.

47 Dr Peter Burn, Director, Public Policy, Australian Industry Group, *Proof Committee Hansard*, p. 12.

review in these cases is poor timing. We need this investment now because mining investment is coming off and there is no adequate pick-up in investment across the board. It is in fact a timing measure and the timing need is right now.⁴⁸

2.59 However, while opposed to the reduction in the threshold available under the small business asset write-off regime, the Ai Group supported the repeal of the accelerated depreciation arrangements for motor vehicles used by small business. It argued that these arrangements distort 'small business's investment decisions in favour of expenditure on motor vehicles relate to expenditure on other, and in many cases, more productive assets.'⁴⁹

Schedule 5: Geothermal expenditure deduction

2.60 The Australia Institute argued against the repeal of the geothermal expenditure deduction, on the basis that if the repeal proceeded 'geothermal exploration will not have the same incentives as any ordinary explorer looking for fossil fuels will get.' It added that, given the potential of geothermal as a renewable energy source, 'if anything the playing field should be tilted in [its] favour'.⁵⁰

2.61 The Ai Group, however, suggested that geothermal exploration deduction would be best considered in the context of the government's general tax review.⁵¹

Schedule 6: Rephasing the Superannuation Guarantee Charge percentage

2.62 While most of the superannuation groups the committee heard from opposed the rephasing of the increase in the SG rate, a number also expressed support for the government's commitment to increase the rate to 12 per cent (albeit on a delayed schedule).

2.63 The ACCI and Ai Group, by contrast, supported the pause in the SG rate increase, and more broadly made the case against the eventual increase in the rate to 12 per cent.

2.64 The ACTU expressed its opposition to the rephasing, suggesting that it was 'a long awaited measure which had already been factored into wage and salary negotiations.'⁵²

48 Dr Peter Burn, Director, Public Policy, Australian Industry Group, *Proof Committee Hansard*, p. 10.

49 Ai Group, *Submission 22*, p. 3.

50 The Australia Institute, *Submission 15*, p. 15.

51 Ai Group, *Submission 22*, p. 3.

52 Mr Tim Lyons, Assistant Secretary, Australian Council of Trade Unions, *Proof Committee Hansard*, p. 4.

2.65 The Financial Planning Association of Australia (FPA) opposed the rephrasing, underlining the need to boost the currently inadequate levels of Australian retirement savings. The FPA added that given the importance of the increase in the SG rate, it should not be tied to the MRRT.⁵³ Similar arguments were made by Industry Super Australia (ISA).⁵⁴

2.66 The Association of Superannuation Funds of Australia (ASFA) argued that the increase in the SG rate 'unequivocally will assist future retirement incomes while having only a relative minor impact on take home pay.'⁵⁵

2.67 Mercer suggested that, in addition to reducing retirement incomes of future retirees and increasing pressure on the future cost of funding the Age Pension, the delay in the SG rate increase could 'result in practical difficulties for employers.' Specifically, Mercer noted that many employers would have already modified their payroll systems to allow for the increase in the SG rate from 1 July 2014, and have budgeted for the increase in remuneration. Mercer argued that employers should be allowed to know the SG rate at least 12 months before the start of the financial year:

In other words, if the SG charge percentage is to be paused at 9.25 percent for two years commencing 1 July 2014, then this should have been enshrined in legislation no later than 30 June 2013. Obviously this is not possible however employers still need to be given a reasonable period of notice. As an absolute minimum, we consider employers need at least a period of three months between the passage of any legislation through both Houses of Parliament and the effective date of the pause. Hence, if the legislation is not passed by 31 March 2014, the pause should be deferred until 1 July 2015 with a 9.5% rate applicable from 1 July 2014 to 30 June 2017. Whilst this might alleviate some of the administrative issues for employers, it may not be enough to remove the potential for industrial action by employees/unions seeking compensation through additional salary remuneration

2.68 Mercer also suggested that the changes could 'potentially result in industrial action by employees who consider they have been disadvantaged by accepting lower salary increases determined after taking the already legislated SG increases into account.'⁵⁶

2.69 While acknowledging the government's election commitment to rephrase the increase in the SG rate, and welcoming the government's commitment to increase the rate to 12 per cent, the FSC nonetheless expressed its view that the 'proposed delay

53 Financial Planning Association of Australia, *Submission 6*, pp. 2–4.

54 Industry Super Australia, *Submission 19*, p. 1.

55 ASFA, *Submission 11*, p. 2.

56 Mercer, *Submission 8*, pp. 2–3.

undermines the policy rationale underpinning increasing the SGC to 12 per cent to minimise the expected cost of the aging population to the government.⁵⁷

2.70 AIST, meanwhile, reluctantly accepted the need to delay the increase in the SG rate, and indicated that it was 'encouraged that this increase is to eventually proceed'.⁵⁸

2.71 The ACCI indicated that it supported the pause in the increase in the SG rate, and more broadly opposed the proposed increase to 12 per cent. It argued that, once fully implemented, the measure would increase costs for business by at least \$20 billion in today's dollars. According to the ACCI, this would represent 'a significant new cost burden for industry for which no offset has been provided in our industrial relations frameworks'.⁵⁹ The ACCI also suggested the former government had implied that taxpayers would fund the phased increase in the SG rate, when in reality it is Australian businesses that are required to pay the additional superannuation liability associated with the increase. The ACCI explained:

A budget impact from the increase in the [Superannuation Guarantee Levy] only arises because superannuation contributions are taxed at a lower rate relative to income and higher levy would lead to a higher level of superannuation contributions and lower level of income over the forward estimates period.⁶⁰

2.72 The ACCI stressed the need for the Bill to be enacted prior to 1 July 2014, given the timing of the next phased increase in the SG rate.⁶¹

2.73 While Ai Group acknowledged the inadequacy of retirement incomes for many people, it indicated that it did not support the phased increase in the SG rate, and supported the proposed pause. In its submission, Ai Group wrote that it:

...favours a more considered approach to examining the case for improving the adequacy of superannuation arrangements and the alternative means of doing so. This should be considered in the context of the government's review of taxation.⁶²

Schedule 7: Repeal of the low income superannuation contribution

2.74 Superannuation groups that provided evidence to the committee were broadly united in opposing the repeal of the LISC. These groups were particularly concerned that the repeal of the LISC would remove any concession low-income earners

57 Financial Services Council, *Submission 9*, p. 4.

58 Australian Institute of Superannuation Trustees, *Submission 12*, p. 1.

59 Australian Chamber of Commerce and Industry, *Submission 18*, p. 1.

60 Australian Chamber of Commerce and Industry, *Submission 18*, p. 1.

61 Australian Chamber of Commerce and Industry, *Submission 18*, p. 2.

62 Ai Group, *Submission 22*, pp. 3–4.

received on their superannuation contributions, as the 15 per cent flat rate on superannuation contributions was higher than the rate they paid on their take-home income.

2.75 ISA argued in its submission that the LISC is:

...integral to the compact whereby the Government offers compensation to individuals, by way of tax concession, for their deferral of consumption cause by the SG. Arguable the deferral of consumption for low income earners is felt most acutely due to their budget constraints – making the LISC a particularly important measure in the system.⁶³

2.76 The FPA expressed concern that 'repealing the Low Income Superannuation Contribution will disproportionately affect already disadvantaged members of Australian society, and dissuade low income earners from engaging with their superannuation.'⁶⁴

2.77 The FPA added that the repeal of the LISC would:

...disincentivise low income earners from engaging with their superannuation, and effectively return Australia to a flat tax on superannuation contributions. As such, the LISC represents a significant structural change to superannuation in Australia, and repealing it will negatively impact on Australian society and the Federal budget in the long term.⁶⁵

2.78 Mercer also suggested that the repeal of the LISC would remove a measure that addressed the 'inequity whereby low income earners effectively receive very limited or no income tax concessions on their SG contributions,' and where, 'in fact, in many cases, superannuation contributions are taxed more heavily than normal income.'⁶⁶

2.79 ACOSS suggested that the LISC was the minimum needed to ensure some equity in the way the superannuation contributions of low income earners were taxed:

In a fairer superannuation system they would actually receive a positive incentive for their compulsory saving rather than what is, in effect, a zero incentive. This is the case with the contribution in place, but at least they are not been penalised 15c in the dollar. We believe that in the end, those super contributions are coming out of wages, so it is not worthwhile for people on the lowest incomes to be compelled to save if they have that

63 Industry Super Australia, *Submission 19*, p. 3.

64 Financial Planning Association of Australia, *Submission 6*, p. 1.

65 Financial Planning Association of Australia, *Submission 6*, pp. 1–2.

66 Mercer, *Submission 8*, p. 3.

penalty of 15c in the dollar for doing so. It is not fair to compel people to save and then penalise them in that way.⁶⁷

2.80 ACOSS told the committee that the LISC was:

...a small step towards a fairer super system. The present system penalises those on the lowest incomes, the majority of whom are women, for saving and gives those on high incomes twice the subsidy paid to middle-income earners. So the tax system for super contributions is upside-down. Ideally, the Henry report reforms would be implemented whereby the flat 15 per cent tax on employer contributions is replaced by taxation at marginal rates offset by a rebate. Still, the contribution is a good start. It means the tax break for people earning less than \$37,000 a year is increased from minus 15 per cent to zero. That is not fantastic, but it is a good start, and we think it should be retained.⁶⁸

2.81 ACOSS contrasted the level of concession given to low income earners for their superannuation contributions with the substantial discount received by income earners on the highest tax rates:

The low-income earner is, without the contribution, losing 15 per cent. The tax break for those on over \$180,000 a year is 33c in the dollar or so. The tax break per dollar contributed for the bottom end without this measure is minus 15c, with this measure zero. So the system is still skewed to the top end, it is still inequitable. Apart from the extra 15 per cent tax for a very small proportion of people earning over \$300,000, which we believe should be kept, the system is massively skewed towards higher income earners who are unlikely to rely on the age pension in any event. They are likely to save without the incentive in any event. There is really no good reason in public policy to offer that level of subsidy to those people, and certainly no good public policy reason to penalise those at the bottom end for compulsory saving.⁶⁹

2.82 The ACTU picked up on this point, arguing that the repeal of the LISC would, in effect:

...leave those earning less than \$37,000 per year as the only Australian wage and salary earners who do not receive a concessional treatment of their superannuation contributions. Everybody else in the economy except these low income workers would receive some measure of tax break, and as

67 Mr Peter Davidson, Senior Advisor, Australian Council of Social Service, *Proof Committee Hansard*, p. 5.

68 Mr Peter Davidson, Senior Advisor, Australian Council of Social Service, *Proof Committee Hansard*, p. 2.

69 Mr Peter Davidson, Senior Advisor, Australian Council of Social Service, *Proof Committee Hansard*, p. 5.

Mr Davidson has pointed out, at the top end there are very significant concessions.⁷⁰

2.83 The ACTU also pointed to Treasury analysis that showed how in 2009–10 the top decile of income earners received 38.2 per cent of all superannuation tax concessions, which was more than the share of the bottom 70 per cent of income earners combined. It described this situation as 'grossly inequitable.'⁷¹

2.84 Similarly, the ACTU argued the repeal of the LISC would:

...restore the position where large numbers of low-income Australians pay more tax on their superannuation than they pay on their take-home pay. That is an absurd proposition for money which is compulsory and preserved and in contrast to the enormous tax concessions given to high-income earners.⁷²

2.85 In its submission, the Financial Services Council (FSC) wrote that it was 'a long-standing flaw in the superannuation system that low-income earners would pay a higher rate of tax on their compulsory contributions than they would if that money was paid to them as income.'⁷³ The FSC recommended that rather of repealing the LISC, the government 'instead "pause" the policy by amending the date from which fund members can accrue an entitlement to a LISC payment to 1 July 2017 to allow the Budget position to first strengthen.'⁷⁴

2.86 A number of witnesses, including Women in Super, the ACTU, FPA, FSC and ISA, expressed particular concern about the impact the abolition of the LISC would have on women, who constituted 2.1 million of the LISC's 3.6 million recipients.⁷⁵ As ISA explained to the committee:

As others identified and as we identified in our submission, about two-thirds of those affected are women. We think that the LISC has been the single most important policy setting in the super system which helps to address the inequity in savings gap whereby women are currently retiring

70 Mr Tim Lyons, Assistant Secretary, Australian Council of Trade Unions, *Proof Committee Hansard*, p. 5.

71 Mr Matt Cowgill, Economic Policy Officer, Australian Council of Trade Unions, *Proof Committee Hansard*, p. 5.

72 Mr Tim Lyons, Assistant Secretary, Australian Council of Trade Unions, *Proof Committee Hansard*, p. 4.

73 Financial Services Council, *Submission 9*, p. 2.

74 Financial Services Council, *Submission 9*, p. 2.

75 Mr Tim Lyons, Assistant Secretary, Australian Council of Trade Unions, *Proof Committee Hansard*, p. 4;

with about 40 per cent less than men, which is significant given that their longevity is greater.⁷⁶

2.87 ISA added that many of these women eligible for the LISC were, in fact, second-income earners in family households.⁷⁷

2.88 ISA also suggested that the full benefits of the government's proposed Paid Parental Leave scheme, wherein women would receive superannuation payments while on paid maternity leave, would:

...only be realised if the low-income super contribution remains in place alongside it. If there are to be any changes to the paid parental leave scheme, as it progresses through the parliament, then any savings could be directed to retaining the LISC. In relation to that, I would draw attention to our submission, where we have made the point that under the paid parental scheme our analysis in the submission, which is at Table E, shows that there will be very significant offsets between the paid parental leave scheme and the low-income super contribution, such that the repeal of the LISC will wipe out the very worthy benefits of the proposed PPL scheme by a factor of two-thirds, and, in some instances, almost twice over.⁷⁸

2.89 Women in Super argued that the LISC, along with the phased increase in the SG rate, would help address the gender gap in superannuation savings:

We see the increase in the superannuation guarantee from nine to 12 per cent and the low-income superannuation contribution as crucial policies to deliver adequacy in retirement and to take the pressure off future taxpayers. These measures are doubly important for women who currently have such a marked superannuation savings gap. The LISC is not simply a mechanism to increase superannuation savings; it is fundamental to the equity of the taxation treatment of compulsory superannuation savings.⁷⁹

2.90 The AIST also told the committee that the LISC supported workforce participation, particularly in terms of individuals in part-time work and low-income earners.⁸⁰

76 Ms Robbie Campo, Deputy Chief Executive, Industry Super Australia, *Proof Committee Hansard*, p. 14.

77 Ms Robbie Campo, Deputy Chief Executive, Industry Super Australia, *Proof Committee Hansard*, p. 14.

78 Mr Matthew Linden, Director, Government Relations, Industry Super Australia, *Proof Committee Hansard*, pp. 16–17.

79 Ms Catherine Wood, National Chair and Spokesperson, Women in Super, *Proof Committee Hansard*, pp. 15–16.

80 Mr David Haynes, Executive Manager, Policy and Research, Australian Institute of Superannuation Trustees, *Proof Committee Hansard*, p. 15.

2.91 In addition to emphasising the disproportionate impact of the repeal of the LISC on women, ISA also suggested it would have a disproportionate impact of Australians in rural and regional areas.⁸¹

2.92 ASFA acknowledged the budgetary constraints facing the government, and indicated it was:

...very willing to have a discussion with Treasury and the government about ways in which the low-income superannuation contribution may be funded. Certainly we say that its permanent abolition is not justified. Already superannuation has done some very heavy lifting in terms of budget measures. The amount of additional revenue taken out of super over the last few budgets has been very considerable, and the super co-contribution, when it was last phased back on a permanent basis was put in the context that that was an acceptable measure given that the low-income superannuation contribution was being introduced.⁸²

2.93 Similarly, ISA indicated that it was:

...would be only too happy to work with the committee, the Senate and the government in trying to find alternatives to this. It is about choices. We think it would be a bad choice to remove this integral part of the system. We have put forward potential alternative savings which would enable the LISC to continue without detracting from the government's budget objectives.⁸³

2.94 In contrast to the arguments from the superannuation industry, Ai Group suggested that the LISC was a 'patchwork' solution to addressing the problem of low income earners paying higher tax on their superannuation contributions that if they were to take the contributions as wages:

Ai Group supports a more substantial response to this policy issue which should also be considered in the context of the Government's tax review.⁸⁴

2.95 Treasury also reiterated that the government had committed to revisiting concessions for lower income earners when 'the budget returns to a strong surplus,' and stated that 'there is an acknowledgement that further work needs to be done when there is capacity.'⁸⁵

81 Mr Matthew Linden, Director, Government Relations, Industry Super Australia, *Proof Committee Hansard*, p. 19.

82 Mr Ross Clare, Director, Research, Association of Superannuation Funds of Australia, *Proof Committee Hansard*, p. 15.

83 Mr Matthew Linden, Director, Government Relations, Industry Super Australia, *Proof Committee Hansard*, p. 19.

84 Ai Group, *Submission 22*, p. 4.

85 Ms Ruth Gabbitas, Manager Contributions and Accumulations Units, Treasury, *Proof Committee Hansard*, p. 37.

Concerns regarding the retrospective application of the LISC repeal

2.96 A number of witnesses, including Mercer, FSC and ISA, expressed concern about the apparent retrospective application of the repeal of the LISC.⁸⁶ As Mercer explained in its submission:

Removing the LISC for contributions made from 1 July 2013 is effectively an adverse retrospective amendment to existing legislation. Part of the LISC for the 2013–14 year has already 'accrued' in respect of contributions already made in the period from 1 July 2013.

Making retrospective amendments is not appropriate policy and will further diminish confidence in the system.⁸⁷

2.97 With respect to concerns expressed about the 'retrospective' application of the LISC, Treasury told the committee:

The term 'retrospectivity' is bandied around in a number of ways. At a very strict reading one could argue that anything that takes effect before the particular piece of legislation receives royal assent could be considered to be retrospective. There are other arguments saying that anything that takes effect before the date of announcement could be considered retrospective. I must say, in the tax world that is probably more the working definition of 'retrospective', even though the legal purists would argue that it falls short and you should still go to royal assent. But if we take the working definition for tax—that is, it retrospectively takes effect an income year before the date of announcement, and I think in this case the announcement that the low-income super contribution would be repealed along with the repeal of the MRRT—that I guess has been a proposition that has been in place for quite a period of time. So from that point of view one can mount the argument that it is certainly not retrospective.⁸⁸

Schedules 8 and 9: Repeal of income support bonus and schoolkids bonus

2.98 Welfare groups and unions argued that the repeal of the income support bonus (schedule 8) and the schoolkids bonus (schedule 9) would hurt welfare recipients and low and middle income families. Other witnesses, however, acknowledged that the poor state of the budget and the failure of the MRRT to raise any significant revenue made these measures difficult to afford.

2.99 ACOSS told the committee that the income support bonus, which was worth about \$4 per week to recipients, was in effect the first increase to the Newstart Allowance and other allowance payments in two decades. As such, according to

86 Mercer, *Submission 8*; Financial Services Council, *Submission 9*, p. 3; Mr Matthew Linden, Director, Government Relations, Industry Super Australia, *Proof Committee Hansard*, p. 18.

87 Mercer, *Submission 8*, p. 3.

88 Mr Robert Heferen, Executive Director Revenue Group, Treasury, *Proof Committee Hansard*, p. 41.

ACOSS, its abolition would have a 'very detrimental effect' on the poorest households in Australia.⁸⁹

2.100 With respect to the schoolkids bonus, ACOSS told the committee that while it believed the bonus needed to be better targeted to families most in need, it nonetheless opposed the abolition of the payment without it being replaced by an alternative support.⁹⁰

2.101 ACOSS added that:

...the link between the schoolkids bonus and the mining tax we believe is more tenuous than some of the other measures being considered today. In terms of the background of the schoolkids bonus, it replaced the education tax refund payment, which cost approximately two-thirds of the cost of the schoolkids bonus. The mining tax, theoretically, only paid for a third of the cost of the schoolkids bonus not the full amount. Should the abolition of the mining tax proceed that should not be used to justify the abolition of 100 per cent of the schoolkids bonus payment.⁹¹

2.102 The SDA argued for the retention of the income support bonus and the schoolkids bonus, emphasizing the importance of such payments for low income families. It suggested that 'should the government proceed with the repeal of the Income support bonus and/or the Schoolkids bonus then the government should commit to returning the money low income Australian families will lose to them in the form of real increases in family payments.'⁹²

2.103 The committee also received submissions from Ms Georgina Cross and the Welfare Rights Network Australia which argued in favour of retaining these support payments.⁹³

2.104 As noted earlier in this chapter, ACOSS told the committee that the future of support payments such as the income support bonus and schoolkids bonus should not be linked to the MRRT. ACOSS further noted that it has identified other potential savings measures that could be used to fund the payments:

Although we believe these measures are linked in time, we believe that they otherwise have no necessary connection with each other and we oppose the passage of the bill. While we support firm action to restore the budget to structural balance, we believe each measure should be considered

89 Ms Jacqui Phillips, Director of Policy and Campaigns, Australian Council of Social Service, *Proof Committee Hansard*, pp. 1–2.

90 Ms Jacqui Phillips, Director of Policy and Campaigns, Australian Council of Social Service, *Proof Committee Hansard*, p. 2.

91 Ms Jacqui Phillips, Director of Policy and Campaigns, Australian Council of Social Service, *Proof Committee Hansard*, p. 2.

92 Shop, Distributive and Allied Employees' Association, *Submission 5*, p. 2.

93 Ms Georgina Cross, *Submission 20*; National Welfare Rights Network, *Submission 24*.

separately on its merits. Our commission of audit submission details a range of direct and tax expenditure savings and revenue measures, which we believe could achieve savings more efficiently and fairly than this bill would.⁹⁴

2.105 Other witnesses, however, acknowledged that the pressure on the budget, and the failure of the MRRT to raise significant revenue, made such decisions unavoidable. For instance, the Ai Group indicated that it supported the repeal of the low income support bonus and Schoolkids Bonus, as these payments 'amount to a redistribution of \$5.7 billion over the forward estimates from an anticipated revenue source that has not materialised.'⁹⁵

2.106 In response to questions from the committee, Treasury indicated that if the Bill did not pass by 31 December 2013, then the savings from the schoolkids bonus element of the package would be reduced by \$727.9 million in underlying cash terms. Treasury also indicated this would have a public debt interest cost over the forward estimates.

2.107 During the hearing, Treasury confirmed that the Minister for Finance, Senator the Hon Penny Wong, had indicated that the mining tax would be used to fund the schoolkids bonus.⁹⁶

Committee view

2.108 The committee views the Bill as an appropriate and necessary response to the difficult budgetary situation confronting the government.

2.109 Prior to this inquiry, it had already been well established that the Minerals Resource Rent Tax is a poorly designed tax, that imposes a significant compliance and administrative burden on mining companies and damages Australia's competitiveness. During the inquiry, the committee received clear and compelling evidence from industry participants and peak bodies that the tax continues to have a detrimental impact on the Australian resources sector and the Australian economy more broadly.

2.110 Similarly, the failure of the Minerals Resource Rent Tax to raise any significant revenue, and in particular its failure to raise the levels of revenue projected by the former government, was already well known prior to this inquiry. This failure underlines the need to repeal or revise measures that the tax was intended to fund.

2.111 The committee acknowledges that some of the MRRT-related expenditure measures that are repealed or revised by the Bill are worthy in nature. However, these

94 Ms Jacqui Phillips, Director of Policy and Campaigns, Australian Council of Social Service, *Proof Committee Hansard*, p. 1.

95 Ai Group, *Submission 22*, p. 4.

96 Mr Robert Heferen, Executive Director Revenue Group, Treasury, *Proof Committee Hansard*, p. 38.

measures have been linked to revenue that has not materialised, and the committee believes it would be fiscally irresponsible to leave unfunded measures in place in the budget. The committee also notes that while the repeal of certain measures linked to the MRRT may be difficult and unpopular in some quarters, the government made it clear prior to the 2013 Federal Election that it was committed to repealing the MRRT and, with it, repealing or revising MRRT-related measures.

2.112 At the same time, the committee would encourage the government to revisit certain measures repealed or revised in the Bill, including the incentives in superannuation for low income earners, once the Budget is back in surplus. The committee also suggests that the government might consider this matter as part of its tax review.

2.113 The committee acknowledges the concerns of some superannuation groups regarding what they characterise as the retrospective application of the repeal of the Low Income Superannuation Contribution (LISC). However, the committee notes and agrees with Treasury's argument that as the repeal does not apply to income years prior to the year in which it was announced, it cannot be regarded as 'retrospective' in the way that term is broadly used in relation to taxation policy. The committee further notes that taxpayers eligible for the LISC are unlikely to have arranged their finances in anticipation of receiving the LISC, and could not be said to have been unfairly penalised as a result of the application of the changes from 1 July 2013.

Recommendations

Recommendation 1

2.114 The committee recommends that the government revisit certain measures in the Bill, in particular incentives in superannuation for low income earners and taxation issues affecting small business, once the Budget returns to strong surplus.

Recommendation 2

2.115 The committee recommends that the government consider revisiting the question of incentives in superannuation for low income earners as part of its tax review.

Recommendation 3

2.116 The committee recommends that the Bill be passed.

**Senator David Bushby
Chair**

Labor Members Dissenting Report

Inquiry into the Minerals Resource Rent Tax Repeal and other Measures Bill 2013

Executive Summary

1.1 This legislation confirms that the government is committed to introducing a retrospective tax grab on millions of Australia's low paid workers to give a tax refund to large mining companies. For example, the government is seeking to:

- remove a modest income support bonus from eligible social security recipients—it was introduced 'in recognition of the fact that the current rates of income support allowance payments are 'manifestly inadequate';
- cut both the superannuation of millions of Australians earning up to \$37,000 while boosting the superannuation for 16,000 people who have over \$2 million in super balances;
- repeal the Low Income Superannuation Contribution—it will hit women particularly hard, **with 2.1 million women affected**; and
- repeal measures that would provide much needed assistance for small business at a time when the Australian economy is fragile.

1.2 Labor senators have a fundamental view that Australians deserve to share in the benefits of the minerals we all own—the MRRT is a profit-based tax, so when profits are high, revenue is up. When profits are lower (that is, during the construction phase of the boom), of course revenue will be lower—that is how the tax works. The MRRT was not put in place for the next six months, it was put in place for the next generation. The Petroleum Resource Rent Tax (PRRT) which is a very similar tax covering petroleum and gas barely received any revenue in the first few years it was in operation.

1.3 While repealing the MRRT might reduce the tax burden on some iron ore and coal miners, the consequent repeal of, or changes to, other measures would have a detrimental effect on some of Australia's poorest workers and on small businesses operating in a difficult economic environment. Labor members can see no justification for shifting the burden from the mining industry to those least able to bear it or allowing high-income earners to enjoy benefits at the expense of those in greater need. Clearly, the legislation is inequitable, short-sighted and ill-conceived.

1.4 Labor members of the committee recommend that the bill not proceed.

Dissenting Report by Labor Members

The Minerals Resource Rent Tax Repeal and Other Measures Bill 2013

1.1 The Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 (the bill) proposes to remove the Minerals Resource Rent Tax (MRRT) with effect from 1 July 2014. It also discontinues or amends other measures. In this dissenting report, Labor senators first examine the importance of the other measures linked to the repeal of the MRRT before considering the merits of the proposed legislation as a whole. The measures associated with the repeal of the MRRT are divided into the three main groups affected by the proposals—low-income earners, those receiving superannuation concessions or benefits and small business.

Labor's support for the MRRT

1.2 Before Labor senators outline their analysis of the provisions of the bill, they present a summary of their findings.

1.3 This legislation confirms that the government is committed to introducing a retrospective tax grab on millions of Australia's low paid workers, to give a tax refund to large mining companies.

1.4 Labor senators have a fundamental view that Australians deserve to share in the benefits of minerals we all own—ie the MRRT is a profit-based tax, so when profits are high, revenue is up.

1.5 When it is lower (ie during the construction phase of the boom), of course revenue will be lower—that's how the tax works.

1.6 The MRRT was not put in place for the next six months, it was put in place for the next generation. The Petroleum Resource Rent Tax (PRRT) which is a very similar tax covering petroleum and gas barely received any revenue in the first few years it was in operation.

1.7 Labor senators note that the government is being contradictory in its opposition to the tax. On one hand it has argued that the MRRT is not working because it is not making revenue at the same time as saying it is an unfair cost burden dragging down the mining sector.

1.8 The Labor members of the committee now consider the measures that affect each group and the merits of the proposed changes.

Low income earners

1.9 A number of submissions expressed their opposition to the abolition of measures in the bill that directly benefit low income earners.¹ In their view, this move would be 'very detrimental' to the poorest in Australia. The measures include:

- the Income Support Bonus; and
- the Schoolkids Bonus.

Income Support Bonus

1.10 The bill would abolish the Income Support Bonus, a tax-free payment which came into effect earlier this year to help people prepare for unexpected living costs such as medical expenses or car repairs.

1.11 If the proposed abolition is successful, over 50s on the Newstart Allowance will lose the payment.

1.12 The income support bonus is an income tax exempt, indexed, non-means tested payment made twice every year to eligible social security recipients.² It was introduced in early 2013 'in recognition of the fact that the current rates of income support Allowance payments are manifestly inadequate'.³ The bonus provides \$210 a year to single recipients and \$350 a year to most couples where both partners are eligible. The bonus is paid in instalments in March and September each year.⁴ The total cost of the bonus is \$300 million per year.⁵

1.13 The bonus is paid to 1.1 million low income Australians, primarily to people receiving Newstart or Youth Allowance.⁶ Currently, the maximum single rate of Newstart Allowance is \$248 per week. Unemployed young people living independently of their parents receive a weekly payment of \$204. Organisations such as the Australian Council of Social Service (ACOSS) and the National Welfare Rights Network highlighted the inadequacy of the allowances. ACOSS noted that this support:

...is not enough to meet the most basic essential costs such as housing, food, clothing and transport costs to search for a job. Research into financial hardship indicates that unemployed people and sole parents face a much higher risk of hardship than most other groups in the community.⁷

1 See for example, Shop, Distributive & Allied Employees' Association, *Submission 5*; ACTU, *Submission 7*; Ms Georgina Cross, *Submission 20*; Australian Council of Social Service, *Submission 21*; *Committee Hansard*, 27 November 2013, p. 1; and National Welfare Rights Network, *Submission 24*.

2 Explanatory Memorandum, paragraph 2.7.

3 National Welfare Rights Network, *Submission 24*, p. 1.

4 National Welfare Rights Network, *Submission 24*, p. 1.

5 See National Welfare Rights Network, *Submission 24*, p. 1.

6 National Welfare Rights Network, *Submission 24*, p. 1.

7 Australian Council of Social Service, *Submission 21*, p. 2.

1.14 As an example, ACOSS recorded that 57 per cent of Parenting Payment recipients and 28 per cent of Newstart Allowance recipients could not afford to pay utility bills on time compared with 12 per cent of all Australians. Over 40 per cent of both groups could not afford dental treatment when needed.⁸ Clearly, the loss of the income support bonus would only add to the difficulties facing low-income people who simply cannot afford to lose that support.⁹

Schoolkids bonus

1.15 Labor members are concerned that this legislation to repeal the Schoolkids bonus will hit families early next year, right when they start to turn their attention to buying clothing and text books, etc. for school age children, by cutting the Schoolkids bonus. This legislation removes payments of \$410 per primary school student and \$820 per high school student from 1.3 million Australian families starting from January next year through the abolition of the Schoolkids Bonus.

1.16 Labor senators contend that this is a payment not in any way linked to the MRRT despite the government's rhetoric. As outlined below, the origins of the bonus are in the Education Tax Refund. This bill increases the cost of living pressure on families with school aged children at a time when they can least afford it.

1.17 These are views shared by a number of submitters to the inquiry.

1.18 ACOSS informed the committee that one in six children (575,000) in Australia are currently living in poverty.¹⁰

1.19 The former government introduced the Schoolkids Bonus in 2011, which, as noted above, provides \$410 per year for each child in primary school and \$820 for a secondary school student. The bonus is an income tax exempt, indexed family assistance payment available to eligible families receiving Family Tax Benefit Part A and young people in school receiving youth allowance or veterans' payments. It replaced an annual Education Tax Refund, which was established to assist parents cover school costs and equated to about two-thirds of the cost of the Schoolkids bonus.¹¹ According to ACOSS, the MRRT was intended to cover the difference between the two costs and not the totality.¹² In this regard, ACOSS argued that the mining tax theoretically paid for only a third of the cost of the schoolkids bonus and hence the link between the schoolkids bonus and mining tax is tenuous:

While the Government has justified the proposed abolition of the Schoolkids Bonus on the basis of the link to the MRRT, this would only justify a reduction in funding of the difference between the payments.¹³

8 Australian Council of Social Service, *Submission 2*, pp. 2–3.

9 See for example, Shop, Distributive & Allied Employees' Association, *Submission 5*, p. 1.

10 Australian Council of Social Service, *Submission 21*, p. 3.

11 Australian Council of Social Service, *Submission 21*, p. 3.

12 Australian Council of Social Service, *Submission 21*, p. 3.

13 Australian Council of Social Service, *Submission 21*, p. 3 and *Committee Hansard*, 27 November 2013, p. 2.

1.20 It should be noted that Treasury would not provide the committee with a definitive answer on whether the Schoolkids bonus was only partially funded by the MRRT.¹⁴

1.21 While the National Welfare Rights Network accepted that this bonus could be criticised because it is not 'targeted as tightly as it could be', it argued that to abolish this bonus in its entirety would remove much needed support from low income families, in particular many single parent families.¹⁵

1.22 The Shop, Distributive & Allied Employees' Association observed that it was in Australia's long-term interests 'to provide adequate levels of support, including economic support to Australian families' so that all families could function effectively.¹⁶ It stated:

Should the government proceed with the repeal of the Income support bonus and/or the Schoolkids bonus then the government should commit to returning the money low income families will lose to them in the form of real increases in family payments.¹⁷

1.23 ACOSS opposed the abolition of the payment without some alternative means of providing assistance that would be better and more effectively targeted.¹⁸

Merits of proposed changes

1.24 In summary, ACOSS argued that both the allowance bonus and schoolkids bonus should be judged on their merits and not their past link to a particular tax: that the payments should be retained and the schoolkids bonus made more efficient rather than 'completely scotched'.¹⁹ It stated that the social expenditure measures in the bill have 'compelling social objectives behind them and there are pressing needs to be met in those areas'. In its view, 'the simplistic linking of this tax measure with these spending measures is hugely problematic' and the abolition of those payments would cause great damage in the short term. It argued that the proposed legislation was not the 'forum in which to do away with a range of measures that were making some, however small, progress towards greater equity' in Australia.²⁰

1.25 Labor members endorse this view. They also note that the schoolkids bonus is only very partially linked to the MRRT and that, there is no justification for repeal of these benefits as part of the MRRT repeal.

14 See answers provided by Mr Hefferen, *Committee Hansard*, 27 November 2013, p. 38

15 National Welfare Rights Network, *Submission 24*, p. 2.

16 *Submission 5*, p. 2.

17 Shop, Distributive & Allied Employees' Association, *Submission 5*, p. 2.

18 *Committee Hansard*, 27 November 2013, p. 2.

19 Mr Peter Davidson, *Committee Hansard*, 27 November 2013, p. 7.

20 Ms Jacqui Phillips, *Committee Hansard*, 27 November 2013, p. 8.

Superannuation measures

Repeal of the Low Income Superannuation contribution (LISC)

1.26 Labor members make the following succinct points before discussing the repeal of the Low Income Superannuation Contribution (LISC) in greater detail:

- This move to abolish the LISC will increase superannuation taxes on 1 in 3 of Australia's lowest paid workers.
- The government has sought to cut both the super of millions of Australians earning up to \$37,000 while boosting the super for 16,000 people who have over \$2 million in super balances.
- This bill sees the government scrapping the LISC, which sees the equivalent of the superannuation tax (up to \$500) paid by a low income earner, up to \$37,000, paid into the superannuation account of the taxpayer.
- The LISC was important for a number of reasons. For high income earners, superannuation can be concessional: for low income earners, there are no effective incentives for them to contribute to their superannuation. This measure addressed that very issue.
- The removal of the LISC hits women particularly hard, **with 2.1 million women affected.**
- A significant percentage of these are mothers working part-time while looking after young children. This is exactly the time of a woman's career where an additional \$500 a year going into superannuation would be of most benefit for building savings for their retirement.
- The other major concern with this bill's removal of the LISC, is that it is an example of a retrospective tax measure—a fact confirmed by the Parliamentary Budget Office's checking of the Coalition's election costings.
- Low income earners entered the 2013–14 financial year on the understanding that they would be refunded their superannuation tax. Part way through this financial year and the government has changed the rules on taxpayers.

1.27 Industry Super Australia estimates that, when combined with the proposed delay in increasing the Super Guarantee to 12 per cent, the removal of the LISC **will reduce national savings by \$53 billion by 2021–22.**

1.28 This means a reduction in available capital for infrastructure investment by around \$5bn based on current industry-wide asset allocations. This at a time when the government is looking around for funding streams to finance new infrastructure projects.

1.29 The submissions that considered not only the repeal of the MRRT but the measures supposedly linked to the MRRT were highly critical of the abolition of the LISC.²¹ Before the LISC was introduced, no real incentive existed for low income

21 See for example, National Welfare Rights Network, *Submission 24*, p. 3.

earners to make contributions.²² Workers earning \$37,000 or less were penalised when saving for retirement by 'paying 15 cents in the dollar more tax on their super than if they had received the same amount in wages'.²³ The Financial Services Council stated that:

It was a long standing flaw in the superannuation system that low-income earners would pay a higher rate of tax on their compulsory contributions than they would if that money was paid to them as income.²⁴

1.30 The LISC was an important initiative designed to address the very low superannuation savings of low-income Australians, particularly women who are more likely to be in part-time work and earning below the tax free threshold.²⁵ According to the Australia Institute, the LISC is 'not a concession to low income earners but is a measure designed to offset the penalty of having income super taxed at 15 per cent when the taxpayer concerned has insufficient income to trigger any personal income tax liability'.²⁶

1.31 The LISC was also intended to alleviate future pressure on the age pension.²⁷ It is payable each year in respect of concessional superannuation contributions made in each income year. Under the proposed legislation, the LISC would be no longer payable in respect of concessional contributions made after 1 July 2013.²⁸

1.32 Mr Davidson of ACOSS argued that in a fairer superannuation system people earning less than \$37,000 would receive 'a positive incentive for their compulsory saving rather than what it is, in effect, a zero incentive'.²⁹ In support of the retention of the LISC, ACOSS described the contribution as a 'small step towards a fairer superannuation system'.³⁰ Even though ACOSS was of the view that the LISC did not go 'anywhere near making the system fair and sustainable into the future', it argued that its abolition would have 'a regressive effect, penalising those on low income for saving for retirement'.³¹

1.33 In effect, removing this superannuation contribution rebate would penalise compulsory superannuation contributions by increasing the tax rate for low-income earners earning below \$37,000 by 15 cents in every dollar contributed. ACOSS stated that it was not fair to compel people to save and then penalise them 15 cents in the

22 See for example, Association of Superannuation Funds Australia Ltd, *Submission 11*, p. 3.

23 Australian Council of Social Service, *Submission 21*, p. 4.

24 *Submission 9*, p. 2.

25 Australian Council of Social Service, *Submission 21*, pp. 4–5.

26 *Submission 15*, p. 17.

27 See for example, Australian Council of Social Service, *Submission 21*, p. 4.

28 Explanatory Memorandum, paragraph 2.7.

29 *Committee Hansard*, 27 November 2013, p. 5.

30 Australian Council of Social Service, *Submission 21*, p. 4.

31 Australian Council of Social Service, *Submission 21*, p. 5.

dollar for doing so.³² Mercer (Australia) described the measure as 'an adverse retrospective amendment to existing legislation' that would 'further diminish confidence in the system'.³³

1.34 ACOSS argued that the tax system for super contributions is 'upside down'.³⁴ For example, for every dollar contributed by an employer on behalf of an individual earning \$200,000, that individual saves 32 cents in tax.³⁵ In other words, as described by Dr Richard Denniss, if a high-income earner were to put \$1,000 into super, he/she would save \$300 in tax, whereas a low-income earner would pay \$150 more in tax if he/she were to put \$1,000 into super.³⁶

1.35 The Australian Council of Trade Unions (ACTU) noted succinctly that the repeal of the LISC would 'leave those earning less than \$37,000 per year as the only Australian wage and salary earners who do not receive a concessional treatment of their superannuation contributions'.³⁷ The Australian Institute of Superannuation Trustees similarly observed that without the LISC, low-income earners would be the only working Australians not to qualify for 'tax breaks on their superannuation contributions compared with their income tax'.³⁸

1.36 According to the ACTU, unions, tax policy experts and the superannuation industry have long recognised that the flat rate taxation of superannuation contributions at 15 per cent is profoundly regressive and socially unjust.³⁹ It explained further that:

...this bill proposes to restore the position where large numbers of low-income Australians pay more tax on their superannuation than they pay on their take-home pay. That is an absurd proposition for money which is compulsory and preserved and in contrast to the enormous tax concessions given to high-income earners. This bill will raise superannuation taxes on 3.6 million low-paid workers, 2.1 million of whom are women. Just as an example, about 360,000 retail workers alone will see an increase in super taxes. It is unjustifiable and unfair, particularly in circumstances where the government has chosen to not proceed with a very modest saving in respect of super taxes on high-income earners.⁴⁰

32 Mr Peter Davidson, *Committee Hansard*, 27 November 2013, p. 5.

33 *Submission 8*, p. 3.

34 *Committee Hansard*, 27 November 2013, p. 2.

35 See Australian Council of Social Service, *Submission 21*, p. 4.

36 Dr Richard Denniss, *Committee Hansard*, 27 November 2013, p. 5.

37 Mr Tim Lyons, *Committee Hansard*, 27 November 2013, p. 5.

38 Mr David Haynes, *Committee Hansard*, 27 November 2013, p. 15.

39 *Submission 7*, p. 8.

40 Mr Tim Lyons, *Committee Hansard*, 27 November 2013, p. 4.

1.37 The National Welfare Rights Network also argued that the abolition of the LISC would be 'an effective tax increase on 3.6 million workers, including 2.1 million women, many of who have very low and inadequate retirement incomes':

This change in the law means that these workers will be paying more tax on their superannuation than on their take home pay. It will mean that low income earners will have less money in retirement, and therefore the call on the Age Pension will be greater in the future.⁴¹

1.38 Industry Super Australia (ISA) informed the committee that 'the removal of the LISC has the potential to diminish total retirement savings in super by up to \$27,000 in present dollars (around 15 per cent less) for young low wage earners'.⁴²

1.39 The ACTU noted that the Explanatory Memorandum makes no attempt to discuss or engage with the distributional and social justice issues raised by abolishing the LISC.⁴³

1.40 ISA informed the committee that the industry recognises that the repeal of the MRRT would affect the budget but 'cutting one-third of the workforce off any tax-concessional super is not a sustainable way forward'. It cited the Henry Tax Review which found that 'the flat 15 per cent contribution tax was regressive in its impact, with low income earners paying more tax on their super contributions than their take home earnings'.⁴⁴ Mr Mathew Linden, ISA, quoted from the tax review which recommended 'a change to the contribution concessions—a 20 per cent flat rebate for everyone—which in our assessment would be broadly neutral'.⁴⁵ In ISA's analysis:

...such a tax offset, or one slightly more generous, on post-tax contributions, and in lieu of existing contribution concessions, would be broadly revenue neutral.⁴⁶

1.41 Treasury also referred to the tax review and its recommendation for having a standard rebate on contributions whereby the tax concession would be kept consistent irrespective of whether one was on the lowest marginal tax rate, on the highest or somewhere in between.⁴⁷

1.42 In addition to the adverse effects on low-income earners and the overall unfairness of abolishing the LISC, Mercer (Australia) had serious concerns about the retrospectivity of the LISC provision as currently drafted. ISA was of a similar view. It stated:

41 National Welfare Rights Network, *Submission 24*, p. 3.

42 *Submission 19*, p. 4.

43 *Submission 7*, p. 9.

44 *Submission 19*, p. 3.

45 *Committee Hansard*, 27 November 2013, p. 16.

46 *Submission 19*, p. 8.

47 *Committee Hansard*, 27 November 2013, p. 38.

...the repeal of the LISC will remove the entitlement for eligible contributions already made between July 2013 and the passage of the Bill if Parliament agrees to it. **Under the proposed provisions the Commissioner for Taxation will be required to deny taxpayers the benefit of the LISC on eligible contributions already made.**

1.43 Such a situation would not only produce 'an unfair and unsustainable outcome for low income taxpayers' but put the Commissioner in an untenable position. The ISA explained further:

The Bill's proposed retrospective treatment of the repeal of the low income superannuation contribution is unprecedented and inconsistent with the Bill's treatment of other provisions. The retrospective application of this particular provision is also inconsistent with other recent repeals of tax offsets.⁴⁸

1.44 The Financial Services Council recommended that the government not repeal the LISC but instead 'pause' the policy by amending the date from which fund members could accrue an entitlement to a LISC payment to 1 July 2017 to allow the Budget position to strengthen. It suggested that a pause would 'secure the same Budget savings in the forward estimates as currently forecast'.⁴⁹

1.45 Women in Super was of the view that the funding link between the MRRT and the LISC should be broken and funding for the LISC should be drawn from alternative sources.⁵⁰ Labor members agree with this proposal.

Pausing the Superannuation Guarantee charge percentage increase

1.46 Under existing arrangements, the Superannuation Guarantee (SG) charge percentage was to increase from 9.25 per cent to 9.5 per cent for the year starting 1 July 2014 and gradually increase by half a percentage point each year until it reached 12 per cent for years starting on or after 1 July 2019.⁵¹ Lifting the SG was intended to raise non age-pension retirement incomes.⁵² The proposed legislation would, however, pause the SG charge percentage at 9.25 per cent for the years starting on 1 July 2014 and 1 July 2015 and increase to 9.5 per cent for the year starting on 1 July 2016. It would then gradually increase by half a percentage point each year until it reaches 12 per cent for years starting on or after 1 July 2021.⁵³

1.47 While supporting the superannuation system and recognising the current gaps in the adequacy of retirement incomes for many Australians, the Australian Industry (Ai) Group supported this rescheduling. It noted that:

48 *Submission 19*, p. 9 (emphasis in original).

49 *Submission 9*, p. 2.

50 *Submission 13*, p. 2.

51 Explanatory Memorandum, paragraph 2.7.

52 The Australian Industry Group, *Submission 22*, p. 3.

53 Explanatory Memorandum, paragraph 2.7.

Depending on the incidence of the changes, it imposes costs on business or it detracts from disposable incomes. These impacts are occurring at a time when business costs are under pressure and household spending is weak and, regardless of the economic incidence of the measure, it has dampened economic activity and growth when the economy has been slowing.⁵⁴

1.48 The Ai Group wanted a more considered approach to examining the 'case for improving the adequacy of superannuation arrangements and the alternative means of doing so'. It was of the view that the issue should be considered in the context of the Government's review of taxation.⁵⁵

1.49 In contrast, ISA informed the committee that the delay in increasing the SG would reduce aggregate superannuation savings by an estimated \$40 billion by 2021–22. It stated further that this figure is 'broadly consistent with other estimates including Deloitte Actuaries and Consultants who have estimated an impact of \$77 billion by 2033.'⁵⁶ Mercer (Australia) stated that the deferral of the increase in the SG would:

- reduce retirement incomes for future retirees;
- increase pressure on the cost of the government age pension in future years;
- reduce consumer confidence in the superannuation system;
- result in potential practical difficulties for employers, particularly if the proposed legislation is not passed before 31 March 2014; and
- potentially result in industrial action by employees who consider they may have been disadvantaged.⁵⁷

1.50 The ACTU stated that unions together with the entire superannuation industry have long held the view that 'an SG rate of 9 per cent would not be sufficient to secure a reasonable level of comfort for most workers when they retire'.⁵⁸

Women and the new superannuation arrangements

1.51 Women would be particularly disadvantaged by repealing the LISC and delaying the SG. ISA told the committee that the LISC was one of 'the few dedicated measures designed to improve the retirement income adequacy of women'. It explained:

Women are most heavily concentrated in the lower income rungs where the LISC operates, with an estimated two thirds of the 3.6 million total eligible

54 The Australian Industry Group, *Submission 22*, p. 3.

55 *Submission 22*, p. 4.

56 *Submission 19*, p. 7.

57 *Submission 8*, p. 1.

58 *Submission 7*, p. 9.

population being women. This factor alone should heavily weigh against the abolition of the LISC.⁵⁹

1.52 The Financial Planning Association of Australia noted that repealing the LISC would reintroduce 'systemic inequality into the Australian superannuation system and particularly so for women 'half of whom already receive the benefits of the LISC and account for nearly two-thirds of those affected by repealing the LISC.'⁶⁰ Ms Catherine Wood, Women in Super, stated that:

Women currently have only half the superannuation savings of men. The average retirement payment for a woman is \$112,000 compared to \$198,000 for a man. On top of that, women live longer than men, so their reduced savings must stretch over a longer period in retirement. The super savings gap is the result of many factors, including unequal pay, which is currently at 17.5 per cent. It is caused by breaks from the workforce, periods of part-time work, overrepresentation in lower paid industries and barriers to employment beyond age 45. Women in Super support policies that assist low-income earners as women make up the majority of this sector of the workforce.

We see the increase in the superannuation guarantee from nine to 12 per cent and the low-income superannuation contribution as crucial policies to deliver adequacy in retirement and to take the pressure off future taxpayers. These measures are doubly important for women who currently have such a marked superannuation savings gap. The LISC is not simply a mechanism to increase superannuation savings; it is fundamental to the equity of the taxation treatment of compulsory superannuation savings.⁶¹

1.53 During his second reading speech, the Treasurer announced that when the government is 'responsibly able and once the Budget has been returned to a strong surplus, the Coalition will revisit concessional contribution caps and incentives for low income earners'.⁶² Representatives from the superannuation industry, however, advanced a number of suggestions that would remove the budgetary imperative to repeal the LISC and delay the SG increase. Mr Haynes, Australian Institute of Superannuation Trustees, explained:

Superannuation has been actively, positively, cooperatively engaged with the current and the previous governments in relation to the implementation of Stronger Super reforms over the course of the last three years. Many of those reforms will directly lead to increased efficiencies in the superannuation industry—for example, the implementation of the SuperStream reforms to the back office of superannuation will lead to enormous savings for the whole of the economy. They have been estimated at the level of \$1 billion a year, in relation to the superannuation industry. There are similar levels of savings in relation to employers, and there are

59 *Submission 19*, p. 4.

60 Financial Planning Association of Australia, *Submission 6*, p. 2.

61 *Committee Hansard*, 27 November 2013, pp. 15–16.

62 The Treasurer, the Hon Joe Hockey MP, Second Reading Speech.

savings of many, many hundreds of millions of dollars a year in relation to the operation of the tax office and other regulators. We would suggest to the committee that our participation in the Stronger Super package of reforms was done in recognition of the other elements of the previous government's superannuation policies—that is, the increase of the superannuation guarantee to 12 per cent and the introduction of the LISC—and that the sum of those measures actually leads to very significant cost savings for all participants in the industry, including, and importantly in the context of this committee hearing, the government and its agencies.⁶³

1.54 The Construction, Forestry, Mining and Energy Union (CFMEU) noted that the planned increase in the mandatory superannuation contributions, to be postponed by two years under the legislation, was not actually related to government expenditure. It was particularly disappointed that the measure has been proposed as part of the MRRT repeal.⁶⁴

Merits of proposed changes

1.55 ISA highlighted the importance of considering 'the long-term budget impact from the pause in the SG and abolition of the LISC', noting that 'the long-term costs will principally be felt through increased aged pension outlays resulting from lower personal superannuation savings'.⁶⁵ Mr Ross Clare from the Association of Superannuation Funds of Australia, stated that:

Taxes and expenditures should be justified on their own merits, and in this context we consider both the increase in the SG and also retention of the low-income superannuation contribution truly justified on public policy grounds.⁶⁶

1.56 The Australian Institute of Superannuation Trustees also objected to tying the measure to the MRRT, stating that 'just like the age pension, these measures are unrelated to a tax on resources companies and should be explicitly de-coupled'.⁶⁷

Small business provisions

1.57 Labor senators are concerned that the government's legislation will:

- **increase taxes on up to 2.7 million small businesses; and**
- **close the loss carry-back scheme, taking away tax breaks for up to 110,000 businesses.**

1.58 The Coalition's plan to remove these small business investment incentives has united big and small business in opposition, with both the Ai Group and Council of Small Business of Australia (COSBOA) speaking out against the removal.

63 *Committee Hansard*, 27 November 2013, p. 17.

64 *Submission 3*, p. 6.

65 *Submission 19*, 7.

66 Mr Ross Clare, *Committee Hansard*, 27 November 2013, p. 14.

67 *Submission 12*, p. 5.

1.59 The Ai Group said the reduction in the small business instant asset write-off threshold would 'add complexity and compliance costs for eligible small businesses'.⁶⁸ COSBOA agreed.⁶⁹

1.60 This completely contradicts the government's commitment to reducing compliance costs and red-tape by \$1 billion a year.

1.61 Labor senators are also concerned that at the very time the government should be looking to boost non-mining investment as the mining boom moves from the investment to the construction phase the government is removing key small business measures that actually encourage growth and investment in equipment and assets.

1.62 A number of submissions also referred to proposed changes to measures designed to assist small business including:

- the loss carry-back provisions; and
- small business instant asset write off.

Loss carry-back provisions

1.63 The loss carry-back arrangements allow a company to choose to carry its tax losses back to one of the previous two income years. According to the Explanatory Memorandum:

The amount carried back is then multiplied by the corporate tax rate to produce a tax offset that is refundable to the company in the current income year.⁷⁰

1.64 According to the ACTU, the loss carry-back regime was an 'important measure that ended the asymmetric treatment of tax losses'.⁷¹ Only recently enacted, the provisions attempted to address this asymmetrical treatment of tax losses. They enabled a company making a tax loss of up to \$1 million to recoup taxes paid on an equivalent income amount earned in the previous two years.⁷² According to the Australian Industry Group, retaining the provisions would serve two important purposes:

- it would retain the, albeit limited, inroads into the distortions the Australian tax systems imparts as a result of the asymmetric treatment of losses; and
- by giving the taxation authorities a level of experience in the administration of such arrangements, it would better inform the insights they could provide to the government's foreshadowed review of taxation when it examines this complex area of tax policy.⁷³

68 *Submission 22*, p. 3.

69 See paragraph 1.73.

70 Explanatory Memorandum, paragraph 2.11.

71 Mr Tim Lyons, *Committee Hansard*, 27 November 2013, p. 4.

72 The Treasury, *Submission 23*, p. 3.

73 The Australian Industry Group, *Submission 22*, p. 2.

1.65 Unfortunately, the loss carry-back arrangement is to be repealed.⁷⁴ Submissions representing the interests of business argued strongly against removing this provision.⁷⁵ Under the proposed legislation, companies can only carry their tax losses forward to use as a deduction for a future year.⁷⁶ Dr Burn, Ai Group, explained that a company in a loss-making year does not pay tax, nor is it entitled to a tax refund—it is entitled to claim that loss later on when it next makes a profit. According to Dr Burn, this delay is recognised as a cost on business.⁷⁷ He explained further:

If those losses can only be claimed against profits for tax purposes later on, in profit years, the net present value of its investments will fall, because it has to wait longer for the cash flow. The other point is that the real value of the losses erodes over time. Losses are not indexed, and if you have to wait three years to get the benefit of your tax losses against future profits that is a significant erosion of the real value of those losses. So the net present value of the after-tax profits falls noticeably when you allow for loss-making years in your calculations. That then reduces the return on those investments and reduces also the likelihood that those investments will be made.⁷⁸

1.66 The ACTU informed the committee that there was widespread support for maintaining the loss carry-back regime and that the small-to-medium sized businesses would be adversely affected by its repeal. It noted that the cash-flow benefits of loss carry-back 'can mean that some businesses will remain in operation that would not have done so if carry-back had not been available'.⁷⁹ It stated further:

Over the course of the economic cycle, more businesses will fail without the loss carry-back regime than would be the case if the regime were maintained. This will harm employment. The problem will be particularly acute for firms in sectors that are most affected by short-term economic shocks, such as sudden appreciation in the exchange rate.⁸⁰

Small business instant asset write off

1.67 Under current legislation, small business entities can claim a deduction for the value of a depreciating asset that costs less than \$6,500 in the income year the asset is first used or installed ready for use. The proposed legislation reduces the threshold to \$1,000, which means that small business entities will only be able to claim

74 The Treasury, *Submission 23*, p. 3.

75 See for example, the Australian Industry Group, *Submission 22*, p. 2; ACTU, *Submission 7*, p. 5 and Australian Chamber of Commerce and Industry, *Submission 18*, p. 2.

76 Explanatory Memorandum, paragraph 2.7.

77 Dr Peter Burn, *Committee Hansard*, 27 November 2013, p. 10.

78 Dr Peter Burn, *Committee Hansard*, 27 November 2013, p. 10.

79 ACTU, *Submission 7*, pp. 4–5.

80 ACTU, *Submission 7*, p. 5.

a deduction for the value of a depreciating asset that costs less than \$1,000 in the income year the asset is first used or installed.⁸¹

1.68 The Ai Group does not support the provision that would reduce the small business asset write off threshold. Dr Burn, Ai Group, stated that the existing arrangement provides a very important boost to a company's cash flow 'at a time when they need it most and at a time when it is going to be most critical in ensuring the survival of that business'.⁸²

1.69 Under the current legislation, according to Dr Burn, recordkeeping was also very much reduced.⁸³ He informed the committee that the Australian economy faced a 'large gap in investment, particularly outside the mining sector'. He stated that the proposal to remove the instant write-off facility for small business would have a material effect on them and 'decrease investment at the time it is needed most'. In his view, waiting for the tax review in these cases is 'poor timing': that the 'timing need is right now'.⁸⁴

Depreciation for motor vehicles

1.70 With regard to motor vehicles, currently small businesses can deduct the first \$5,000 of the cost of a motor vehicle, plus 15 per cent of any remaining cost in the income year it is first purchased. Under the proposed legislation, these special rules will no longer apply to motor vehicles, which will be subject to the same rules as other depreciating assets.⁸⁵

1.71 The Ai Group supported the repeal of accelerated depreciation arrangements for motor vehicles. In its view the selective accelerated depreciation arrangements for motor vehicles used by small businesses 'distorts small business's investment decisions in favour of expenditure on motor vehicles relative to expenditure on other, and in many cases, more productive assets'.⁸⁶

1.72 The Real Estate Institute of Australia argued that 'an environment that promotes investment is crucial to the long term viability of small business particularly when the message from Australia's economic indicators is mixed and the outlook remains fragile'.⁸⁷ It maintained that repealing the small business measures would, through its adverse effect on small business and the broader economy, be detrimental to Australia's economic recovery.⁸⁸ In this regard, the Australian Chamber of

81 Explanatory Memorandum, paragraph 2.7.

82 Dr Peter Burn, *Committee Hansard*, 27 November 2013, p. 10.

83 Dr Peter Burn, *Committee Hansard*, 27 November 2013, p. 12.

84 Dr Peter Burn, *Committee Hansard*, 27 November 2013, p. 10.

85 Explanatory Memorandum, paragraph 2.7.

86 The Australian Industry Group, *Submission 22*, p. 2.

87 Real Estate Institute of Australia, *Submission 4*.

88 *Submission 4*, p. 2.

Commerce and Industry noted that the loss carry back and small instant asset write off provisions act as stimulus measures:

...with economic growth having slowed over the course of the past year, particularly with the labour market softening, there is a case for some other policy levers to be used to try to act as economic stimulus rather than putting such heavy weight on the Reserve Bank and the use of monetary policy. That is why we say these measures should be independently assessed and should stand alone from both the politics and the substance of the minerals resource rent tax issue.⁸⁹

1.73 Labor senators also noted that while COSBOA did not make a submission to this inquiry, it had been previously critical of the abolition of these measures. COSBOA made its view known in its election policy analysis of the Coalition's policies at <http://www.strongsbiz.com.au/Portals/105/Transcape/Comparison%20of%20policies%20of%20parties%20Sept1.pdf>.

1.74 Labor senators draw particular attention to the advice provided to the committee that Treasury did not undertake any modelling on the likely impacts on investments of discontinuing the loss carry-back and changing the instant asset write-offs threshold.⁹⁰

Merits of proposed changes

1.75 Referring to both the small business measures that are being repealed, the Ai Group argued that they have a strong policy rationale: that their retention would not only boost investment and cash flows for small business but also benefit the broader economy.⁹¹ Furthermore, the Australian Chamber of Commerce and Industry maintained that the existing capital allowance for small business and the loss carry-back regime have merit in their own right and should be de-coupled from the MRRT legislation and funded independently.⁹²

1.76 At a time when Australian small businesses need support and incentives to invest and their confidence needs boosting, measures are required to stimulate economic activity not dampen it. The measures in this bill will not provide that much needed encouragement. The apparent lack of analysis on the effects of the proposed changes on small business and the economy as a whole is of particular concern.

Geothermal energy exploration

1.77 Under current arrangements, geothermal energy exploration and prospecting expenditure is deductible in the income year that the asset is first used or expenditure is incurred. Under the new legislation, this expenditure would not be immediately deductible. The Australia Institute observed that this measure 'seems to contradict the intention behind Direct Action'. It argued that:

89 Mr Peter Anderson, *Committee Hansard*, 27 November 2013, pp. 10–11.

90 Mr Robert Heferen, *Committee Hansard*, 27 November 2013, pp. 39–40.

91 *Submission 22*, p. 1.

92 *Submission 18*, p. 2.

If this measure is repealed geothermal exploration will not have the same incentives as any ordinary explorer looking for fossil fuels will get. If anything the playing field should be tilted in favour of geothermal energy exploration.⁹³

1.78 The Australia Institute suggested that this decision should not go ahead or, if it does, it should be replaced with measures to boost the attraction of investment in geothermal.⁹⁴ Labor members wish to raise their concerns about discontinuing this measure without the government advancing viable alternatives to encourage geothermal energy exploration. The removal of this measure will provide \$10 million in savings over the forward estimates.⁹⁵

Regional Infrastructure Fund

1.79 The Treasury also stated that the government was committed to discontinuing the Regional Infrastructure Fund and Regional Development Australia Fund. It explained, however, that the bill does not contain amendments to give effect to these measures because no legislative requirements were necessary to discontinue them.⁹⁶

MRRT and the Mining Industry

1.80 Dr John Kunkel, Minerals Council of Australia, told the committee that the minerals industry has never questioned the ownership of the minerals as they are and the rights of governments to put fiscal instruments on those minerals. He indicated further that the industry would 'always be up for a genuine conversation about tax reform'. Further, Dr Kunkel stated that the industry 'recognises that in terms of both its regulatory and social licences to operate there clearly needs to be shared benefit from the development of mineral resources'.⁹⁷

1.81 The Australia Institute noted that the MRRT failed to collect much revenue in its early years, citing the 2013–14 budget papers that reported only \$0.2 billion was expected to have been collected in 2012–13.⁹⁸ Atlas Iron similarly observed that the MRRT had raised no significant tax, adding further that it had increased compliance and administration costs while reducing both Australia's international competitiveness and the appeal of Australian iron ore projects to foreign investors.⁹⁹ The Treasurer announced that since its inception from 1 July 2012, the MRRT had collected a net \$400 million.¹⁰⁰

93 *Submission 15*, p. 19.

94 *Submission 15*, p. 19.

95 The Treasurer, the Hon Joe Hockey MP, Second Reading Speech.

96 The Treasury, *Submission 23*, p. 3.

97 *Committee Hansard*, 27 November 2013, pp. 22–23.

98 See the Australia Institute, *Submission 15*, p. 2.

99 *Submission 16*, p. 2.

100 The Treasurer, the Hon Joe Hockey MP, Second Reading Speech.

1.82 According to the Treasury, approximately 235 companies are currently registered for MRRT with another 65 expected to register. Of that total number, however, only around 20 are subject to obligations under the MRRT—that is fewer than 20 have an MRRT liability.¹⁰¹

1.83 A number of submissions referred to the importance of ensuring equity and fairness in Australia's taxation system. It should be noted that the MRRT applies only to coal and iron ore. The ACTU noted that Australia has some of the world's largest identified reserves of non-renewable resources such as brown coal, lead, nickel, silver uranium, zinc, copper and iron ore. It contended that the rights to these valuable resources belong to the Australian community. In its view, Federal and state governments could legitimately seek an appropriate return from the private companies that are allowed to exploit these resources for private gain. It cited the Henry review, which found:

Australia's current resource charging arrangements fail to collect an appropriate return for the community from allowing private firms to exploit non-renewable resources, mainly because arrangements are unresponsive to changes in profits.¹⁰²

1.84 The Australia Institute concluded that:

The need for a tax on mining activities in Australia should be broadened to include all minerals. The miners can easily bear it and their super profits are due to the Australian resources they exploit—not their own abilities.

...

There is a strong case for taxing mining super profits and it seems the miners have got off fairly lightly. At the very least, we might suggest that the MRRT should be increased to 40 per cent, the PRRT rate, and that it should apply universally.¹⁰³

1.85 According to the Australia Institute, a resource rent tax is a tax 'on the profits that are over and above those profits required to attract an investment' in that industry and was an 'appropriate way to share the enormous windfall benefits that come from a commodity boom'.¹⁰⁴

1.86 A number of witnesses acknowledged that the MRRT was a good idea.¹⁰⁵ The Australia Institute argued that taxing rents is desirable for all sorts of reasons and cited the petroleum resource rent tax which, in its view, is 'now part of the furniture and we

101 *Committee Hansard*, 27 November 2013, p. 35. See also Explanatory Memorandum, paragraphs 3.37–3.39, p. 54.

102 See Australian Council of Trade Unions, *Submission 7*, p. 3.

103 *Submission 15*, p. 14.

104 Dr Richard Denniss, *Committee Hansard*, 27 November 2013, pp. 3, 5.

105 See for example, Mr Peter Davidson, ACOSS, *Committee Hansard*, 27 November 2013, p. 2.

never hear complaints about that' and 'if left alone, pretty soon the mining resources rent tax would be treated in the same way'.¹⁰⁶

1.87 The Shop, Distributive & Allied Employees' Association stated that the minerals in the grounds 'belong to Australians and all Australians are entitled to share the benefits they bring'. Although it accepted that there were flaws in the MRRT, it took the view that some form of minerals resource tax is justified.¹⁰⁷ The ACTU also conceded that in some important respects MRRT arrangements were flawed but they 'nevertheless acted to secure some of the return that the Henry review panel had thought fair and legitimate for the community to expect'.¹⁰⁸

1.88 The CFMEU supported the contention that the mining industry should have 'to bear the largest possible tax burden that still enables it to attract investment and pay reasonable returns to investors'.¹⁰⁹ In its view, the Australian mining industry generally pays a substantial level of tax—but in recent years it 'could have paid more without diminishing its attractiveness as an investment'.¹¹⁰ It was of the view that the rationale for a resources rent tax for the Australian mining, oil and gas industries remains strong: that it makes economic sense 'to tax an industry heavily when it is highly profitable, and tax it less when it is less profitable...especially so where the industry relies on access to inputs that are the property of the Australian people'.¹¹¹

1.89 It suspected that the deductions for market value of assets may be one of the key reasons for the MRRT failing to produce the revenues that were expected in its first year(s) of operation.

1.90 In its submission, the CMFEU referred to the Petroleum Resource Rent Tax and concluded that the repeal of the MRRT would have the perverse outcome that 'the oil and gas industries are subject to a resource rent tax—which has enabled those industries to thrive—while the mining industry will not be'.¹¹²

1.91 Dr Richard Denniss referred to extending MRRT to gold, bauxite and a wide range of other minerals in order to collect more revenue.¹¹³ ACOSS was convinced that there was a range of direct and tax expenditure savings and revenue measures, which could achieve savings more efficiently and fairly than the proposed legislation would.¹¹⁴

106 Mr David Richardson, *Committee Hansard*, 27 November 2013, p. 2.

107 Shop, Distributive & Allied Employees Association, *Submission 5*.

108 ACTU, *Submission 7*, p. 3.

109 CFMEU, *Submission 3*, p. 2.

110 CFMEU, *Submission 3*, p. 2.

111 CFMEU, *Submission 3*, p. 3.

112 CFMEU, *Submission 3*, p. 4.

113 *Committee Hansard*, 27 November 2013, p. 8.

114 *Committee Hansard*, 27 November 2013, p. 1.

Linking other measures with the repeal of the MRRT

1.92 A number of submissions questioned the need to link the repeal of the MRRT to the other measures outlined in the bill.¹¹⁵ ACOSS understood that measures in the bill were linked in time to the MRRT, but were of the view that otherwise they 'have no necessary connection with each other.'¹¹⁶ While ACOSS supported firm action to restore the budget to structural balance, it argued that each measure in the bill should be considered separately on its merits. As noted earlier, ACOSS argued that the social expenditure measures in the bill have 'compelling social objectives behind them and there are pressing needs to be met in those areas'. In its view 'the simplistic linking of this tax measure with these spending measures is hugely problematic' and the abolition of those payments would cause great damage in the short term. The Financial Planning Association of Australia argued that some of the proposed changes are 'not inherently linked to the MRRT and are vital developments in the Australian superannuation system'. It suggested that alternative sources of funding should be found for them.¹¹⁷ Also, as cited previously, the Australian Institute of Superannuation Trustees objected to tying the provisions dealing with superannuation to the MRRT, stating that 'just like the age pension, these measures are unrelated to a tax on resources companies and should be explicitly de-coupled'.¹¹⁸

1.93 The ACCI voiced similar sentiments in respect of de-coupling the small business measures from the MRRT and the need to find alternative funding. It argued that the measures should be independently assessed and stand alone from both the politics and the substance of the MRRT issue.¹¹⁹

1.94 The Financial Planning Association of Australia referred to the Explanatory Memorandum, which states that the government will 'revisit incentives in superannuation for low income earners once the budget is back in a strong surplus'.¹²⁰

Conclusion

1.95 Labor members of the committee are opposed to this bill, the removal of the MRRT and the 'associated measures'.

- We are concerned that the government has set about giving tax breaks to high-income earners and larger businesses, while punishing low-income earners, families and small businesses.

115 For example see Ms Jacqui Phillips, *Committee Hansard*, 27 November 2013, p. 1, Mr Davidson, *Committee Hansard*, 27 November 2013, p. 7. Also refer to paragraph 1.28 citing Women in Super, which was of the view that the funding link between the MRRT and the LISC should be broken and funding for the LISC should be drawn from alternative sources.

116 *Committee Hansard*, 27 November 2013. p. 1.

117 The Financial Planning Association of Australia, *Submission 6*, p. 1.

118 Australian Institute of Superannuation Trustees, *Submission 12*, p. 5.

119 Mr Peter Anderson, *Committee Hansard*, 27 November 2013, pp. 10–11.

120 The Financial Planning Association of Australia, *Submission 6*.

- Given prevailing economic circumstances and the need for greater investment in the non-mining sectors, this is precisely the wrong time to be removing the measures that encourage small business to invest.

1.96 Labor members of the committee are also not convinced about the wisdom of the dismissal of the MRRT. They believe that while there is much scope for improving the tax, the fundamental principle underpinning a minerals resources rent tax remains sound and worth pursuing. They also believe that, although originally linked to revenue anticipated to be raised by the MRRT, the other measures in the bill should be de-coupled from the MRRT and assessed on their own merits. In particular, alternative sources should be found to fund the LISC, the income support bonus and the business stimulus measures. As a number of witnesses noted, high-income earners have been allowed to retain and enjoy significant benefits at the expense of those on the lower income scale.

1.97 Although repealing the MRRT might reduce the tax burden on some iron ore and coal miners, the consequent repeal of, or changes to, other measures would have a detrimental effect on some of Australia's poorest workers and on small businesses operating in a difficult economic environment. Labor members can see no justification in shifting the burden from the mining industry to those least able to bear it or allowing high-income earners to enjoy benefits at the expense of those in greater need. Clearly, the legislation is inequitable, short-sighted and ill-conceived.

Recommendation

1.98 Labor members of the committee recommend that the bill not proceed.

Senator Gavin Marshall
Deputy Chair

Senator Louise Pratt

Senator Sam Dastyari (participating member)

APPENDIX 1

Submissions received

Submission Number	Submitter
1	Association of Mining and Exploration Companies Inc.
2	The Chamber of Minerals and Energy of Western Australia
3	Construction, Forestry, Mining and Energy Union
4	Real Estate Institute of Australia
5	Shop, Distributive and Allied Employees' Association
6	Financial Planning Association of Australia
7	Australian Council of Trade Unions
8	Mercer
9	Financial Services Council
10	Fortescue Metals Group Limited
11	Association of Superannuation Funds of Australia
12	Australian Institute of Superannuation Trustees
13	Women in Super
14	Minerals Council of Australia
15	The Australia Institute
16	Atlas Iron Limited
17	Professor Ross Garnaut
18	Australian Chamber of Commerce and Industry
19	Industry Super Australia
20	Ms Georgina Cross
21	Australian Council of Social Service
22	Ai Group
23	Department of the Treasury

24	National Welfare Rights Network
25	Mr David Arthur

Additional information received

- Additional information provided by Mr Ross Clare, Association of Superannuation Funds of Australia on 27 November 2013.

Tabled documents

Public hearing held in Canberra on 27 November 2013

- Document tabled by Mr Matthew Linden, Industry Super Australia; and
- Document tabled by Mr Simon Bennison, Association of Mining and Exploration Companies.

Answers to Questions on Notice

- Received from Minerals Council of Australia on 28 November 2013; answer to a question on notice taken at a public hearing in Canberra on 27 November 2013; and
- Received from the Department of the Treasury and the Department of Social Services on 29 November 2013; answers to questions on notice taken at a public hearing in Canberra on 27 November 2013.

APPENDIX 2

Public Hearings and Witnesses

CANBERRA, 27 NOVEMBER 2013

ANDERSON, Mr Peter, Chief Executive, Australian Chamber of Commerce and Industry

BENNISON, Mr Simon, Chief Executive Officer, Association of Mining and Exploration Companies

BROWN, Mr James, Senior Tax Accountant, Atlas Iron Limited

BURN, Dr Peter, Director, Public Policy, Australian Industry Group

CAMPO, Ms Robbie, Deputy Chief Executive, Industry Super Australia

CLARE, Mr Ross, Director, Research, Association of Superannuation Funds of Australia

CONSTABLE, Ms Tania, Head of Resources Division, Department of Industry

COWGILL, Mr Matt, Economic Policy Officer, Australian Council of Trade Unions

DAVIDSON, Mr Peter, Senior Advisor, Australian Council of Social Service

DENNISS, Dr Richard, Executive Director, The Australia Institute

GABBITAS, Ms Ruth, Manager Contributions and Accumulations Units, Treasury

HAYNES, Mr David, Executive Manager, Policy and Research, Australian Institute of Superannuation Trustees

HEFEREN, Mr Robert, Executive Director Revenue Group, Treasury

HUGHES, Mr Marcus, Group Tax Manager, Fortescue Metals Group

HUNT, Mr Christopher, Chief Financial Officer, BC Iron Limited

KUNKEL, Dr John, Deputy Chief Executive Officer, Minerals Council of Australia

LINDEN, Mr Matthew, Director, Government Relations, Industry Super Australia

LYONS, Mr Tim, Assistant Secretary, Australian Council of Trade Unions

MAMMONE, Mr Daniel, Director, Workplace Policy; and Director, Legal Affairs, Australian Chamber of Commerce and Industry

MARTIN, Ms Stephanie, Deputy Commissioner Resource Rent Tax, Australian Taxation Office

NAIKAR, Mr Sidesh, Head Income Support Group, Department of Social Services

O'TOOLE, Mr James, Manager Resource Tax Unit, Treasury

PHILLIPS, Ms Jacqui, Director of Policy and Campaigns, Australian Council of Social Service

REAKES, Mr Joshua, Manager, Taxation and Analysis, Uranium, Taxation and Radioactive Waste Branch, Resources Division, Department of Industry

RICHARDSON, Mr David, Senior Research Fellow, The Australia Institute

SHORT, Mr Graham, National Policy Manager, Association of Mining and Exploration Companies

SORAHAN, Mr James, Director, Tax, Minerals Council of Australia

WILSON, Mr Burchell, Acting Chief Economist; and Acting Director, Economics and Industry Policy, Australian Chamber of Commerce and Industry

WOOD, Ms Catherine, National Chair and Spokesperson, Women in Super

YOUNG, Mr Michael, Non-Executive Director, BC Iron Limited