

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 119

Topic: Resource Super Profits Tax & the Australian Dollar

Hansard Page: E39 (03/06/2010)

Senator JOYCE asked:

Senator JOYCE—If the resources rent tax has the effect that the mining industry says it will, then, quite obviously, there will be an effect on the Australian dollar—that is, the Australian dollar will depreciate, won't it?

Mr R Murray—I am not sure that I am here to make comments about—

Senator Sherry—They are making a range of claims. You and I have had some exchange about their claims. They have made a range of claims, Senator. I understand that predicating the value of a currency, up or down, is one of the most difficult areas in economic forecasting. But there is a considerable range of issues that impact on the value of the Australian dollar. If we have anything to add in terms of the resource super profits tax, we will take that on notice and come back to you—if there is any claimed relationship with the currency and whether it moves up or down.

Answer:

Modelling by KPMG Econtech, commissioned by the Australian Treasury, indicated that replacing the existing royalty arrangements with the RSPT would lead to an appreciation of the real exchange rate of around 1.7 per cent relative to the base scenario (KPMG Econtech 2010, *CGE Analysis of Part of the Government's AFTSR Response*, p38).