> **Senator HUTCHINS**—Do you have any information on who will pay the MRRT, geographically? Will it be mostly Western Australia, where many of the mines are located; Victoria, where many of the big mining companies have their headquarters; or overseas, where a large proportion of shareholders reside?
> I do not know if you know that answer. If you would like to take that on notice and respond to us you are most welcome.

As with any tax, the initial payer is likely to differ from the parties on which the tax effect itself falls. Unless an increased tax simply brings about greater neutrality (for example by eliminating a favourable treatment), it has three effects:

- A transfer of revenues to the government;
- A reduction in the activity which incurs the tax, with a diversion of assets and labour into other, lesser taxed activities that otherwise provide a lesser degree of benefit; and
- A diversion of effort into lobbying either to change the political decision.

The third effect is unambiguously a "deadweight" loss as nothing of benefit to consumers is produced.

The first involves transfers to government its re-allocation to expenditures that, in developed economies, are normally presumed to be less highly valued by consumers.

The second is a diversion to other activities. Thus, if coal and iron ore are subject to special penalties, miners might more actively seek out opportunities in nickel, gold or copper. They may also choose other areas for investment or simply redirect their savings into consumption. Again, the presumption is that the tax intervention creates losses by distorting consumer and producer preferences.

The incidence of MRRT falls on shareholders of the mining companies and workers involved in mining in direct and supporting roles.

No Australian tax of itself could influence the international price of the commodity, hence customers are unaffected. Shareholders would lose income since the other costs are likewise presumed not to be affected (though if the activity is overheated workers would lose the transitory gains they might have as a result of supply constraints).

The loss of income to shareholders would mean reduced incentive to invest. This would leave the overall position of existing companies' shareholders relatively unaffected as their management would shift activity to venues that have become marginally more profitable relative to those subject to the higher Australian tax. The loss would be to those activities that have become more marginal as a result of the tax.

As with workers, not all firms have a perfect capacity to shift their locations or the nature of their mining based activities, so that they incur only minor losses. The smaller Australian miners have location or mineral specific skills that make it more difficult for them to react in the way described. Those firms may accept a lower return or may exit the business and reallocate their expenditures towards consumption and away from investment.