



Treasurer; Minister for Transport; Emergency Services

Our ref: 30-33102

Senator Mark Bishop
Chair
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator Bishop

INQUIRY INTO THE MINERALS RESOURCE RENT TAX AMENDMENT (PROTECTING REVENUE) BILL 2012

Thank you for your letter of 12 October 2012 inviting me to make a submission to the Senate Economics Legislation Committee's Inquiry into the Minerals Resource Rent Tax Amendment (Protecting Revenue) Bill 2012.

While I do not wish to lend any credibility to the Bill by making a formal submission to the Inquiry, I would be happy for the Committee to take this reply to your letter into account in preparing its report.

Western Australia will always consider that all State royalties must take primacy over the unconscionable Minerals Resource Rent Tax (MRRT), which comes on top of the Commonwealth's company tax on mining profits.

In this regard royalties are the price paid by the mining industry for the right to extract mineral resources which are constitutionally owned by the State governments on behalf of their communities.

By effectively seeking to prevent increases in mineral royalties, in favour of maximising Commonwealth MRRT revenues, the amendments would further undermine States' sovereignty and flexibility to achieve fairer returns to their communities.

Western Australia has made well known its similar objections to the Commonwealth Government's threats to penalise States that increase royalties, by reducing (or further reducing) their infrastructure or Goods and Services Tax grants.

Indeed, any attempt to limit the proper exercise by a State of its constitutional powers to price minerals appropriately raises grave concerns about the effective operation of the Australian federation, and associated community outcomes.

The adverse consequences will be felt most keenly in Western Australia, from which around 60% of MRRT revenues are expected to be sourced, adding to the net \$15 billion the Commonwealth takes out of this State each year.

Western Australia also rejects Commonwealth suggestions that the MRRT is a technically superior resource charge to State ad valorem royalties, including because this ignores considerations such as revenue stability and compliance costs.

Furthermore, reflecting the lags before any MRRT revenues are received from new projects, the MRRT is poorly suited (unlike royalties) to funding necessary early investments in public infrastructure to support the development of resource projects.

The claimed efficiency merits of the MRRT have also been contested by independent experts, and failing to allow credits for all mining royalties would exacerbate the negative impact of the MRRT on Australia's international competitiveness and economic growth.

Western Australia is strongly of the view that the MRRT is contrary to the national interest and should be abolished. It represents a unilateral raid on a State asset base, and the amendments proposed by the Australian Greens would only make it more offensive.

I trust that these comments are helpful.

Yours sincerely

TROY BUSWELL MLA
TREASURER

24 OCT 2012