

SENATE SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into a national mining tax

22 November 2010

Question: 2

Topic: Small and junior miners are on track to raise well over \$4 billion in 2010 to fund projects including domestic plants

Senator Hutchins asked:

1. I would ask you to answer this, in light of people talking down the mining industry. I understand that only last week the Australian reported that small and junior miners are on track to raise well over \$4 billion in 2010 to fund projects including domestic plants. Are you aware of that at all? I have a number of similar questions. If it is not fair to ask you these, you may wish to take them on notice.

Dr Henry—I am not aware of the article. It is not surprising. It sounds plausible to me, but I will take it on notice.

2. Do we have any figures available on what the current proposal may have netted in that period in taxation revenue or is that something unfair to ask you?

Dr Henry—I have not done those numbers. I am not sure that we have done those numbers. You are really asking how much revenue would the MRRT have collected over that period—so from 2002-03 or 2003-04 up to the present.

Senator HUTCHINS—Yes.

Dr Henry—No, I have not seen any numbers—

Senator HUTCHINS—Is it likely to have been in that ballpark, or a little more or a little less?

Dr Henry—I really do not know and I would not want to hazard a guess at that. I think we would have to take that one on notice.

Senator HUTCHINS—But in light of the fact that most economists who have appeared before us have argued that a profit based tax is a much better way of taxing this sector. We may have as a Commonwealth foregone \$28 billion according to those statistics from ABARE that were presented to us last Friday.

Answer:

1. Treasury is aware of the article but is not in the position to verify the accuracy of the figure.
2. This analysis has not been undertaken.

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Question: 3

Topic: Benefits to the big three from using market value to calculate the starting base

Senator Cameron asked:

1. You were asked earlier about the benefits to the big three from using market value to calculate the starting base. Is it not true that at least one smaller miner, Fortescue, publicly advocated for the starting base for the projects to more closely resemble market value rather than book value prior to the announcement of the MRRT?

Answer:

Fortescue Metals Group Limited issued a press release on 29 June 2010 which requested among other things, “to reduce the retrospective nature of the tax by doubling the value of spent capital” in the starting base. The Minerals Resource Rent Tax goes beyond this request by allowing for the market value of physical assets and the value of resources to be included in the starting base.