

**SENATE ECONOMICS LEGISLATION COMMITTEE**  
Inquiry into the Minerals Resource Rent Tax Bill 2011 and related bills  
21 February 2012

**Senator Ludlam**

**Hansard Ref: Pages 16-17 (Proof Hansard)**

Senator Ludlam: That is very, very interesting. So, that takes my second question as well. You have provided the committee with a number of different estimates of the taxes that the industry pays, but you consider royalties to be part of the tax. So, that is how you have provided us with a range of numbers ranging between, I think, 38 per cent and 43.6 per cent or thereabouts, but you add royalties to those. In your estimates of the amount of tax paid by the mining industry, do you net out tax concessions and so on that the industry receives from the taxpayer?

Dr Moran: There are two different ways in which they are examined there, if you look at our data. We look at the annual return on capital and then we look at the actual net royalty payments included that they pay. What is included in that is you take out whatever the government has given in depreciation payments; is that what you are talking about?

Senator Ludlam: Yes. Without diesel fuel rebate or various other handouts, do you net those out in your calculations, or not?

**Dr Moran:** Yes.

Senator Ludlam: Could you maybe provide a break-up of how you have done that for us?

**Dr Moran:** Okay.

***Answer:***

The data is based on the work of Professor Sinclair Davidson of RMIT. Professor Davidson explains his methodology as follows:

“I calculate two measures of effective tax rate. First just the Net Tax to Net Income and second Net Tax plus Royalty expense to Net Income. Results are shown below in the table.

Note that Mining has the highest effective tax rate after accounting for Royalty payments.”

|  | ETR(1) = Net<br>Tax/Net Income | ETR(2) = (Net Tax<br>+ Royalty)/Net<br>Income |
|--|--------------------------------|---|
| Agriculture, Forestry & Fishing                    | 26.07                          | 29.06   |
| Mining   | 27.81                          | 41.34   |
| Manufacturing                                      | 28.38                          | 30.25   |
| Electricity, Gas, Water and Waste Services         | 26.11                          | 28.47   |
| Construction                                       | 28.44                          | 28.62   |
| Wholesale Trade                                    | 28.61                          | 30.49   |
| Retail Trade                                       | 28.76                          | 31.24   |
| Accommodation and Food Services                    | 27.18                          | 31.48   |
| Transport, Postal and Warehousing                  | 27.90                          | 28.14   |
| Information Media and<br>Telecommunications        | 29.11                          | 30.67   |
| Financial and Insurance Services                   | 21.54                          | 22.37   |
| Rental, Hiring and Real Estate Services            | 22.77                          | 23.19   |
| Professional, Scientific and Technical<br>Services | 27.98                          | 30.01   |
| Administrative and Support Services                | 28.48                          | 29.43   |
| Public Administration and Safety                   | 29.65                          | 31.22   |
| Education and Training                             | 29.15                          | 30.54   |
| Health Care and Social Assistance                  | 28.76                          | 28.92   |
| Arts and Recreation Services                       | 28.86                          | 30.01   |
| Other Services                                     | 28.01                          | 28.92   |
| Other  | 18.07                          | 18.44   |
| <b>Total</b>                                       | <b>24.56</b>                   | <b>27.18</b>                                  |

In estimating the tax rate he draws upon the ATO Taxation Statistics, specifically tables 8 and 9 of the corporate tax statistics.

**Alan Moran**  
**Director Deregulation Unit**

**Institute of Public Affairs**