



31st October 2012

Tim Bryant
Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Tim

**Inquiry into the Minerals Resource Rent Tax Amendment (Protecting Revenue) Bill
2012**

Thank you for the opportunity to provide comment on the Minerals Resource Rent Tax Amendment (Protecting Revenue) Bill which has been referred to the Senate Economics Legislation Committee for inquiry and report.

As you are aware, the Association of Mining and Exploration Companies (AMEC) is the peak national industry representative body for over 360 explorers, miners and the companies servicing them, many of which have project interests in iron ore and coal.

You would also be aware from previous representations through the Committee and other Parliamentary Inquiries that AMEC has been opposed to the MRRT tax regime from inception, mainly in view of the fact that it is an ill conceived, anti competitive, complex, distortionary, inefficient and an irrefutable bad tax.

That view remains, and AMEC strongly believes that the MRRT should be rescinded in full, and replaced with a long term strategic tax reform strategy that creates a level playing field for the mining industry and restores some of the lost investment and business decision making confidence in the minerals exploration and mining sector.

AMEC notes from the Second Reading speech by Senator Milne of 12th September 2012 that the amendment Bill is intended to restrict the rebating of royalties to the States and Territories to those in place as at 1st July 2011.

Despite the fact that AMEC considers the current legislation is poorly designed, the crediting of royalties is an essential feature of the overall framework. In the event that this feature is removed, as proposed, it will result in mining companies paying double taxation through MRRT and royalties to the extent of the increase above 1st July 2011 levels.

Association of Mining and Exploration Companies

info@amec.org.au | www.amec.org.au

Perth Head Office:
6 Ord Street, West Perth WA 6005
PO Box 948, West Perth WA 6872
P: 1300 738 184 | F: 1300 738 185

Queenland Office:
Level 7, Suite 39, 320 Adelaide Street
Brisbane QLD 4000
P: +617 3010 9287 | F: 1300 738 185 | M: 0402 142 367

New South Wales Office:
Level 3, 66 Hunter Street
Sydney NSW 2000
P: 1300 738 184 | F: 1300 738 185 | M: 0424 140 202

Moreover, such a 'freeze' was never contemplated under the original Heads of Agreement with the larger miners, and the subsequent legislation that passed through Parliament.

AMEC considers that the amendment Bill is as a direct result of the inability of the Federal Government to reach a solution over revenue sharing arrangements with the States and Territory Governments, and should be dealt with through other processes such as the Commonwealth Grants Commission and not through the MRRT legislation, as proposed.

AMEC further considers that the Bill will not reduce the incentive for State and Territory Governments to increase their royalty rates, as they will continue to do so to the extent that industry may be able to bear it, with the result that miners will have no option but to pay the royalty with no MRRT offset. This is likely to have other consequences through business restructuring and potential job losses.

AMEC also notes with concern that the proposed amendments will be retrospective as they relate to royalty increases from 1st July 2011, which will create a dangerous precedent for taxation legislation in Australia. Furthermore, it is unclear from the current drafting what happens in the event that royalty rates are reduced below the level at 1st July 2011.

I would be pleased to appear before the Committee to answer any questions should it be necessary.

Yours sincerely

Simon Bennison
Chief Executive Officer

Cc
Hon Martin Ferguson, Minister for Resources, Energy and Tourism
Senator Mathias Cormann