

Minerals Resource Rent Tax Repeal and Other Measures Bill 2013

Portfolio: Treasury

Introduced: House of Representatives, 13 November 2013

Purpose

2.54 The Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 (the bill) seeks to repeal the mineral resources rent tax (MRRT) by repealing a number of Acts (Schedule 1). It would also make consequential amendments to other legislation, required as a result of the repeal of the MRRT (Schedules 2 to 9).

2.55 The MRRT has applied from 1 July 2012 to taxable resources (broadly, iron ore and coal) after they are extracted from the ground but before they undergo any significant processing or value adding. Coal seam gas produced as a necessary incident of coal mining was also included as a taxable resource. The effect of the bill would be that taxpayers do not incur liabilities for MRRT on or after 1 July 2014. However, the amendments do not affect the rights, powers and obligations of taxpayers and the Commissioner of Taxation in respect of MRRT liabilities that arise before that date.

2.56 This bill would also repeal the following MRRT-related measures: loss-carry back (Schedule 2); geothermal expenditure deduction (Schedule 5); low-income superannuation contribution (Schedule 7); income support bonus (Schedule 8); and schoolkids bonus (Schedule 9).

2.57 In addition, the bill would revise the following MRRT-related measures: capital allowances for small business entities (Schedules 3 and 4); and superannuation guarantee charge percentage increase (Schedule 6).

Background

2.58 The committee reported on the bill in its *First Report of the 44th Parliament*.

2.59 The Senate negatived the second reading of the bill on 25 March 2014 and the bill is therefore not proceeding.

Committee view on compatibility

Right to an adequate standard of living and right to social security

Reduction in superannuation benefits

2.60 The committee sought clarification as to whether the measures contained in Schedules 6 and 7 of the bill (relating to the superannuation guarantee and low-income superannuation contribution, respectively) are consistent with the right to an adequate standard of living and the right to social security.

2.61 The committee sought clarification whether the measures proposed by Schedules 8 and 9 (relating to the income support bonus and schoolkids bonus,

respectively) will be accompanied by appropriate mechanisms to monitor and address any disproportionate impact the cessation of these payments may have on disadvantaged individuals, children and families, particularly if they cause undue hardship.

Parliamentary Secretary's response

Schedules 6 and 7

For the MRRT Repeal Bill, the Committee sought clarification as to whether the superannuation guarantee (SG) and the low income superannuation contribution (LISC) measures contained in Schedules 6 and 7 of the Bill are compatible with the right to an adequate standard of living and the right to social security.

The LISC repeal and the SG rephrase are occurring in the context of fiscal savings for the Government. These measures were linked to the failed Minerals Resource Rent Tax with the Government borrowing money to pay for these commitments. Repealing the LISC and rephrasing the SG needs to be seen in this context and will assist in repairing the damage done to the nation's finances.

The Government is comfortable the measures set out in Schedules 6 and 7 of the MRRT Repeal Bill are compatible with human rights.

Schedules 8 and 9

The Committee also sought clarification on whether the amendments in Schedules 8 and 9 to remove the Income Support Bonus and Schoolkids Bonus will be accompanied by appropriate mechanisms to monitor and address any undue hardship the cessation of these payments may cause to vulnerable individuals and families.

There are no specific mechanisms to monitor the impact of the repeal of the Schoolkids Bonus or Income Support Bonus. However, people experiencing financial hardship may access existing support services delivered by Centrelink and other Government funded services.¹

Committee response

2.62 The committee thanks the Parliamentary Secretary to the Treasurer for his response. Noting that the bill is not proceeding, the committee has concluded its examination of this bill.

2.63 However, the committee notes that the Parliamentary Secretary's response did not provide a detailed and evidence-based explanation for the measures. The response simply states that the 'LISC repeal and the SG rephrase are occurring in the context of fiscal savings for the Government'. The committee notes that, to

1 See Appendix 2, Letter from The Hon Steven Ciobo MP, Parliamentary Secretary to the Treasurer, to Senator Dean Smith, 21 May 2014, pp 1-2.

demonstrate that a limitation is permissible, legislation proponents must provide reasoned and evidence-based explanations of why proposed measures are necessary in pursuit of a legitimate objective, and are reasonable and proportionate means to achieve that objective.