

Chapter 1

Introduction

1.1 On 10 November 2011, the Senate referred the provisions of the following 11 bills to the Economics Legislation Committee for inquiry and report by 14 March 2012:

- Minerals Resource Rent Tax Bill 2011;
- Minerals Resource Rent Tax (Consequential Amendments and Transitional Provisions) Bill 2011;
- Minerals Resource Rent Tax (Imposition—Customs) Bill 2011;
- Minerals Resource Rent Tax (Imposition—Excise) Bill 2011;
- Minerals Resource Rent Tax (Imposition—General) Bill 2011;
- Petroleum Resource Rent Tax Assessment Amendment Bill 2011;
- Petroleum Resource Rent Tax (Imposition—Customs) Bill 2011;
- Petroleum Resource Rent Tax (Imposition—Excise) Bill 2011;
- Petroleum Resource Rent Tax (Imposition—General) Bill 2011;
- Superannuation Guarantee (Administration) Amendment Bill 2011; and
- Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011.

1.2 The bills seek to introduce the Minerals Resource Rent Tax (MRRT); a tax on the economic rents mining companies make from the extraction of certain non-renewable mineral resources.

1.3 Further progressing the government's agenda for reforming the tax treatment of the resource sector, the bills also seek to extend the coverage of the existing Petroleum Resource Rent Tax (PRRT). The PRRT is a tax on the economic rents derived from the extraction and early processing of petroleum, and currently applies to projects in Commonwealth waters with some exceptions. The bills would extend the coverage of the PRRT so that it applies to all offshore and onshore petroleum projects, such as the North West Shelf and onshore coal seam gas projects.

1.4 The bills also seek to make a number of improvements to the superannuation and business tax systems which are linked to the revenue expected to be gained from the MRRT. The bills will increase the superannuation guarantee charge from 9 per cent to 12 per cent, remove the age limit associated with these contributions and will introduce a government superannuation contribution for low income earners. The bills also seek to make a number of amendments to improve and simplify small business taxation arrangements.

Conduct of the inquiry

1.5 Details of this inquiry were advertised in *The Australian* and on the committee's website. The committee also wrote to relevant companies, organisations, academics and individuals inviting submissions. In total, the committee received 32 submissions. Details about these submissions can be found in Appendix 1.

1.6 The committee held two public hearings in Canberra on 21 and 22 February 2012. Evidence was given by mining companies, peak industry associations, public policy think tanks, academics, trade unions, superannuation funds, superannuation industry bodies, Treasury and the Australian Taxation Office. The witnesses who appeared at these hearings are listed in Appendix 2.

1.7 The committee thanks all of the individuals and organisations that participated in this inquiry.

Examination by the Senate Scrutiny of Bills Committee

1.8 The Senate Standing Committee for the Scrutiny of Bills assesses legislative proposals against a set of accountability standards that focus on the effect of proposed legislation on individual rights, liberties and obligations, and on parliamentary propriety.

1.9 In its final *Alert Digest* of 2011, the Scrutiny of Bills Committee outlined its comments on the bills. That committee's comments on the bills against its terms of reference were limited to a specific provision in the Minerals Resource Rent Tax (Consequential Amendments and Transitional Provisions) Bill 2011 which it considered had retrospective effect, the need for which was not sufficiently justified in the Explanatory Memorandum. The Scrutiny of Bills Committee requested a fuller explanation from the Minister on this issue.¹

Outline of the report

1.10 This report consists of eight chapters which are briefly described below:

- Chapter 2 provides an overview of some of the positive impacts the mining boom is having on the Australian economy, and some of the immediate and long-term challenges for the economy it is linked to. The chapter then outlines the rationale for introducing a resource rent tax for the minerals sector and describes the policy development process undertaken for the MRRT.
- Chapter 3 summarises how the MRRT is intended to operate.

1 See Senate Standing Committee for the Scrutiny of Bills, *Alert Digest*, no. 14 of 2011, 23 November 2011, pp. 23–24.

- Chapter 4 discusses the revenue projections associated with the MRRT as well as the arguments put forward regarding the impact the MRRT will have on future investment.
- Chapter 5 examines the concerns expressed by small and emerging miners regarding various aspects of the MRRT, such as its adherence to the principle of competitive neutrality, the low profit offset, the simplified obligations designed to reduce administrative burden for small miners, the concerns of the magnetite industry and a number of other specific issues with the design of the MRRT.
- Chapter 6 examines the proposed extension of the PRRT to all offshore and onshore petroleum projects.
- Chapter 7 considers some of the key ways in which revenue from the MRRT will be used to ensure the benefits of the mining boom are shared with the wider community. That chapter examines the proposed increase in the superannuation guarantee charge from 9 per cent to 12 per cent, the removal of the age limit for those contributions and the proposed low income superannuation contribution.
- Chapter 8 discusses the proposed changes to certain small business taxation measures, including the abolition of the entrepreneurs' tax offset, increase in the small business instant asset write-off threshold, simplification of asset depreciation arrangements and the introduction of accelerated initial deductions for purchases of motor vehicles by small businesses.

