

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 112

Topic: Proportion of Profits – Iron Ore & Coal

Hansard Page: Wednesday 30 May 2012, page 104

Senator WATERS asked:

Senator WATERS: Do you still use the term 'superprofits'? Does it have a lifespan now that the RSPT is dead?

Mr Heferen: I think the labels are meant to attach to the concept of economic rent generated. Superprofits is one of those labels some people use. Sometimes it is economic rent. There is no specific return to capital that can be identified as such. It is an economist term to try to describe an overall return.

Senator WATERS: Can you give me a flavour of the proportion of profits, be they super or otherwise, from iron ore and coal to the industry? Does Treasury track that?

Mr Heferen: Well, these are—

Senator Wong: Are you talking about the previous policies still, Senator?

Senator WATERS: No. I am talking about the current make-up of the mining industry. What proportion of the profits and the superprofits come from iron ore and coal?

Mr Heferen: We will have to take that question on notice.

Senator WATERS: The ABS has estimated that the resources rent from subsoil assets would be about \$40 billion in 2008-09 and about \$44 billion in 2009-10. Roughly what proportion of this will be captured by the MRRT?

Senator Wong: What is the source?

Senator WATERS: The ABS. It is page 46 of *Completing the picture—environmental accounting in practice*. I do not expect you to have it on hand. It makes the point that the resources rent from subsoil assets was \$40 billion in 2008-09. It had gone up to \$44 billion in 2009-10. I am trying to establish what proportion of that will be captured by the MRRT.

Mr Heferen: I am not sure what they are referring to there as the economic rent. But, in relation to what the MRRT captures, the projections of revenue of the MRRT are in the budget. We are forecasting to collect, I think, \$3 billion in 2012-13.

Senator WATERS: Can you remind me of the proportion of the profits that that will represent?

Mr O'Toole: Mining profits were last reported to be in the vicinity of, I think, \$95 billion. That is for the mining industry as a whole. You have to recall that the minerals resource rent tax only applies to coal and iron.

Senator WATERS: That is what I am trying to establish—what proportion of those profits will be covered by the tax.

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Mr O'Toole: What I am trying to say is that there is a difference between what the tax actually captures and what the tax covers, if you like. You have to remember that the minerals resource rent tax is a profits based tax which applies after all the costs are taken into account. So if you are asking what percentage of that \$100 billion or so fell within mining and coal, as Rob said, we will have to take that on notice.

Senator WATERS: That would be helpful.

Answer:

The Australian Bureau of Statistics (ABS) publishes aggregate figures for the gross operating profit before income tax of the mining industry as well as other industries (See ABS catalogue 5676.0).

While the ABS also publishes profitability by mining sub-division, including from coal mining and metal ore mining in catalogue 8155.0, the profitability of iron ore mining is not separately identified.

Moreover, it should be noted that the gross profit figures reported by the ABS do not align with MRRT taxable profit, which allows for the immediate deduction of capital expenditure, and is determined net of both royalties and those profits not directly attributable to the resource. The profit from minerals other than coal and iron that would be taxable under the MRRT has not been estimated as it does not reflect Government policy.