

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 1229

Topic: Assistance provided in the form of tax expenditures or concessions to the mining industry

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Senator Waters asked:

I am interested in how much assistance is provided in the form of tax expenditures or, effectively, concessions to the mining industry. I have some older figures, but I am interested in recent figures.

Senator Arbib: I think you asked this question earlier and it was taken on notice—is that right?

Senator Waters: Yes, I asked a similar question.

Senator Arbib: I think Treasury took it on notice earlier.

Senator Waters: I think they said that it was not their issue, from my recollection. Is anyone at the table or in the room able to shed any light on it?

Mr Brake: As a point of clarification, when you say 'all assistance', are you also looking at all possible outlays assistance? It is potentially quite a broad question.

Senator Waters: Yes, as broad as you can make it, but specifically on the tax expenditures and concessions. I know there are a lot of them. Some recent figures on the vast amount that they all add up to would be very useful.

Chair: For the mining industry?

Senator Waters: Yes.

Chair: How do you define the mining industry?

Senator Waters: I will accept Treasury's standard definition of that.

Mr Heferen: We will take that on notice. There is the tax expenditure statement that is released. For the tax expenditure statement, some would argue that the amount represents a level of assistance provided. Others would contest that because fundamental to the notion of a tax expenditure is the benchmark that one is utilising. As Mr Brake said, there may be a range of outlays—for instance, budget funding that various miners might get at certain stages. I think it would probably be safest if we were to take that question on notice.

Senator Waters: I am conscious of that expenditure statement but it does not give me a good breakdown industry by industry, and that is what I am interested in. What is the justification for the giving of those concessions?

Mr Heferen: That would be a question of policy.

Senator Waters: Has Treasury formed a view or advised the minister of the propriety of the level of that assistance, given recently changing economic circumstances?

Mr Heferen: The question of whether an outlay is appropriate or whether a tax expenditure or a tax concession is appropriate are matters of policy for ministers. It would not be appropriate for us to offer a view.

Senator Waters: Are there economic justifications for those that you are able to walk me through?

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Senator Arbib: That is an opinion.

Mr Heferen: I do not think it would be fair to say that there is a hard and fast economic justification. There is a lot of contestability, even on things that some would argue are basic public goods. There might be some people who say that it still should be a matter of individuals to fund those. Any direction down that path would inherently have a set of value judgments underneath which I do not think it is appropriate for us to put a view on. To the extent that we would put a view, it would be a view we would put to a minister. But, at the end of the day, ministers would make those decisions.

Senator Waters: So you are claiming a public interest ground exemption there?

Mr Heferen: No, it is more basic. Our role here would be to provide information and we will go away and get that information about estimates in dollar terms and how much assistance is provided. The question of whether it ought to be provided is not a matter for us to form a judgement on.

Senator Waters: I accept that.

Answer:

The Productivity Commission provides estimates of Australian Government assistance to all industry sectors, including mining, in its annual Trade and Assistance Review. In the latest review, the Productivity Commission estimated that Australian Government assistance for the mining industry comprised of \$132.2 million in outlays and \$416.9 million in tax expenditures for the 2009-10 year.