Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No:	SBT 667 - 671
Topic:	Mining Tax
Hansard Page:	Written

Senator Bob Brown asked:

667. The IMF is the latest body to have called for the mining tax to be extended beyond coal and iron ore. Are Treasury aware of any independent research and reports that recommend it should be restricted to just iron ore and coal?

668. What are Treasury's latest estimates on the difference in the revenue that the MRRT will raise over the next decade (or if that is not available, over the forward estimates) and the revenue that would have been raised by the RSPT on the same assumptions?

669. Is it the case that state governments can continue to raise mining royalties without limit and reduce the revenue to be raised by the MRRT?

670. How much less revenue will the mining industry contribute to the government as a result of the proposed cut in the company tax rate from 30 to 29 per cent?

671. Does Treasury have estimates of the amount of government spending on infrastructure primarily benefiting the mining sector?

Answer:

667: Treasury is not aware of any independent research or reports recommending the restriction of the Minerals Resource Rent Tax to iron ore and coal.

668: Treasury has not prepared an updated estimate of the difference between the RSPT and the MRRT as the RSPT is no longer Government policy.

669: Royalties paid in relation to a mining project produce deductions under the MRRT. Any increase in royalties will reduce MRRT revenue from projects that have an MRRT liability.

The incentive for State governments to increase royalties is likely to be somewhat limited by the inefficient nature of such arrangements. Unlike the MRRT, royalties are generally applied on an *ad valorem* or volume basis irrespective of an individual project's profitability. As such, they discourage investment in less profitable projects and distort production decisions, including promoting early project closure.

In its November 2010 report to Government, the Policy Transition Group recommended putting in place arrangements to ensure that State and Territory governments do not have an incentive to increase royalties. Consistent with that recommendation, on 21 November 2011, the Treasurer wrote to State Treasurers advising that a decision to increase to coal or iron royalties post- 1 July 2011 would result in the State being ineligible for funding under the Regional Infrastructure Fund.

In addition, on 17 November 2011, the Treasurer amended the Terms of Reference for the GST Distribution Review, to require the review panel to consider State royalties that would reduce Mineral Resource Rent Tax and Petroleum Resource Rent Tax revenue.

The Review's revised Terms of Reference are available at: http://www.gstdistributionreview.gov.au

670: Treasury has not separately estimated the impact of the reduction in the company tax on the mining industry.

671: Treasury has not estimated the proportion of government spending on infrastructure that primarily benefits the mining sector.