

# Chapter 1

## Inquiry into a national mining tax

### Terms of reference

1.1 On Thursday, 30 September 2010 the Senate established the Select Committee on the Scrutiny of New Taxes to inquire into a broad range of matters relating to taxation:

- (a) New taxes proposed for Australia, including:
  - (i) the minerals resource rent tax and expanded petroleum resource rent tax,
  - (ii) a carbon tax, or any other mechanism to put a price on carbon, and
  - (ii) any other new taxes proposed by Government, including significant changes to existing tax arrangements;
- (a) the short and long term impact of those new taxes on the economy, industry, trade, jobs, investment, the cost of living, electricity prices and the Federation;
- (b) estimated revenue from those new taxes and any related spending commitments;
- (c) the likely effectiveness of these taxes and related policies in achieving their stated policy objectives;
- (d) any administrative implementation issues at a Commonwealth, state and territory level;
- (e) an international comparison of relevant taxation arrangements;
- (f) alternatives to any proposed new taxes, including direct action alternatives; and
- (g) any other related matter.<sup>1</sup>

1.2 Given the extensive scope of the terms of reference the committee resolved to report to the Senate on a subject by subject basis, as each matter referred had been inquired into.

1.3 This report sets out the committee's findings of its inquiry into the proposed national mining taxes. This inquiry involved investigation of the proposed minerals resource rent tax and the expanded petroleum resource rent tax.

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1 *Journals of the Senate*, 2010, pp. 119-120.

## **Conduct of the inquiry to date**

1.4 Following its establishment and the resolution to inquire into the terms of reference on a subject by subject basis, the committee advertised its inquiry into a national mining tax in the national press (*The Australian*) and invited written submissions by 29 October 2010. The closing date for submissions was later extended to 30 April 2011. Details of the inquiry were published on the committee's website.<sup>2</sup> The committee also wrote to a large number of stakeholders inviting submissions.

1.5 The committee received 33 submissions. A list of the submissions received can be found in Appendix 1.

1.6 Seven public hearings were held in Perth, Melbourne, Canberra and Sydney throughout November and December of 2010, and February and March of 2011. The witnesses who appeared before the committee at its hearings are listed in Appendix 2. The committee is very disappointed that the Chair and members of the government appointed Policy Transition Group refused to participate in the inquiry process.

## ***Acknowledgement***

1.7 The committee extends its sincere thanks to all parties who contributed to and participated in the inquiry process by making submissions and/or appearing before it.

## **Structure of the report**

1.8 This report into a national mining tax is comprised of 7 chapters.

- Chapter 2 sets out the process of the proposed rent taxes. This Chapter identifies the main themes that will be examined in the remaining chapters of the report.
- Chapter 3 examines the design process of the proposed tax. It outlines the flawed policy development processes behind the Resource Super Profits Tax (RSPT), the Mineral Resource Rent Tax (MRRT) and the expanded Petroleum Resource Rent Tax (PRRT). In particular it focuses on the lack of openness, transparency and inclusiveness surrounding the development of those new taxes.
- Chapter 4 examines the proposed MRRT and expanded PRRT in more detail. This Chapter explores the impact of those proposed taxes and inquires into the concerns that have been raised by stakeholders.
- Chapter 5 investigates some broader economic and fiscal policy issues raised by the mining tax, including the worsening structural deficit, caused by a combination of highly volatile and declining revenue from the national mining tax, and the increasing cost of related budget measures.

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2 [http://www.aph.gov.au/Senate/committee/scrutinynewtaxes\\_ctte/index.htm](http://www.aph.gov.au/Senate/committee/scrutinynewtaxes_ctte/index.htm)

- Chapter 6 examines the role of the mining sector in the Australian economy, how the mining tax will affect the economies of each state and how the proposed proceeds will be spent. The chapter also considers these issues in the context of Commonwealth-state financial relations.
- Chapter 7 focuses on the need for genuine tax reform instead of a lazy grab for cash by a government addicted to more and more spending. This chapter is also focussed on objectives and process improvements for tax reform in the future.