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Senator Mathias Cormann  
Chair of the Senate Select Committee on the Scrutiny of New Taxes  
Parliament House  
CANBERRA ACT 2600

Dear Senator Cormann

Thank you for the opportunity to make a submission to the Senate Select Committee's inquiry into a national mining tax. The Chief Minister, the Honourable Paul Henderson, MLA, has asked that I respond directly to your invitation of 18 October 2010.

The Northern Territory Government is closely monitoring developments in relation to the Minerals Resource Rent Tax (MRRT) as the Policy Transition Group conducts its initial round of consultation. Given that consultation is still continuing and the Policy Transition Group is yet to finalise its recommendations to the Commonwealth, it is difficult to comprehensively assess the long term impact of the MRRT on the Northern Territory. However, I can provide the following general observations, including administrative implementation issues.

With the MRRT applying only to iron ore and coal mines with profits that exceed \$50 million, the impact of the MRRT on current Northern Territory miners may be limited. However, initial indications are that there are two large iron ore projects, which would potentially be captured by the MRRT, which could commence operations in the Territory by 2013.

The Northern Territory has been operating a profits based royalty regime for a number of years and I believe that the Northern Territory regime addresses many of the MRRT design and implementation issues currently under consideration.

In this regard, the proposed design of the MRRT varies, at a fairly fundamental level, to the Northern Territory's *Mineral Royalty Act*. Some of the key areas of difference are the identity of the royalty payer/taxpayer, valuation and payment points, royalty discounts, the treatment of capital deductions, carried forward losses, uplift factors, transferability of expenses between projects and apportionment of expenditure between taxable and non-taxable commodities from the same project.

The Northern Territory has concerns about any additional regulatory and administrative burden placed on miners required to comply with a MRRT which is different to the Northern Territory's *Mineral Royalty Act*. The Northern Territory's view is that the *Mineral Royalty Act* establishes an efficient, fair and transparent regime. I would need to be persuaded that harmonisation with the new MRRT would result in an improvement to the current position.



Northern Territory Government

Under the former Resource Super Profit Tax, the Commonwealth announced that miners would be provided with a credit for state mining royalties. The Commonwealth has indicated that a similar policy would apply under the MRRT, where a mine is subject to both the MRRT and state royalties. A point of contention is whether this crediting will apply to future increases in state royalties. This is an issue that the Northern Territory Government will endeavour to resolve with the Commonwealth.

With extension of the Petroleum Resource Rent Tax (PRRT) to onshore oil and gas projects, a similar issue arises as there are significant differences between the Northern Territory's petroleum royalty scheme and the Petroleum Resource Rent Tax. Although the impact on current gas and oil fields should be minimal as these fields are in decline, future projects (at least one of which is currently planned) are likely to be subject to the extended PRRT if the project proceeds to production.

I trust this information is of assistance to your Committee. The Northern Territory welcomes the Commonwealth's commitment to funding the Regional Infrastructure Fund from MRRT receipts and looks forward to ongoing consultation on the design and implementation of the MRRT and extension of the PRRT.

Yours sincerely

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DELIA LAWRIE

9.12.05