



The Secretary
Senate Economics References Committee
PO Box 6100
Parliament House
Canberra ACT 2600
By email: economics.sen@aph.gov.au

27 March 2013

Dear Committee Members

**SUBMISSION TO THE SENATE ECONOMICS REFERENCES COMMITTEE
("COMMITTEE") ON THE INQUIRY INTO THE DEVELOPMENT AND OPERATION OF
THE MINERALS RESOURCE RENT TAX ("MRRT")**

We appreciate the opportunity to submit our comments to the Committee in relation to the inquiry into the development and operation of the MRRT.

Rather than make our own extensive independent submission, we seek to make a succinct submission and commend to the committee the submission of the Association of Mining and Exploration Companies, of which we are a member.

Fortescue Metals Group Limited ("Fortescue") is a proudly Australian iron ore producer that has grown from first production in 2008 to today being one of the four largest seaborne suppliers of iron ore globally. From our foundation in 2003, we have grown into a substantial company that will by the end of this financial year pay more than \$1 billion in company tax and royalty payments to Federal and State Governments; that will by the end of this year carry a balance sheet provision in relation to environmental care of more than \$1 billion, and which by the end of this year will have granted \$1 billion in contracts to Aboriginal businesses and joint ventures.

Whilst the perspective of business and government may differ on the optimum amount of taxes to levy, there should be a common agenda regarding the administration and development of tax systems and the need to ensure that they are simple, transparent and efficient. Ultimately both government and business benefit from tax systems which are simple to administer and where levels of compliance are high.

The New Force in Iron Ore
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Fortescue opposed the original Resource Super Profits Tax ("RSPT") announced in May 2010, especially because of the detrimental effect such a tax regime would have had on Australia's international competitiveness in terms of being an attractive place for business investment. Fortescue also remains firmly opposed to the replacement MRRT announced by the Government in July 2010. The MRRT has proven to be inefficient, discriminatory and administratively burdensome because of the technical complexity in applying concepts from income tax, GST, OECD transfer pricing guidelines, mining law, accounting concepts and market valuation principles. It is no substitute for long term strategic and holistic tax reform and no redesign could improve it.

The imposition of a Federal tax on resources is causing significant political difficulties between the Federal and State Governments. It is a simple consequence of our nation's European settlement that all of Australia's mineral wealth is vested in the States and not the Commonwealth and as such it is up to the people of each state to decide upon how they will tax the extraction of natural resources in order to compete against other jurisdictions for investment.

As mentioned previously the MRRT has introduced a new layer of administrative complexity into an already highly regulated industry. Taxing at a 'project' level rather than a corporate level has further complicated matters and is significantly increasing the cost of overall taxation compliance. Implementing the MRRT regime, in terms of systems modification requirements, technical consultancies and legal interpretation, within Fortescue alone has cost many millions of dollars. The MRRT imposes an additional layer of taxation on top of the existing State and Territory based royalty systems and the Federal income tax regime in a manner that does not simplify taxation, nor make the taxation process more efficient. In fact, since it is an entirely new tax impost all it has done is to increase the complexity of the compliance burden and necessarily acts as an investment deterrent to the extent that it reduces forecast project returns.

We would welcome the opportunity to appear before the Committee as an AMEC member to discuss the above and any related matters in further detail.

Yours sincerely

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