23 December 2012

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Committee Secretary,

Minerals Resource Rent Tax Bill 2011 and related bills

The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises of all Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF. Following a restructure of the organisation in 2009 a broader cross section of the agricultural sector has been enabled to become members of the NFF, including the breadth and the length of the supply chain.

The NFF appreciates the opportunity to provide input into the Senate Economics Committee inquiry on the Minerals Resource Rent Tax Bill 2011 and related bills.

The NFF has not adopted a formal position on the Minerals Resource Rent Tax Bill 2011 and recognises that the impacts of the Mining Tax on agriculture and the regional communities that the sector relies heavily upon can be seen in both negative and positive lights. However, the NFF recognises that the Minerals Resource Rent Tax Bill 2011 has been packaged together with a range of unrelated policy objectives that the NFF feels strongly about.

NFF members are particularly impacted by the following Bills within the Minerals Resource Rent Tax Bills package:

- Superannuation Guarantee (Administration) Amendment Bill 2011, and the
- Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011.

Superannuation Guarantee (Administration) Amendment Bill 2011

The NFF notes that the Superannuation Guarantee (Administration) Amendment Bill 2011 will look to:

- Increase the age of an employee at which the superannuation guarantee (SG) no longer needs to be provided from 70 to 75, and to
- Increase the SG charge percentage from 9 per cent to 12 per cent.

While the NFF has no objection to increasing the age of an employee at which the SG no longer needs to be provided, Australian farmers, the vast majority of which are small, family owned and operated enterprises, have serious concerns about increasing the SG charge percentage from 9 per cent to 12 per cent on the below schedule.

Quarter during the income year	***Charge percentage (per cent)***
2013-14	9.25
2014-15	9.5
2015-16	10
2016-17	10.5
2017-18	11
2018-19	11.5
2019-20 and subsequent income years	12

The NFF believes that increasing the SG amount will be a significant hit for farm businesses, who will incur the majority of the additional 3 per cent superannuation contribution in the form of increased wages. The NFF estimates that, once the full 3 per cent increase in the SG is in place that the additional cost for the Australian farm sector will be approximately $350 million per annum. This assumes that employers meet a very conservative 75 per cent of the additional cost with employees meeting the final 25 per cent. The total cost to agricultural employers would escalate to more than $475 million if employers were found to incur 100 per cent of the additional cost.[1]

While the NFF notes that the long lead in times will help farm businesses adjust to the change, we are extremely concerned that due to Australian farmers notorious incapacity to pass on additional costs (heightened by increased competition in regional areas for labour from the mining sector) that the vast majority of this cost will come off the farmer's bottom line.

The NFF is of the view that the ramifications of increasing the SG contribution amount is being lost in the broader Minerals Resource Rent Tax Bills package.

The NFF therefore believes that the Superannuation Guarantee (Administration) Amendment Bill 2011 should be split from the Minerals Resource Rent Tax Bills package and be treated in isolation from the broader package of measures.

The NFF, in the event that the Superannuation Guarantee (Administration) Amendment Bill 2011 is passed, believes that Fair Work Australia must consider and factor in the effects of the SG increase in all future minimum wage reviews.

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[1] Calculated with the following assumptions - Australian agriculture currently employs 317,000 people. An indicative average farm wage is $50,000 p.a. Assuming that as a result of this change, the farm employer incurs 75 per cent of the additional SG contribution (i.e.: 2.25 per cent) with the final 0.25 per cent being incurred by the employee, then this would equate to an additional cost for the Australian farm sector of approximately $350 million p.a.

Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011

While most farm capital expense items will cost well in excess of the designated threshold, the NFF is positive about the proposal to allow small farm businesses to access improved depreciation write-downs of assets such as fencing, sheds and other capital works worth less than $6,500. We acknowledge that cars are an exception and the first $5,000 can be written off in depreciation, regardless of whether the asset is valued at a higher amount.

The NFF also welcomes the administrative benefits of allowing for the write-off all other assets (except for buildings) in a single depreciation pool at a rate of 30 per cent (15 per cent in the first year).

The NFF notes that the increase in the instant asset write-off is proposed to apply from 1 July 2012, with the increase from $1,000 to $5,000 dependent on the passage of the Minerals Resource Rent Tax package of Bills and the further increase to $6,500 linked to the Clean Energy package of measures.

Despite welcoming the decision, the NFF reinforces its long standing concern about the definition of a small business entity being a business with an aggregated turnover of less than $2 million for the purposes of taxation. The instant asset write off provisions are bound to this definition, in essence preventing many legitimate small, Australian farm businesses from attaining the benefits. Due to the high turnover, low margin attributes of Australian farm businesses, the NFF urges the Government to increase the small business threshold to $5 million for primary production businesses. The NFF notes that the Australian Competition and Consumer Commission (ACCC) has acknowledged this characteristic of primary production businesses and uses a $5 million turnover threshold for primary producers to determine eligibility for collective bargaining.

For further information regarding the NFF views on this matter, please contact the NFF General Manager – Policy, Charlie McElhone on (02) 6269 5666.

Yours faithfully

MATT LINNEGAR
Chief Executive Officer