



The Secretary
Senate Economics Legislation Committee, SG.64
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: economics.sen@aph.gov.au

21 November 2013

Dear Sir / Madam

REPEAL OF THE MINERALS RESOURCE RENT TAX ("MRRT")

We welcome the positive step taken by the Government to honour its pre-election commitment to repeal the MRRT, and appreciate the opportunity to submit our comments on the draft legislation for consideration by the Senate Economics Legislation Committee ("the Committee").

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 for the 2014 financial year contribute in excess of \$1.5 billion in company tax and royalty payments to Federal and State Governments; that will by the end of the 2014 financial year carry a balance sheet provision in relation to environmental care of more than \$1 billion; that had by the end of the 2013 financial year awarded in excess of \$1 billion in commercial 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 always be a common agenda regarding the administration and development of tax systems and the need to ensure that they are simple, transparent and efficient. The MRRT, and its predecessor the Resource Super Profits Tax ("RSPT"), fail absolutely on these essential tax principles. Ultimately both government and business benefit from tax systems which are simple to administer and where levels of compliance are high.

With good reason Fortescue opposed the original 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 was also firmly opposed to the replacement MRRT announced by the Labor Government in July 2010. The MRRT has proved 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.

As mentioned previously the MRRT 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 has significantly increased 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 millions of dollars. The MRRT imposes an additional unnecessary 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 due to perceptions of sovereign risk and the extent that it reduces forecast project returns.

Again, Fortescue applauds the Government's initiative to repeal the MRRT and we look forward to collaborating meaningfully in the future on genuine and constructive tax reform for the benefit of all Australians.

We would welcome the opportunity to discuss the above, and any related matters, in further detail with the Committee should this be required.

Yours sincerely

Marqus Hughes
Group Manager Taxation