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Senate Standing Committees on Economics
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Dear Sir/Madam,

Senate Economics Committee: Inquiry into the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Bill 2018*

Rio Tinto supports the aim of the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Bill 2018* (the Bill) to improve equity and manage volatility in GST distributions.

The Bill implements changes to improve the effectiveness of the GST distribution system and promote economic development. These changes are welcome.

GST reform needs to improve Australia's growth potential

Rio Tinto is supportive of policies that promote Australia's long-term economic growth potential. Growth-oriented policies deliver higher productivity, higher living standards and, in turn, greater revenue to governments to fund public services for the benefit of all Australians.

Investment in Australia's natural resources sector has conferred significant benefits to all Australians. Australian minerals companies operate in a global industry with intense competition. Australia's comparative advantage in minerals exports requires conducive policy settings that improve productivity and support economic growth by encouraging investment and business activity.

Consistent with this, Rio Tinto supports passage of the Bill which makes refinements to the GST distribution system that help remove the current disincentives for states to develop their natural resources and drive economic growth and employment opportunities.

The GST distribution changes create a fairer system

Rio Tinto supports the Productivity Commission's and government's aim of retaining equity as the main objective of fiscal equalisation. The current GST distribution system requires reform to meet this objective and the Productivity Commission's 2017 report on the GST distribution showed clearly articulated need for reform. The Productivity Commission found that refinements are needed to reduce the level of volatility in GST distributions, particularly for Western Australia.

The legislation provides a more stable and predictable source of revenue for all States and Territories and helps ensure states that develop their natural resources are able to retain a greater share of the benefits. In particular, providing Western Australia with top up funding in the short term to offset low GST payments ahead of the new distribution system, and the move to an eventual GST floor of 75 cents in the dollar creates a system that no longer penalises the state for pursuing resource

The RioTinto logo consists of the word "RioTinto" in a white, serif font, centered within a solid red rectangular background.

development. Importantly, guarantees provided in the legislation for Northern Territory (NT) funding recognise the need for adequate funding for remote communities and indigenous programs in NT.

The review of legislation should assess incentives that promote economic growth

Schedule 1 of the Bill requires a Productivity Commission review into the operation of the Bill by December 2026 and this offers the opportunity to examine the effectiveness of the GST distribution system over the longer term. The review is the appropriate place to consider any further reforms that may be required to support states in the development of their natural resources and embed incentives in the GST system to encourage economic development.

While the legislation's GST floor improves outcomes in the national interest the review is a sensible requirement to ensure the effectiveness of the legislation. Rio Tinto looks forward to playing a constructive role in this process going forward.

If you would like to follow up on any matters raised in this submission, please do not hesitate to contact Brad Haynes Vice President Corporate Relations at [REDACTED]

Yours sincerely,



Joanne Farrell
Managing director, Australia
Group executive, Health, Safety & Environment