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21 December 2011

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2601

Dear Committee Member,

BusinessSA
Your business is ours

I write to you in relation to the Senate Standing Committees on Economics *Inquiry into the Mineral Resource Rent Tax Bill 2011 and Related Bills.*

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

The Superannuation Guarantee (Administration) Amendment Bill 2011 should have been considered separately from the Mineral Resource Rent Tax Bills.

Explicit acknowledgement that businesses pay the Superannuation Guarantee Levy (SGL) and that the funding of it is not linked to the Mineral Resource Rent Tax (MRRT) must be given. The public perception is that the increase in the SGL is being funded by the MRRT and nothing could be further from the truth.

There should have been consultation on raising the SGL by one third from 9 per cent to 12 per cent, particularly considering that the Henry Taxation Review did not recommend it and that raising the SGL breaches a promise given before the 2007 Federal Election.

Indeed, Business SA strongly opposes the increase to the SGL, as well as the removal of the 70 years age limit.

A number of recommendations within the Henry Taxation Review and the subsequent Cooper Review into Superannuation would result in a more efficient, transparent and sustainable system of superannuation for retirees at less cost to employers if they were implemented, rather than imposing an increase in the SGL. Certainly there is scope for superannuation fees to be reduced and operations within the superannuation industry improved, that would result in that industry being no worse off, lift retirement incomes and reduce costs to employers.

The development of an appropriate retirement incomes policy should have occured in consultation with employers and other stakeholders. Such a policy should minimise the increase in costs to employers and acknowledge that the beneficiaries of retirement income policies should make some contribution to their own retirement incomes. In particular, there needs to be greater incentives for individuals to contribute to their own retirement incomes.

The design of the MRRT is flawed. There will soon be two different types of mining tax regimes in place. Indeed, while companies subject to the MRRT receive a refund from the Commonwealth Government on the State mining royalities that they also pay, the administrative and compliance costs of two different mining tax regimes are far higher than they should be.

A better alternative would be an intergovernmental agreement that encourages State Governments to dismantle their mining royalty regimes and have them replaced with either State-based resource rent taxes or with a Commonwealth Government resource rent tax package that ensures an appropriate distribution of the revenue, particularly to improve regional infrastructure.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely

Peter Vaughan

Chief Executive Officer