4

Sharing the benefits of the mining boom

Introduction

4.1 Mineral resources belong to Australians and it is only right that the profits from the mining boom should be shared more widely. The Mineral Resource Rent Tax (MRRT), as previously discussed, ensures that mining profits are taxed more effectively and fairly. At the same time, the legislative package and measures announced by the Government will ensure that the revenue from the MRRT will be allocated to helping small business and workers. This will be a clear demonstration of the proceeds from the mining boom flowing to other sectors of the economy.

4.2 The MRRT revenue will help reduce the company tax rate for small business from 30 to 29 percent, and introduce a small business asset write off and deduction for motor vehicles.

4.3 The Superannuation Guarantee (SG) levy is currently set at 9 per cent. Revenue from the MRRT will help fund, over time, an increase in the SG to 12 per cent. In addition, the legislation will enable eligible low income earners to receive the low income superannuation contribution.

4.4 This chapter will examine these measures in detail and highlight the importance of these initiatives.

Mining profits and a fair share for Australians

4.5 The mining boom is resulting in unparalleled profits but there is concern that not all sectors of the economy are sharing in this prosperity. Small businesses, for example, often struggle and those that are trade exposed are particularly disadvantaged because of the high exchange rate. The multispeed economy or patchwork economy is a feature of the mining boom. The Real Estate Institute of Australia (REIA) noted the disparity between different sectors of the economy:

> I am describing a picture at odds with the glowing stories of a mining boom, of the rivers of gold that are supposed to be coursing through our economy. Some sectors are doing well, others are carrying the pain. This is why the focus on small business at the recent tax forum, at which REIA and COSBOA were represented, was important. We welcomed the emphasis given by the Treasurer in his closing speech on small business and his commitment to consultations between the tax office and small business with the aim of simplifying the tax system.[1]

4.6 The Business Enterprise Centres Australia (BECA) described a similar picture of the economy:

> It is a fairness thing. The terms 'two-speed', 'multispeed' or 'patchwork' economy are used constantly and it varies from state to state and region to region. There is a significant amount of wealth that is leaving our shores in payments to shareholders, and we have small business, which is the backbone of the economy, struggling. There has to be a redistribution of that wealth. That wealth is only taken out of the country once and if it can assist small business with direct and instant impact it can only assist.[2]

4.7 Similarly, the REIA noted that it is 'about redistributing the money that is going to come in as a result of the mining tax', and 'we are happy that the money is being redistributed towards small business.'[3]

4.8 United Voice described a more immediate effect of the mining boom on the cost of living pressures faced by service workers in mining communities:

> Many United Voice members work in mining communities, providing health, catering, security, cleaning and other services. However, they have not necessarily enjoyed the benefits of the mining boom, with the cost of living skyrocketing in mining communities. Although such workers may receive additional compensation for working in remote areas, it is barely enough to

1 Ms Amanda Lynch, REIA, *Committee Hansard*, Canberra, 8 November 2011, p. 29.
2 Ms Jackie Zelinsky, BECA, *Committee Hansard*, Canberra, 8 November 2011, p. 34.
3 Ms Amanda Lynch, REIA, *Committee Hansard*, Canberra, 8 November 2011, p. 32.

> cover the basics, such as rent, which can cost up to $2,000 a week. Many towns are now having trouble attracting service workers because they cannot afford the rent. There is a substantial gulf between the perceived benefits of the mining boom and some of the actual impacts on our economy, environment, health and the day-to-day lives of working Australians.[4]

4.9 However, The Australian Chamber of Commerce and Industry (ACCI) argued that there was no link between the taxation of the mining sector and superannuation policy. ACCI stated:

> There is no natural or necessary connection between superannuation policy and the funding of retirement incomes, and taxation policy for the mining and resources sector. They are two separate issues, and both are issues of a substantial policy nature affecting the economy and broader society in potentially profound ways. Both issues require deep and considered policy consideration in their own right.
>
> The mere fact that the government asserts an association on the basis that 'the mining tax is needed to provide workers with better superannuation' (as the government from Prime Ministerial level down have claimed for over a year) is no reason why the parliament or its Committees should compromise one or other of the issues by dealing with these Bills cognately or jointly.[5]

Concessions for small business

Reduction in the company tax rate

4.10 The revenue from the MRRT will allow the government to reduce the company tax rate for small business from 30 to 29 per cent from 2012-13. The Assistant Treasurer noted that this measure will 'assist up to 720,000 incorporated small businesses, allowing them to reinvest more of the profits to grow their businesses.'[6]

4.11 The proposed cut in the company tax rate was highly supported. The REIA commented that it supports 'a reduction in company tax rate to

4 Ms Rebecca Stark, United Voice, *Committee Hansard*, Canberra, 9 November 2011, p. 35.

5 Australian Chamber of Commerce and Industry, *Submission 8*, p. 3.

6 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 6.

29 per cent and the incremental increase in superannuation paid to employees.'[7] The REIA stated:

> At the moment it is a knife edge environment. Anything can tip the balance between a viable business and one that is going into insolvency. So the one per cent reduction in company tax is a very important initiative in terms of giving business a margin and room to move.[8]

4.12 The Council of Small Business Australia (COSBOA) noted that the tax cut was 'a good thing.'[9] BECA was also supportive of the company tax cut stating:

> A significant issue for micro- and small business is cash flow. Any reform which assists small business with cash flow can only be welcomed. Specifically, the MRRT will have two immediate benefits for small business: the reduction in company tax of one per cent for small businesses in the next financial year and the instant write-off increasing from $1,000 to $6,500 effective 1 July 2012.[10]

Small business asset write off and deduction for motor vehicles

4.13 Schedule 2 of the Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011 will benefit small businesses by allowing them to immediately write–off depreciating assets that cost less than $6,500. This measure will take effect from the 2012-13 income year. The Assistant Treasurer commented that 'this increase from a threshold of $1,000 will allow small businesses to claim a deduction for more expensive assets—those costing less than $6,500 instead of less than $1,000—providing a cash flow benefit.'[11]

4.14 This measure, again, was highly supported. COSBOA stated:

> Instant depreciation is always good, from $1,000 to $6½ thousand. That is a good thing because people understand money and they understand at the moment that if they buy something for $1,200 they are going to have to depreciate it over a few years but now they can do a lot of things very quickly and that will help with

7 Ms Amanda Lynch, REIA, *Committee Hansard*, Canberra, 8 November 2011, p. 29.
8 Ms Amanda Lynch, REIA, *Committee Hansard*, Canberra, 8 November 2011, p. 31.
9 Mr Peter Strong, COSBOA, *Committee Hansard*, Canberra, 8 November 2011, p. 29.
10 Ms Jackie Zelinsky, BECA, *Committee Hansard*, Canberra, 8 November 2011, p. 30.
11 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 6.

> their cash flow. I believe it also makes the tax system simpler, which is something that we are always looking for as well.[12]

4.15 COSBOA, however, did note that for a small business to benefit from this measure they have got to spend money, and 'at the moment a lot of little businesses out there are struggling for cash.'[13] While this concern was noted, it was also acknowledged that the instant tax write-off introduced during the Global Financial Crisis did have a stimulatory effect by bringing forward purchases.[14] BECA agreed that the depreciation was a positive measure stating:

> Discussion earlier today in respect of this item raised the question of real benefits to small business if they did not have the money to buy equipment. I think that a better way to look at this is the fact that many businesses need to make capital purchases in order to run their businesses. This increase in the write-off will have an immediate effect on the bottom line. For those businesses that need to borrow to make that purchase, they are more likely to get the loan approved by their bank manager, as the cash flow analysis presented to the bank will reflect the instant write-off, showing a better bottom line.[15]

4.16 Schedule 3 provides an accelerated initial deduction for motor vehicles purchased by small businesses from the 2012-13 income year. This means that a small business that purchases a motor vehicle costing $6,500 or more from the income year 2012-13 will be able to immediately write off up to $5,000 and will be able to depreciate the remainder of the value at 15 per cent in the first year and 30 per cent in following years. The Assistant Treasurer stated that 'it will mean that a self-employed man or woman in a trade on a 30 per cent marginal tax rate buying a new ute worth $33,960 will receive a tax benefit of $1,275 in the year they purchase the vehicle.'[16] The Assistant Treasurer stated:

> Businesses with an annual turnover of less than $2 million will benefit from this small business package. That is 96 per cent of Australia's 2.7 million small businesses. That is over 2½ million

12 Mr Peter Strong, COSBOA, *Committee Hansard*, Canberra, 8 November 2011, p. 29.
13 Mr Peter Strong, COSBOA, *Committee Hansard*, Canberra, 8 November 2011, p. 29.
14 *Committee Hansard*, Canberra, 8 November 2011, p. 29.
15 Ms Jackie Zelinsky, BECA, *Committee Hansard*, Canberra, 8 November 2011, p. 30.
16 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 5.

> people who between them employ up to five million other people.[17]

4.17 The REIA was highly supportive of the accelerated initial deduction for motor vehicles stating:

> …given the reliance that real estate agents have on using motor vehicles in the course of their employment, and this extends to all small businesses, the REIA particularly appreciate the accelerated initial deduction for motor vehicles, permitting my members to immediately write off up to $5,000 and depreciate the remainder of the value at 15 per cent in the first year and 30 per cent in following years.[18]

4.18 COSBOA also commented that the $5000 vehicle depreciation was a 'good thing'.[19]

4.19 The Institute of Chartered Accountants in Australia (ICAA) commented that 'we must do everything we can to make tax compliance simpler for small business owners, and I believe the introduction of the $6,500 instant asset write-off measure as well as the $5,000 motor vehicle accelerated depreciation write-off will go some way towards making things simpler.'[20]

Concessions for workers

Increasing the Superannuation Guarantee Levy from 9 to 12 per cent

4.20 The Superannuation Guarantee (SG) system was introduced in 1992 and fully phased in by 2001 to its current rate of nine per cent. It was designed to jointly reduce the future fiscal burden of providing Age Pensions to a growing ageing population and to enable more people to fund their retirement at a standard of living higher than the Age Pension.

4.21 In 2006 the predecessor to the committee, the House of Representatives Standing Committee on Economics, Finance and Public Administration conducted an inquiry into improving the superannuation savings of

17 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 5.

18 Ms Amanda Lynch, REIA, *Committee Hansard*, Canberra, 8 November 2011, p. 29.

19 Mr Peter Strong, COSBOA, *Committee Hansard*, Canberra, 8 November 2011, p. 29.

20 Mr Yasser El-Ansary, Institute of Chartered Accountants in Australia, *Committee Hansard*, 9 November 2011, p. 13.

people under 40.[21] The then committee found that 'the lifestyle expected in retirement by many under 40s far exceeds that which could be funded from SG savings alone.'[22]

4.22 Similarly, the Financial Services Council also warned that 'unfortunately, the current SG rate is at nine per cent and that will fail to provide people with their expectations of a comfortable retirement.'[23] The Australian Institute of Superannuation Trustees (AIST) stated:

> If the SG stays at nine per cent, even after 40 years of contributions over a working life, the majority of Australians will still rely heavily on the age pension. I think most Australians expect better from our system. Current balances for superannuation are quite low—they are approximately $71,000 for men and $40,000 for women. So the extra three per cent over a working lifetime will allow many Australians to enjoy retirement rather than just to get by.[24]

4.23 The AIST reported that its research and independent polling consistently shows that 'the Australian people—more than two-thirds—support the increase in SG from nine to 12 per cent and that many Australians are worried that they do not have sufficient funds for their retirement.'[25] In particular, AIST research showed that women were particularly vulnerable, with research conducted in 2010 showing that 'the median balance of Australian women at retirement was around $30,000.'[26]

4.24 The Assistant Treasurer, during his second reading speech, also noted that the current 9 per cent SG was inadequate particularly for women who can have significant breaks in their working life. The Assistant Treasurer commented that 'it is of great concern to me, and I know of great concern to the Prime Minister and Treasurer, that whilst women live longer than men, their super balances are in fact on average about 40 per cent lower.'[27] The Assistant Treasurer stated:

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21 House of Representatives Standing Committee on Economics, Finance and Public Administration, *Improving the Superannuation Savings of People under 40*, May 2006.

22 House of Representatives Standing Committee on Economics, Finance and Public Administration, *Improving the Superannuation Savings of People under 40*, May 2006, p. iii.

23 Mr Andrew Bragg, Financial Services Council, *Committee Hansard*, Canberra, 8 November 2011, p. 38.

24 Ms Fiona Reynolds, AIST, *Committee Hansard*, Canberra, 8 November 2011, p. 38.

25 Ms Fiona Reynolds, AIST, *Committee Hansard*, Canberra, 8 November 2011, p. 38.

26 Ms Fiona Reynolds, AIST, *Committee Hansard*, Canberra, 8 November 2011, p. 38.

27 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 6.

> Our starting point is that nine per cent is simply not enough, especially for women, who have breaks in their career rearing the next generation when they are not earning, and therefore cannot put away the nine per cent for their future.
>
> That is why we are finishing, as Paul Keating planned many years before, the nine per cent up to 12 per cent. And in doing this we are strengthening superannuation.[28]

4.25 The legislation gradually increases the SG with increments of 0.25 per cent on 1 July 2013 and 1 July 2014. From then increments will increase by 0.5 percentage points applying annually up to 2019-20 when the SG rate will be set at 12 per cent. The cost of increasing the SG from 9 to 12 per cent is shown in table 4.1.

Table 4.1 Cost of increasing the SG from 9 to 12 per cent

2011-12	**2012-13**	**2013-14**	**2014-15**
Nil	Nil	-$240 million	-$500 million

Source Explanatory Memorandum, Superannuation Guarantee (Administration) Amendment Bill 2011, p. 3.

4.26 The Assistant Treasurer stated that 'the mining tax will pay for the tax concessional treatment of the additional three per cent superannuation guarantee—with workers retirement contributions taxed at 15 per cent instead of their marginal personal income tax rate.'[29]

4.27 There was wide support in the evidence for the proposed increase in the SG from 9 to 12 per cent. COSBOA stated:

> I will start by saying that the mining tax is an interesting thing. A major part of it is the increase in superannuation from nine per cent to 12 per cent, and that is a good thing. I have been around superannuation long enough, complaining about our process and our role in it, to also know that the superannuation guarantee is a good thing and that we need to increase it to help people retire into a decent life. Having said that, we need to make sure we manage that changing process properly.[30]

4.28 The AIST also supported the measure and, in particular, noted its importance to improving the retirement savings of women:

28 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 9.

29 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 9.

30 Mr Peter Strong, COSBOA, *Committee Hansard*, Canberra, 8 November 2011, p. 29.

> The other issue for women is that they have time out of the workforce and, on average, the time out of the workforce costs women about 23 per cent of their retirement savings. Of course, we all know that women have longer retirement than men, so some of the measures contained within these bills are very important to assist women. We also know that the number of Australians aged over 65 is projected to grow from the current three million to 8.1 million in 2050 and, at the same time, the number of working Australians is going to decrease.[31]

4.29 While COSBOA supported increasing the SG from 9 to 12 per cent, it did raise concerns about compliance costs for small business.[32] However, BECA was not so concerned about this issue stating:

> From a BECA perspective, I support the fact that we do need to consider changes and the effect on the administrative processes for microbusinesses and small businesses. But in regard to the specific increase, BECA generally works with microbusinesses, home based businesses, people who are really only employing themselves. That is a huge percentage of our market. So an increase in superannuation is welcomed in that it is money that the small-business owners are actually going to put in savings. I think that it is a good thing. The incremental increase, whilst it will have some impact on admin—and I support Peter on being able to ensure that that is watched very carefully—particularly the slow phase-in over the first two years, I do not believe will make a huge impact. It will be absorbed into the overall on-costs.[33]

4.30 The AIST also believed the implementation for the SG increase could be managed noting that 'the gradual timetable for the implementation of the SG increases will give business plenty of time to adjust.'[34] The AIST stated:

> The phase-in period is much longer than the period that was given for super to get from nought to nine per cent, between 1992 and 2002. At that time, employers and other commentators warned that the SG would be a disaster for business, particularly small business, that businesses would be forced to lay off workers and that some businesses would be forced to close their doors. History has shown us, however, that none of these things occurred. Ten years after the SG was introduced, company profits had risen,

31 Ms Fiona Reynolds, AIST, *Committee Hansard*, Canberra, 8 November 2011, p. 39.
32 Mr Peter Strong, COSBOA, *Committee Hansard*, Canberra, 8 November 2011, p. 28.
33 Ms Jackie Zelinsky, BECA, *Committee Hansard*, Canberra, 8 November 2011, p. 30.
34 Ms Fiona Reynolds, AIST, *Committee Hansard*, Canberra, 8 November 2011, p. 39.

> unemployment had fallen and we found that SG rates were largely paid for from productivity gains in the form of forgone wages. It must also be noted that already in Australia one in four employers pays at least 10 per cent superannuation. So they pay above the SG rate and therefore increases will not kick in until much later for them.[35]

4.31 During the hearing, COSBOA noted that with the proposed changes to the SG, it would be expected that the Australian Taxation Office (ATO) would develop a communication strategy to inform small business and workers of the new arrangements. COSBOA noted that 'the ATO, as I think I have said before, are my agency of choice for communications with the small business community.'[36]

4.32 As previously noted, ACCI rejects the linkage between the MRRT and the changes to superannuation. ACCI proposed:

> That the Committee recommend to the Parliament that it provide full opportunity to consider the mining tax legislation and the Superannuation Levy Bill on their merits and in their own right, and that the debate on the Superannuation Levy Bill be deferred to 2012 and that it not be debated concurrently or conjointly with the mining tax Bills.[37]

4.33 ACCI stated that it 'opposes the seven proposed increases in the Superannuation Levy Bill' noting that 'the Bill is a new $20 billion compulsory levy on payroll, akin to a new payroll tax (it's not a tax in the strict sense, but operates on employers as a tax)'[38]. ACCI stated:

> Taxes and levies on payroll are taxes and levies on jobs. The more people employed, the more hours of work provided by employers, the more levy employers pay. Nor is the proposal 'a 3% increase'. It is actually a one-third (33%) increase to an existing employer levy.[39]

4.34 ACCI further commented that 'whether the 9% paid by employers is or is not adequate for future retirement income purposes, the idea that Australian employers should bear the burden of funding the whole or

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35 Ms Fiona Reynolds, AIST, *Committee Hansard*, Canberra, 8 November 2011, p. 39.
36 Mr Peter Strong, COSBOA, *Committee Hansard*, Canberra, 8 November 2011, p. 33.
37 Australian Chamber of Commerce and Industry, *Submission 8*, p. 4.
38 Australian Chamber of Commerce and Industry, *Submission 8*, p. 4.
39 Australian Chamber of Commerce and Industry, *Submission 8*, p. 4.

most of the superannuation guarantee levy is unbalanced and unfair, by both international standards and domestic considerations.'[40]

4.35 ACCI disputed claims that the increase in the SG can be funding by wage-trade-offs. ACCI stated:

> There is no amending legislation to require minimum wage setting by Fair Work Australia to discount future wage rises. Once legislated as an employer obligation, incentive would be removed for unions in enterprise bargaining to voluntarily agree to discount wage rises for higher superannuation. This Bill, if enacted, will kills the prospect of wage-superannuation trade-offs in collective bargaining, at least for this first 12%.[41]

4.36 In view of this concern, ACCI recommended that the government amend the Fair Work laws so as to require minimum wage decisions by Fair Work Australia to discount increases it may order by the relevant cost to employers of the corresponding years of the seven proposed levy rises.'[42]

4.37 The ICAA noted that the 'proposed increase in the compulsory retirement savings of working Australians is an important reform' and 'broadly, the institute is supportive of policies that deliver better retirement incomes for hardworking Australians.'[43] However, the ICAA stated:

> But there are other options. The Future Tax System review recommended that it would be more economically efficient to reform the complex tax arrangements that currently exist in respect of superannuation instead of going for the easy option of simply increasing the compulsory savings rate. In the institute's view, it would have been wise to look more closely at the recommendations made in this area before moving to increase the compulsory savings rate. Perhaps in the fullness of time, however, there will be an opportunity to do precisely that.[44]

4.38 During the hearing, it was noted that when the SG was introduced in 1992 pessimistic claims were made that the policy would lead to mass redundancies and businesses being regulated out of existence. Treasury, however, advised that none of these events occurred stating that 'the

40 Australian Chamber of Commerce and Industry, *Submission 8*, p. 5.

41 Australian Chamber of Commerce and Industry, *Submission 8*, p. 8.

42 Australian Chamber of Commerce and Industry, *Submission 8*, p. 9.

43 Mr Yasser El-Ansary, Institute of Chartered Accountants in Australia, *Committee Hansard*, 9 November 2011, p. 13.

44 Mr Yasser El-Ansary, Institute of Chartered Accountants in Australia, *Committee Hansard*, 9 November 2011, p. 13.

nature of the superannuation guarantee levy and the slow introduction of the rate increase meant that its effects on employment were minimal.'[45]

4.39 Treasury were then asked whether the impact of raising the SG from 9 to 12 per cent would be of a similar nature, Treasury commented that 'given the time lag in which it will mature to 12 per cent, yes.'[46]

Raising the SG age limit

4.40 Currently, the SG only applies to people under age 70. The Superannuation Guarantee (Administration) Amendment Bill 2011 provides for the age limit to be raised from 70 to 75. The EM notes that 'in the 2013-14 income year, the first year for this measure, employers are required to pay additional SG amounts for their workers aged up to 75, on which superannuation funds will be subject to income tax at a 15 per cent rate.'[47]

4.41 The EM also noted that the 'in the 2014-15 income year, at the time employers lodge their tax returns for the 2013-14 income year, employers will be able to claim a deduction for the superannuation amounts paid to workers aged up to 75, which will be an ongoing cost to revenue.'[48] Table 4.2 sets out the cost of this measure:

Table 4.2 Costs of applying the SG to workers aged up to 75

2011-12	2012-13	2013-14	2014-15
Nil	Nil	$15 million	-$15 million

Source *Explanatory Memorandum, Superannuation Guarantee (Administration) Amendment Bill 2011, p. 4.*

4.42 However, during the Second Reading on the Bill, the Assistant Treasurer announced that the government had decided to remove the age limit altogether. The Assistant Treasurer stated:

> However, as a result of the strong representations from the members of the Labor caucus and backbench, including not least the member for Petrie and the member for Blair, and from the crossbench the member for Lyne and the member for New

45 Mr Paul McBride, Department of the Treasury, *Committee Hansard*, 8 November 2011, p. 10.

46 Mr Paul McBride, Department of the Treasury, *Committee Hansard*, 8 November 2011, p. 10.

47 Explanatory Memorandum, Superannuation Guarantee (Administration) Amendment Bill 2011, p. 3.

48 Explanatory Memorandum, Superannuation Guarantee (Administration) Amendment Bill 2011, p. 4.

> England, we have decided to remove the age limit for superannuation contributions altogether.
>
> This means that an additional 18,000 Australians over the age of 75 will get the benefit of superannuation if they continue working. This will commence on 1 July 2013 to provide sufficient lead time for older Australians and their employers to adjust.
>
> Making superannuation contributions compulsory for these mature-age workers will improve the adequacy and equity of the retirement income system and provide an incentive for those older Australians who wish to remain in the workforce longer not to be discriminated against if they do so.[49]

4.43 The AIST fully supported the proposal to remove the age restriction on the SG stating:

> Another important component of this bill is that we are eventually going to get rid of the age restrictions for SG. As we have an ageing population and people want to work longer, we think that this is an important measure for older workers.[50]

Low income superannuation contribution

4.44 Schedule 4 of the Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011 enables eligible low income earners to receive the low income superannuation contribution. The Assistant Treasurer commented that 'currently, 3.6 million low-income Australians, including around 2.1 million women get no (or minimal) tax benefit from contributing to superannuation, due to the fact that the 15 per cent superannuation contribution tax is above or equivalent to their income tax rate.'[51] The Assistant Treasurer stated:

> Let us reflect for a moment on these numbers—3.6 million Australians. That is around three out every 10 workers who do not get a tax benefit from contributing to superannuation; 2.1 million of them are women, that is three in every eight women in the workforce.
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> Put another way the 3.6 million Australians includes:

49 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 9.

50 Ms Fiona Reynolds, AIST, *Committee Hansard*, Canberra, 8 November 2011, p. 39.

51 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 6.

- Around 1.1 million workers in New South Wales
- Around 910,000 workers in Victoria
- Around 800,000 workers in Queensland
- Around 260,000 workers in South Australia
- Around 360,000 workers in Western Australia
- Around 90,000 workers in Tasmania
- Around 30,000 workers in the Northern Territory
- Around 50,000 workers in the ACT

> The Gillard government is acting on the recommendation of the Henry review, which said that superannuation tax concessions should be distributed more equitably.[52]

4.45 Low income earners are defined as individuals with an adjusted taxable income of $37,000 or less. The maximum amount payable is $500.

4.46 The EM noted that this measure is dependent on the implementation of the MRRT package of Bills.

4.47 The AIST commented on the importance of this measure stating:

> The lower income rebate is also a very important measure. As a result of the flat taxation of concessional contributions, around 3.5 million Australians get little or no income tax concessions on their superannuation guarantee. Providing a superannuation payment of up to $500 annually for eligible low-income earners effectively rebates that tax. The low-income rebate will be particularly of assistance to women, who make up the bulk of low-paid, part-time and casual workers. Indeed, it is expected that around 60 per cent of the recipients of the rebate will be women.[53]

Regional Infrastructure Fund

4.48 On 9 June 2010 the Government announced the establishment of the Regional Infrastructure Fund.[54] The Treasurer stated that 'the Government's Regional Infrastructure Fund (RIF) is a major new initiative

52 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 6.

53 Ms Fiona Reynolds, AIST, *Committee Hansard*, Canberra, 8 November 2011, p. 39.

54 The Hon Kevin Rudd, MP, Prime Minister, the Hon Anthony Albanese, MP, Minister for Infrastructure, Transport, Regional Development and Local Government, *Media Release*, $6 Billion Regional Infrastructure Fund, 9 June 2010.

that will provide an ongoing funding stream for economic infrastructure, subject to the passage of the Minerals Resource Rent Tax legislation.'[55]

4.49 The Department of Transport and Infrastructure notes that 'the Australian Government established the Regional Infrastructure Fund to invest the proceeds of a resurgent resource boom to address urgent infrastructure needs, while supporting the mining industry, boosting export capacity and developing and growing regional economies.'[56]

4.50 The Regional Infrastructure Fund is worth $6 billion over 2010-11 to 2020-21, with $5.6 billion subject to the passage of the MRRT.

4.51 The Department of Transport and Infrastructure noted that the broad objectives of the Regional Infrastructure Fund are to:

- Promote development and job creation in mining communities, and in communities which support the mining sector;
- Provide a clear benefit to Australia's economic development, and to investment in Australia's resource or export capacity; and
- Address potential capacity constraints arising from export production and resource projects.[57]

4.52 The Assistant Treasurer during his second reading speech stated:

> The MRRT will fund billions of dollars of new roads, bridges and other critical infrastructure, such as the Gateway project in Western Australia. Much of this infrastructure will benefit where the resources come from and where the workers and their families live, such as the great coalmining regions of New South Wales and Queensland.[58]

4.53 BECA was extremely supportive of the initiative particularly focusing on the benefits it would have for small business and identifying access to broadband as a significant gain. In particular, BECA noted that 60 per cent of the funding for the initiative came from the MRRT. BECA stated:

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55 The Hon Wayne Swan, MP, Treasurer, *Media Release*, Delivering the Infrastructure Australia Needs, 10 May 2011.

56 The Department of Transport and Infrastructure, [http://www.infrastructure.gov.au/infrastructure/rifp/], viewed 11 November 2011.

57 The Department of Transport and Infrastructure, [http://www.infrastructure.gov.au/infrastructure/rifp/], viewed 11 November 2011.

58 The Hon Bill Shorten, MP, Assistant Treasurer, Second Reading Speech, House of Representatives Hansard, 2 November 2011, p. 1.

> A really important initiative, however, funded by the MRRT is the new Regional Infrastructure Fund. Specifically, I refer to the Regional Development Australia Fund. Regional communities will be able to apply for funding to implement a range of projects. The benefits will flow on immediately to the micro-and small businesses in those specific locations. An obvious example, from a BECA perspective, is access to broadband. Of course, we are only a small way down this pathway, but our BECs are already seeing a positive impact on the small and microbusinesses at the local level as they are preparing themselves for the rollout. We are already starting to collect case studies on the geographic areas where it has arrived. The fact that 60 per cent of the funding of this comes from MRRT is an excellent start to redistributing the wealth of our mineral resources.

Overall conclusions

4.54 The mining boom is generating massive profits but not all Australians are benefitting. The government's proposal to tax mineral resources more efficiently and link the increased revenue to specific measures which support small businesses and workers is an effective solution to sharing Australia's mineral wealth across Australia and into the future.

4.55 Mineral resources are currently taxed through a combination of royalties and company tax. Royalties are an inefficient taxing arrangement. The Australia's Future Tax System Review found that royalty regimes were the most distorting taxes in the Federation. Specifically, royalties are often set at rates low enough to operate in periods when commodity prices are low to average. This means that royalties fail to provide an adequate return when commodity prices are high as they are now and have been through much of the mining boom. In contrast to royalties, the MRRT takes into account the profitability of mining operations.

4.56 While there were concerns raised that the MRRT would disadvantage small miners, the committee does not consider that the Bill discriminates against small or emerging miners. In most respects the MRRT applies in the same way to all miners regardless of their size. The exceptions are those features of the MRRT that are tailored to benefit smaller miners. In particular, the Bill relieves a miner of any MRRT liability if its mining profit is less than $50 million. The Bill also gives a small miner the choice to simplify their compliance and record keeping obligations. Both of these features exclusively serve the interests of smaller and emerging miners.

4.57 Industry also expressed concerns that it was not able to access all of the information that Treasury used to generate its revenue estimates for the MRRT. Treasury released on the Internet as much of the modelling as it legally could in February this year. Some of the modelling was based on commercially confidential information provided to it by mining companies.

4.58 As detailed in this Chapter, the revenue from the MRRT will be used to fund a range of measures to support small business and workers. This linkage was generally supported. The Australian Chamber of Commerce and Industry (ACCI), however, did not accept that there was a connection between the taxation of mining resources and superannuation policy. In addition, ACCI rejected the measure to increase the Superannuation Guarantee for workers from 9 to 12 percent but was silent on the support measures proposed for small business.

4.59 In contrast to ACCI, the Business Enterprise Centres Australia (BECA) commented that 'there is a significant amount of wealth that is leaving our shores in payments to shareholders, and we have small business, which is the backbone of the economy struggling'. BECA concluded that 'there has to be a redistribution of that wealth.' The Real Estate Institute of Australia noted that it is 'about redistributing the money that is going to come in as a result of the mining tax', and 'we are happy that the money is being redistributed towards small business.' The Council of Small Business of Australia commented that 'the superannuation guarantee is a good thing and that we need to increase it to help people retire into a decent life.'

4.60 The committee rejects ACCI's position. The mining boom is generating significant profits but not all Australians are benefitting from this prosperity. In particular, small business is often struggling, and workers' retirement savings should be increased. In particular, women who have longer life expectancy have on average less retirement savings.

4.61 The government's approach to taxing mining resources more efficiently and distributing that revenue to small business and workers ensures that the additional taxation on mining resources is flowing through to tangible outcomes.

4.62 It should be noted that the cost of the superannuation package is not insignificant. During the hearing, Treasury confirmed that the cost across the forward estimates was approaching $2 billion.[59]

4.63 ACCI rejected the proposal to increase the SG from 9 to 12 per cent, and warned that 'once legislated as an employer obligation, incentive would be removed for unions in enterprise bargaining to voluntarily agree to discount wage rises for higher superannuation.' When the SG was first introduced in 1992 a range of fears were raised suggesting that small businesses would be regulated out of existence or there would be mass dismissal of employees.

4.64 Treasury indicated that these concerns were unfounded and confirmed that when the SG was first introduced, 'the nature of the superannuation guarantee levy and the slow introduction of the rate increase meant that its effects on employment were minimal.' In relation to the current proposal to lift the SG from 9 to 12 per cent, Treasury advised that the impact on employment would also be minimal.

4.65 In conclusion, the committee has thoroughly scrutinised the MRRT and notes that previously it has been subject to two extensive consultation processes. The committee is confident that the legislation will achieve its objectives and not, as some mining companies have suggested, result in smaller miners being disadvantaged and paying the bulk of the tax. In addition, the decision to link the MRRT to a range of measures to support small business and working people is a creative response and fully supported. The committee, therefore, recommends that the MRRT Bill and related bills be passed.

59 Ms Ruth Gabbitas, Treasury, *Committee Hansard*, Canberra, 8 November 2011, p. 10.

Recommendation 1

4.66 **That the House of Representatives pass all 11 Bills in the package, namely:**

- **the Minerals Resource Rent Tax Bill 2011 and the four related minerals Bills;**
- **the Petroleum Resource Rent Tax Assessment Amendment Bill 2011 and the three related petroleum Bills;**
- **the Superannuation Guarantee (Administration) Amendment Bill 2011; and**
- **the Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011.**

Julie Owens, MP
Chair
17 November 2011