



MINERAL RESOURCE RENT TAX BILL 2011 TAXING FAIRLY AND SAVING FOR THE FUTURE

House Economics Committee chair Julie Owens has tabled the committee's report on the Mineral Resource Rent Tax Bill (MRRT) 2011 and related bills, which recommended that they be passed.

Mining companies generated profits of \$92.8 billion to June and plan to invest \$430 billion to expand their industry. In the last decade mining profits have jumped 262 per cent.

The MRRT is a tax imposed on the economic rents miners make from the taxable resources (iron ore and coal) after they are extracted from the ground but before they undergo any significant processing or value adding.

The revenue from the MRRT will deliver benefits for both business and workers.

Small businesses will benefit from a cut in the company tax rate. In addition, the package of reform will increase the small business instant asset write-off threshold from \$1 000 to \$6 500.

Working people will benefit from changes to superannuation which will provide an increase to the superannuation savings of 8.4 million workers.

The legislation will gradually increase the superannuation guarantee charge percentage from 9 per cent to 12 per cent.

During the inquiry there were differing views on how the tax would affect emerging miners, compared with established miners. Emerging miners believed that they would be paying a large amount of the revenue under the MRRT and that large miners would pay very little, due to the larger starting base that established miners have available to them as a deduction against the tax.

However, Treasury advised the committee that:

The value of the resource, to the extent that it is reflected in the starting base, will be reflective of the expected future cash flows from the exploitation of the resource, so they will be proportional. If you have a large starting base you would expect to have large revenue flow, and if you have a small starting base you will have a smaller revenue flow.

Ms Owens said, "The committee is confident that the MRRT will operate as intended."

"The bills implement important reforms to the Australian economy and ensure that all Australians will benefit from the mining boom.

"A large savings gap for retirement still exists for many Australians, including low-income earners and women.

"Small businesses that want to grow will benefit from the simplified and larger up-front deductions for asset purchases."

Opposition members of the committee have written a dissenting report.

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