Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 1272

Topic: Proportion of profits versus the amount of company tax paid by the mining industry compared to other industries

Hansard Page: 81

Senator Waters asked:

Senator Waters: Can you tell me: how does the proportion of profits versus the amount of company tax paid by the mining industry compare to other industries?

Mr O'Toole: Senator, could you clarify that question?

Senator Waters: Sure. My reference goes to the table in the *Economic Roundup Issue 2* of last year which compares average rates of company tax across industries. I am keen to have you explain to me the proportion of profits versus the amount of company tax paid—how that differs for the mining industry versus other industries. I hope you have a copy of it.

Mr O'Toole: I am somewhat familiar with the paper. I understand it was an update of the previous round-up document that was done. I cannot speak in detail, but the paper basically shows that the ratio of company tax for mining company profitability is lower on the scale, whereas for sectors such as utilities, in particular, there is a higher company tax burden relative to profit.

Senator Waters: Can you recall whether mining is paying less than most other industries?

Mr O'Toole: Not off the top of my head. We can take the question on notice and review the article.

Senator Waters: I am also interested in whether that proportion has changed over the years.

Mr O'Toole: I am not aware of that. Again, we can take that on notice and see whether someone in the department can help you.

Senator Waters: Thank you.

Answer:

The *Economic Roundup Issue 2 (2010)* examined whether the burden of corporate tax system varied across industries. Accordingly, average tax rates reported in that article and industry's actual tax burdens may differ.

The analysis did find that the average rate of company tax for the mining sector was lower than the economy-wide average over the period (2006-07 to 2008-09), with an estimated average tax rate of 23% of net operating income (a better measure of economic income than company profit data).

Treasury has not undertaken analysis in relation to how tax on the mining sector has changed over time. The results presented in the Economic Roundup article align with expectations that the mining industry would have a lower level of 'tax to profits' due to the deductions available in the tax system. Factors such as the capital intensive nature of the industry; the degree to which investment is funded via debt, and investments in additional capacity which has not been expanded to full output, would all be factors reducing the level of tax payable.