

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

**Budget Estimates**

1 June – 3 June 2010

**Question: BET 17**

**Topic: Mining Flow-Through Share Scheme & State Royalties**

**Hansard Page: E101-102 (01/06/2010)**

**Senator EGGLESTON asked:**

**Senator EGGLESTON**—You referred to the Canadian flow-through share schemes, and the view of AMEC, which is the Association of Mining Exploration Companies—the small mining companies which carry out a lot of the prospecting work in Australia and are very active in Western Australia—is that they would prefer to have a flow-through share scheme. I wonder how much consultation was carried out with that segment of the mining industry.

**Mr Parker**—I would have to take that question on notice, as to the amount of consultation specifically over the exploration rebate. But, for the purposes of the analytical story, if you read through pages 176 to the bottom of 177 it makes the case for doing it as a rebate as opposed to a flow-through share design.

**Senator EGGLESTON**—And yet, strangely, the industry prefer the flow-through share scheme, according to the briefing they gave to a group of Western Australian senators. We will just leave that there, because it is—

**Senator Sherry**—I do not think there is a contradiction. You say the industry prefer it; well, the tax panel did not prefer it.

**Senator EGGLESTON**—I am just making the point that the industry obviously felt that the Canadian system would encourage more exploration than this would. My question really was, as I said: would this tend to increase the amount of exploration for minerals in Australia? It appears from the AMEC briefing that the people in the industry do not think it will, but that is another matter. The other question I want to ask in this bracket is to do with state royalties. Firstly, how much will be paid in royalties to the states, by way of a rebate, I gather, by the mining companies in the forward estimates? In other words, what quantum are you going to rebate?

**Mr Parker**—We can provide the detailed answer on notice. The level of state royalties is presently around \$8 billion a year.

**Answer:**

The Australia's Future Tax System Review (AFTS) Panel's Consultation Paper released on 10 December 2008 contained a specific discussion on flow-through arrangements for exploration companies (see Box 6.7 on page 150).

On 24 February 2009 the AFTS Secretariat met with the Association of Mining & Exploration Companies (AMEC) to discuss the joint industry proposal for a flow-through arrangement for exploration companies. A copy of the submission to

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the Minister for Resources and Energy on the proposal had previously been provided to AFTS Secretariat.

On 28 May 2009 the AFTS Secretariat met with the Queensland Resources Council to discuss a consultant's report, *Costs and benefits of flow through shares for Australian junior exploration companies*, that was prepared for the joint industry submitters.

Discussions on flow-through arrangements and measures to encourage exploration generally were part of meetings the AFTS Secretariat held with:

The Minerals Council Of Australia (4 December 2008)

The Australian Petroleum Production & Exploration Association  
(17 March 2009)

Several meetings were held with the Department of Resources, Energy and Tourism during which flow-through arrangements were discussed.

The Resource Exploration Rebate is no longer Government policy. As part of its Terms of Reference, the Policy Transition Group is considering the best ways to promote future exploration, and will work constructively with the mining industry to ensure their views are taken into account.

As reported in State and Territory budget papers, the aggregate royalties to be paid by mining companies to the States and Territories in 2010-11 is estimated to be \$8.577 billion.