

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 229

Topic: Resources Super Profits Tax – Market Distortions

Hansard Page: Written

Senator FIELDING asked:

1. What allowance was made for market distortions in the KPMG Econtech economic model that underpins the introduction of the RSPT.

Answer: The MM900 model includes market distortions caused by the tax system. The assumptions underlying the model have been released in the Econtech report entitled 'CGE analysis of part of the Government's AFTSR Response' 30 April 2010. In particular 'the model captures a wide range of economic responses to taxes, including effects on incentives to work, employment and investment decisions, and patterns of consumer spending and trade' (page 4).