

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 260

Topic: Revenues from the Resources Super Profits Tax

Hansard Page: Written

Senator ABETZ asked:

1. In the revenue estimates accompanying the recent Budget it was stated that the RSPT was expected to produce net revenues of \$3b in 2012-13 and \$9b in 2013-14. Is that correct?
2. According to the footnote to the relevant tables, this estimate is of the net addition to revenues allowing for the fact that, for example, RSPT tax will be deductible against corporate income tax. Is that correct?
3. Please provide what Treasury estimates the gross revenue collected by the RSPT will be? That is, the revenue collected from the RSPT itself before allowance is made for losses of revenue from other sources.
4. Will the main source of loss will be corporate income tax?
5. Is it proposed that the rate of corporate income tax fall to 28%?
6. If one takes that figure and gross up the Treasury's \$3b and \$9b for the lost corporate income tax, we get figures of about \$4.2b and \$12.5b. Would they be near the mark for 2012-13 and 2013-14 gross receipts from the RSPT?
7. Will there be a transition period for the RSPT of 5 years during which companies will be allowed to depreciate their capital starting base? What are the proposed depreciation rates?
8. Is that expected to have a substantial effect on revenues from the tax in those early years?
9. Is that the reason why the receipts from the tax about treble between 2012-13 and 2013-14?
10. Should we expect the receipts from the RSPT to continue to rise in subsequent years as the capital starting base is run down?
11. By the time the transition is complete, what would be the expected the gross revenues from the RSPT be, other things equal? I appreciate that there may be uncertainty around factors like commodity prices, but can you please provide an approximate figure?
12. When the depreciation goes from 36% to 24% the gross revenue goes up by \$8.3b, according to our earlier calculations. Assuming the remaining 24 percentage points of reduction have a pro rata effect, that gives a total increase over the transition period of \$24.9b for a final figure in round terms of \$29b. Is that roughly what you are expecting? Is it on the high side, the low side? What are Treasuries calculations and how are they derived?

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13. Can I conclude that Treasury will raise almost \$30b from this proposed new tax on the mining industry and that Treasury expects this to stimulate mining activity?
14. How do you explain such a proposition?
15. Is Treasury recommending a change to resource taxation of unprecedented scope?
16. Can Treasury provide detailed advice as to the full implications for revenue and of the burden for the industry of that change?

Answer:

The following answers relate to the Resource Super Profits Tax announced on 2 May 2010. This tax has been replaced with the Minerals Resource Rent Tax, details of which were announced on 2 July 2010.

1. Yes.
2. Yes.
3. The estimated gross revenue expected to be collected under the RSPT was \$7.39b in 2012-13 and \$15.93b.
4. Yes.
5. The announcement on 2 May 2010 included reducing the headline corporate tax rate to 29% in 2013-14 and 28% in 2014-15.
6. These numbers would be close to the estimate of RSPT revenue before company tax is deducted.
7. Yes. The proposed depreciation rates under the RSPT for the starting capital base were as follows – 36% (Year 1), 24% (Year 2), 15% (Year 3), 10% (Year 4), 10% (Year 5).
8. Yes.
9. There are a number of factors that influenced collections under the RSPT between 2012-13 and 2013-14 which include the timing of payments, the depreciation of the starting base and assumptions about commodity prices.
10. No.
11. It is not usual practice for governments to release the medium and long term revenue impacts of individual measures.
12. There are a number of factors that influence collections under the RSPT between 2012-13 and 2013-14 which include the timing of payments, the depreciation of the starting base and assumptions about commodity prices.
13. No. \$30b per year will not be raised from the RSPT.

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14. Refer to the answer at question 13.

15. Please refer to documentation released on 2 May 2010:

<http://www.futuretax.gov.au/>

16. For information about the full implications of this change, please refer to the modelling undertaken by KPMG Econtech:

http://www.taxreview.treasury.gov.au/content/html/commissioned_work/downloads/KPMG_Econtech_Efficiency%20of%20Taxes_Final_Report.pdf