

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

#### Budget Estimates

1 June – 3 June 2010

#### Topic: Resource Super Profits Tax

#### Senator Joyce asked:

**Senator JOYCE**—During Dr Henry's appearance before this committee last Thursday, questions were asked concerning the Treasurer's *Economic note* of 9 May 2010 which had been tabled in the House of Representatives. Dr Henry was asked if he could provide the statistics behind the charts. Dr Henry was unable to do so at the time. For the purpose of this I will just take you to this graph here—do you remember that?—a pie chart.

**Senator Sherry**—Yes.

**Senator JOYCE**—Very good. The pie chart is on page 4. Those statistics were requested to be given to this committee no later than today's session. Do you have those numbers?

**Ms Granger**—No, I do not. I think this question—without knowing the content—may be better directed to Treasury.

**Senator Sherry**—This is the ATO to my right and the Treasury to my left.

**Senator JOYCE**—I did actually say at the start that these were questions for revenue.

**Senator Sherry**—You see, last week, Senator, we had macro; I do not think we had anyone from the ATO. So, just for the purposes of questions in reference to last week, I do not think the ATO are able to help.

**Senator JOYCE**—That is why it is a question to revenue.

**Senator Sherry**—It went to the ATO. To my right are sitting the ATO officials and to my left are the revenue officials.

**Senator JOYCE**—Revenue is sitting beside you, to your left-hand side. The question to revenue is: do you have any details on the information that was requested for today?

**Ms Mrakovcic**—That question was taken on notice by the secretary and we have not got those figures as yet.

**Senator JOYCE**—Ms Mrakovcic, may I ask why it is so hard to get those figures? We have two pie charts. It cannot be that complicated. I imagine that even in the notes in the greater elaboration of the document they would be there; there would be a footnote there somewhere, surely. I presume that it would be something that would take half an hour to get, not days.

**CHAIR**—It has been taken on notice, Senator Joyce. I wonder indeed if it is that relevant to budget estimates. It has been taken on notice and that is the answer to your question.

**Senator JOYCE**—I note that Treasury has had several days of notice of this issue. The charts are in the public domain. They have been relied on. It is a simple matter of clicking on the charts to view the numbers underlying it. Why then are you unable to provide the numbers and, if you cannot provide the numbers, how can we believe in the accuracy of the charts?

**Ms Mrakovcic**—Just to go back to the point that was made: essentially the question was taken on notice. We are actually looking into it and preparing an answer to that question on notice. There is a process that will see the answer to that question and it will make its way back to the committee, hopefully. We are undertaking a comprehensive answer to the question that was asked in terms of the numbers underlying that chart. I am happy to speak in methodological terms to some of the numbers underlying that, such as what the concepts used in it are to the extent that I can help the committee with any of the questions it asks.

**Senator JOYCE**—Are these charts correct?

**Ms Mrakovcic**—As far as we know.

**Senator JOYCE**—As far as you know they are correct, especially these two?

**Senator Sherry**—I think to be fair to the witness, she would want to have the document in front of her.

**Senator JOYCE**—Do you want me to table it?

**Senator Sherry**—If you can, yes, so that we can verify the document you have got is the same—

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**Senator JOYCE**—We can table it again.

**Senator Sherry**—not that I am suggesting that you are being misleading, but we can be looking at different pie charts. Let us just verify that we are dealing with the same document.

**Senator JOYCE**—You are aware of it. It has been pumped around for a few days. Was anybody here part of producing that document?

**Ms Mrakovcic**—As far as we are aware, the data underlying the charts would have been provided by Treasury.

**Senator JOYCE**—Is anybody here—and we always have a whole retinue of wise people here—who was part of the effort of producing that pie chart?

**Ms Mrakovcic**—All I can state is that officers in my division provided the underlying data to those charts.

**Senator JOYCE**—How many people from your division are here with you tonight?

**Ms Mrakovcic**—A few.

**Senator JOYCE**—Five?

**Senator Sherry**—Senator, you have asked the question. If there is anyone here—

**Senator JOYCE**—Is there anyone here who was part of producing that pie chart?

**CHAIR**—Senator Joyce, I think we need to come to order. We are waiting on the tabled document to go around. Ms Mrakovcic has said that she will take it on notice, and we will follow it through.

**Senator JOYCE**—Ms Mrakovcic, the issue is that we think you have made a mistake.

**Senator CAMERON**—She's done a 'barnaby'!

**Senator JOYCE**—We want you to prove to us that you did not.

**CHAIR**—The question has been taken on notice, Senator Joyce, and will be provided to you, hopefully, within the time allowed.

#### **Answer:**

The pie charts presented as a part of the Treasurer's Economic Note on the 9<sup>th</sup> of May 2010 show both resource taxes (royalties, PRRT, crude oil excise and other taxes) and company taxes paid as a proportion of resource profits. The pie charts were based on the same data for royalties and resource rents as appeared in Figure 2.1 of the document "The Resource Super Profits tax: a fair return to the nation" released by the Government on 2 May 2010.

Resource taxes (such as royalties, PRRT, crude oil excise and the RSPT) are all deductible for company tax, in the same way as other input related costs. These data have been sourced from state government budget papers and from Commonwealth Government budget estimates. The company tax paid series (not in Figure 2.1) is obtained from unpublished Australian Taxation Office (ATO) data, comprising estimates updated from those published in the ATO Taxation Statistics to more accurately allocate tax paid to industry groups and preliminary unpublished company tax data for mining companies for 2008-09.

The profits portion of the chart is a measure of resource rents. Resource rents are the denominator for the percentage calculations in the pie charts, where the percentages are averages over the periods stated. Resource rents have been calculated taking into account total mining sales and service income; operating costs (including depreciation and excluding mining royalties and interest expenses) and an allowance for corporate capital. These calculations have been made by Treasury, based on data from ABS publications, state government budget papers, Commonwealth Budget papers, the Australian Taxation Office and internal Treasury estimates.

These values are provided in the table below.

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**Table 1: Values underlying the charts, (\$billion)**

<b>\$billion</b>	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Resource rents	8.0	20.2	13.4	14.2	9.4	14.6	28.7	34.7	40.7	91.2
Royalties and other resource taxes	3.3	5.3	4.2	4.6	3.7	5.3	6.6	6.7	7.1	12.3
Company tax paid	1.8	2.7	3.2	3.8	3.5	3.6	6.8	9.2	8.1	11.9
Company + Resource taxes	5.1	8.0	7.4	8.4	7.2	8.9	13.5	15.9	15.2	24.2