Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 355

Topic: Resources Super Profits Tax #3

Hansard Page: Written

Senator EGGLESTON asked:

1. One of the consequences of the proposed Resources Super Profits Tax is that there is an increase in the total tax take from the resources sector. Budget projections show increased revenue of $3bn and $9bn in 2012-13 and 2013-14 respectively.

   a) Could you explain how increasing the total tax take from an industry can lead to an increase in investment and growth?

   b) If raising the tax rate can lead to an increase in investment and growth, would you advocate lifting the RSPT even further?

   c) I believe most sensible people would be of the view that a tax take of say 100% would lead to a decrease in investment and growth in the resources sector. Would you agree with that?

   d) Is there an upper limit beyond which a higher tax rate would lead to a decrease in investment and growth?

   e) How confident is Treasury that the changes proposed by the Government will both increase the total tax taken from the mining industry and also lead to an increase in investment and growth?

   f) Could you explain why mining companies with international operations will not move investment and jobs to a lower taxing jurisdiction?

   g) Could you explain why the Australian dollar has fallen against all major currencies including the Euro and the Pound Sterling since the government announced its new mining tax?

   h) Does this suggest that international investors have reassessed – and reduced – their demand for Australian dollar assets?

   i) Do you believe that the new mining tax has raised Australia’s sovereign risk profile for investors by applying the tax retrospectively to all existing projects?

   j) There has been a lot of talk of modelling and the results but little is publicly available.

   k) Could you please detail what modelling or other substantial analysis has been undertaken by or for Treasury on the RSPT other than the publicly released KPMG Econtech report?

   l) Can these be made available publicly? If not, why not?

2. The budget papers devote considerable attention to the natural resource curse and Dutch disease.

   a) Does Treasury believe that the size and pace of Australia's resource development is a problem?

   b) Are any policies directed towards slowing resource development?

3. Do you agree that polices aimed at accelerating non-resource development necessarily detract from the size and pace of resource development?

Answer:

Question 1: The RSPT is no longer Government policy. On 2 July 2010, the Government announced improved resource taxation arrangements, developed in consultation with industry. The new arrangements include generous transition arrangements for existing projects.

Question 2(a): Budget Statement 4 of the 2010-11 Australian Government Budget — Budget Paper No. 1 emphasises the importance of appropriate policy responses to the challenges and opportunities associated with Australia's mineral resources and a strong terms of trade. It also cited OECD research that found that for the handful of resource-rich OECD countries, like Australia, resource endowments have had a positive effect on GDP per capita.

Question 2(b): Not that we are aware of.

Question 3: The answer to this question depends on the details of the specific policies.