Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 392

Topic: Resource Rent Tax – Non-renewable Minerals

Hansard Page: Written

Senator EGGLESTON asked:

1. The Henry Review recommended against applying the resource rent tax to "lower value minerals for which it can be expected to generate no net benefits" (reco 45(b)). The Government is recommending extending the application of the tax to all non-renewable minerals. What is the rationale for doing so?
    a) Has Treasury estimated the sensitivity of the tax to commodity prices and the likelihood of mines failing and therefore the Commonwealth having to pay out the value of tax credits?
    b) If there is a downturn in economic markets, is there the potential that RSPT revenues may turn notionally negative?
    c) Is there a risk that we would end up like the UK in having to "bail out" a large industry which puts us in significant debt?
    d) Doesn't the RSPT share other characteristics with bonds?
    e) That is, isn't the Government extra risk such that in a downturn it is liable for payment?
    f) Will these risks be recognised in the budget papers?
    g) Why aren't they in the Statement of Risks in the back of the budget papers?

Answer:

The Government is no longer pursing the introduction of the Resource Super Profits Tax. Low value commodities have been excluded from the Minerals Resource Rent Tax and refundability has been removed as a feature.