



MEDIA RELEASE

MINERALS COUNCIL OF AUSTRALIA

REVIEW OF AUSTRALIA'S TAXATION SYSTEM

Statement from Mitch Hooke, Chief Executive Officer, Minerals Council of Australia

The Federal Government's plan to introduce a 40 per cent national mining tax can only be described as a revenue grab not taxation reform. It is an unprecedented double-tax that will hit the industry's workforce, the millions of Australians with shares in superannuation or minerals companies and the thousands of small businesses that service the industry.

The real work on the proposed reforms will start tomorrow when the Government sits down with industry and gets a real-world understanding of the high-risk cyclical nature of the mining industry and the full impact of what they have announced. We will work with the Government to get the design and rate of a resource rent tax right.

If we don't get the design and rate of this right, it will destroy value, slow investment and increase sovereign risk in the Australian minerals industry. Thousands of potential mining industry jobs will be lost – particularly in regional Australia - and millions of Australians with shares in superannuation and minerals companies will see the value of their investments decline.

It amounts to a new tax on the 500,000-plus workers employed directly and indirectly by the minerals sector, the small businesses that service mining and every Australian with investments in the industry.

In the rush to extract more than the \$25 billion* already paid to Governments in taxes and royalties, the Commonwealth appears to have inadequately accounted for the stifling effects of this new tax on the minerals industry. These secondary impacts could well mean there will be less taxation revenue from mining for future generations of Australians.

With less rather than more taxation revenue from mining, the Government could well find itself unable to fund the broader taxation and superannuation commitments made today.

The minerals industry is not under-taxed...

The Government has claimed today that the community is not getting a fair share from mining. It has focussed solely on royalties from mining and ignored the massive increases in company tax the minerals sector has paid over the last decade.

The total tax paid by minerals companies and workers in 2008/9 was about \$25 billion. This has paid for schools, hospitals and roads across Australia. Australian Tax Office data shows the industry pays 13 per cent more tax than other sectors.

While making up about 8 per cent of the economy, mining companies contributed about 18 per cent of corporate income tax revenue during 2008-09. We are already punching above our weight in terms of tax take.

Investment risk...

Australia's hard-earned reputation as a stable investment environment will be dramatically undermined by today's announcement. If the Government's new tax proposal goes ahead, \$108 billion worth of future investment in the minerals industry will be under a cloud.

Under the plan announced today, Australia will have the highest taxed mining industry in the world.

When coupled with the looming Carbon Pollution Reduction Scheme, the proposal revealed today dramatically increases sovereign risk in Australia.

The world is awash with mineral resources and a taxation regime that puts Australia at an international disadvantage will drive investment dollars to other minerals rich economies – which defeats the purpose of today's announcement.

Meaningful tax reform...

Today's announcement does not represent meaningful tax reform. In fact, it runs counter to the understanding that the Henry Review of Australia's Taxation System would streamline resource taxes not simply add a brand new tax.

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The Government should not have locked in a rate for the new tax without extensive consultation with industry and other key stakeholders.

Today's announcement also fails a basic equity test. By the Government's own definition, this new tax should also be applied to other profit-making sectors.

As Australia's most globalised industry, the minerals sector has an abiding interest in ensuring that tax reform makes Australia an even more attractive investment destination. That means keeping our tax rates competitive. It also means ensuring commercial decisions taken under existing tax arrangements are not compromised in a way that creates perceptions of sovereign risk.

For these reasons, the Minerals Council of Australia has said that the most important thing the Federal Government can do to promote certainty and confidence is make any reforms "prospective" – in other words, they should apply only to new investment. The Government has ignored this critical reform today.

As well as applying to new investment only, tax reform should also protect international competitiveness; be differentiated by resource commodities; levied on primary resource value and equitable and efficient.

Today's announcement fails all these basic tests.

*Access Economics latest estimates for 2008/09

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