MEDIA RELEASE
MINERALS COUNCIL OF AUSTRALIA

HENRY REVIEW OF TAXATION
Statement from Mitch Hooke, Chief Executive Officer, Minerals Council of Australia

A new 40 per cent Federal mining tax layered on top of the $21 billion in royalties and taxes already paid to government would represent a blatant revenue grab rather than taxation reform.

Media reports today suggesting the industry faces a new Federal mining royalty - possibly set at 40 per cent - are deeply concerning to the minerals industry.

A new 40 per cent Federal royalty combined with existing company tax could, for many mining projects, equate to an effective tax rate of 58 cents in the dollar on top of current state royalties. This can be only described as a tax grab rather than tax reform.

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. Worse still a 40% royalty would destroy value, slow investment and increase sovereign risk in the Australian minerals industry - with the real risk that the revenue gains may prove illusory due to secondary impacts of reduced mining activity.

Under a 40% Federal royalty there would be lower exports, fewer jobs created – particularly in regional Australia – and lower returns for investors including the millions of Australians with shares in superannuation.

If the justification for a 40% royalty is a belief that the minerals sector is undertaxed – then it is based on a falsehood.

Prime Minister Kevin Rudd said last year that: "From 2004-05, the mining boom delivered $334 billion in extra Commonwealth revenue."

The total tax paid by minerals companies and workers in 2008/9 was $21 billion, a 61 per cent rise over the previous financial year and double the amount in 2005/6.

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 16 per cent of corporate income tax revenue during 2009.

There are $108 billion projects being studied or awaiting a final investment decision. A 40% resource rent tax would influence those investment decisions.

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.

It's not just the MCA calling for any changes to be prospective. The Business Council of Australia has also made this one of its key tax reform principles.

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.

The minerals sector is willing to play a constructive role in tax reform, but meaningful consultation is essential.

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