



MEDIA RELEASE

MINERALS COUNCIL OF AUSTRALIA

MINERALS RESOURCE RENT TAX

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

Today's proposal on a new Minerals Resource Rent Tax stands to deliver a positive outcome for Australia and its minerals industry.

Although there is still considerable work to be done, this proposal should draw a line under the uncertainty created by the highly contentious Resource Super Profit Tax (RSPT) in the minerals industry, its communities, related businesses and capital markets.

It is a fundamental improvement on the original super mining tax proposal, which would have seriously undermined the industry's international competitiveness, increased sovereign risk and cost jobs and investment to the detriment of the economy.

This package is broadly consistent with the minerals industry's underlying principles of tax reform: international competitiveness, sovereign risk and competitive neutrality across company size, commodity mix and ownership structure.

The effective tax rate for iron ore and coal is more in line with an internationally competitive profile.

The exclusion of all other commodities except coal and iron ore recognises the principle of differentiating rates across commodities to ensure international competitiveness.

The \$50 million per annum profit threshold and the option to elect between book and market value tax base addresses the interests of small to medium producers.

The three key determinants of how the rent tax applies to profits – the uplift factor, the tax base and the immediate write off of new capital expenditure – are more commercially realistic.

The treatment of existing projects by defining the tax base at market value with depreciation provisions over the economic life of the project (capped at 25 years) should mitigate sovereign risk concerns created by the retrospective application of the tax.

The processes of further industry consideration of this package through the Policy Transition Group, led by Resources Minister Martin Ferguson AM, and Mr Don Argus AC should enable a categorical determination of the industry's future taxation arrangements before the federal election.

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