S22 exemption

Additional Q&As

S 22 exemption

When we purchased the rights from the explorer, the sale captured the value of the rent. Why isn't this being recognised in our cost base?

Existing capital investment prior to the RSPT announcement will be fully recognised.

The value of the resource in the ground varies depending on prices, the extent of extraction, and changes in technology as well as changes in tax and charging regimes. The government has decided that the Australian people will have a constant 40% share of the profits from extracting that resource going forward.

Recognising the purchase price would mean giving some of that share to those who have recently purchased resource assets.

Going forward, the price of the right should be reduced to reflect that the buyer can only use the explorer's costs leaving the buyer in pretty much in the same position as if they could utilise the actual purchase price.

Without this mechanism the profits on the sale of the right, which capture the expected profits on the resources, would otherwise would escape the RSPT and not provide a fair return to the community.

The RSPT won't be more efficient as we still have to pay State royalties. Even if it is credited, we still have to do all the admin of complying with two system.

Crediting removes the economic effects of royalties.

While a single Australian charge on resources would reduce compliance costs, the Government is bound by its constitutional obligations to the States. However, compliance costs are still tax deductible, sharing some of that burden with the Australian people.

How are you going to stop the States raising royalties? We don't get a credit for the portion that they raised.

The States will continue to collect royalties. Royalties will be credited for at least as much as current levels.

The Australian Government has announced that, at the time the RSPT is introduced, it will establish an annual infrastructure payment to the States. The infrastructure payment will be distributed to the States on the basis of their share of the value of mining production, so resource rich States will receive relatively more funding to support investment in the infrastructure necessary for the ongoing development of the resource industry.

The total amount of the infrastructure fund will start at $700 billion in 2012-13 and in the longer term will be linked to the growth in RSPT revenue. This will provide the States with an ongoing return from the introduction of the RSPT, and will mean that they will not have to raise royalty rates.

S22 exemption

S22 exemption

S 22 exemption

Constitutional issues

The RSPT is supported by the Constitution's taxation power as it is a tax on profits made from extracted resources.

S42 exemption

This may affect the details of the design but not the viability of the RSPT. The impact of this issue is limited in its scope as companies earn over 95 per cent of all profits made in the industry.

In its general design, the RSPT would not discriminate between States or parts of States. Refunding of State and Territory royalties would be constitutional as long it is done on a uniform basis across all States and Territories.

S42 exemption

S 22 exemption