

Category – Liaison to enter

RESOURCE SUPER PROFITS TAX – PROGRESS OF CONSULTATION

KEY ISSUE

- Media and some mining interests have questioned the efficacy of the consultation process.
- Extensive consultation is being undertaken on the design details of the system to identify issues and so that they can be addressed in the final design and legislation, prior to commencement.

CONSULTATION TO DATE

- The Resource Tax Consultation Panel has undertaken high level targeted engagement with stakeholders, the Panel has met with 23 Companies and 9 Industry and Taxation associations. In addition it has met with representatives of all State Treasuries and the big 4 accounting firms.
- The Panel secretariat has also undertaken consultation activities. Around 600 people have attended state Resource Tax workshops. The Panel secretariat is also meeting individually with companies both in Canberra and at the state Resource Tax workshops and has met over 135 companies to date.
- The Panel secretariat has talked to and briefed a number of Equity and Market analysts, both in Australia and internationally.
- The Panel secretariat has also met with a range of other stakeholders including accounting and taxation specialists, finance industry representatives, as well as investment fund managers.
- Treasury has made an email address available for questions, issues and comments.
- Treasury is maintaining a list of interested parties list with nearly 300 registering their interest in being kept up to date with the progress of the tax and the consultation activities.

HIGH LEVEL FINDINGS OF CONSULTATION

- The majority of consultation participants have indicated they recognise the need to ensure the Australian people receive a fair return from the exploitation of Australia's natural resources.
- The majority of consultation participants have indicated that the announced tax shouldn't apply to them for a range of reasons, such as;
 - It shouldn't include existing or planned resource projects

- Their project/sector/region is special and needs to be supported for the good of the nation
 - Their project is value adding in Australia and/or non export focussed
- Discussions have shown that many participants didn't understand the tax design and had made incorrect assumptions that overestimated the impacts of the tax, such as;
 - Taxing point, participants had assumed that the tax was intended to tax all the value adding undertaken downstream, then recognised that the intent was to tax the value of the resource only.
 - Bond rate, participants had assumed that the bond rate was being used to determine what is a super profit, then recognised that the intent was to maintain the real dollar value of undeducted expenditure and capital.
- Many participants initially indicated that refundability was of no value to them, however then understood that refundability ensured equitable treatment between smaller single project miners and the larger miners who would access transferability. Indeed many suggested that if the tax shifted to closer to cash flow with refundability being available earlier in the project lifecycle financing and viability of projects would be enhanced
- The consultation activities have also identified and discussed a range of administrative issues to be progressed in the Issues paper and Final design.

NEXT STEPS

- Now the initial consultation phase is winding down the emphasis has shifted to the development and release of the Issues Paper. The Issues Paper is being developed based on the initial consultation findings and will further articulate the design issues and proposed solutions. This paper will be released for formal comment in late July 2010.
- After the release of the Issues Paper, Treasury will commence the final design of the Resource Super Profits Tax. This will include the review and consideration of formal submissions to the Issues Paper received from the public. The Final Design paper will be developed late in 2010 and will subsequently released for public comment. The Final design will fully detail the design of the tax.
- Once the final design has been developed Treasury will shift to the development of the Exposure Draft Legislation, and the Legislation due 2011. The Exposure Draft Legislation will also be released for public comment.