

(91)

112

Exempt - section 22

---

**From:** Davis, Graeme  
**Sent:** Wednesday, 23 June 2010 6:22 PM  
**To:** Barrett, Chris (Treasurer's Office)  
**Cc:** Parker, David; McDonald, Hamish; Brown, Colin (RG TAD); Bartley, Scott  
**Subject:** RE: Costing [~~SEC-IN-CONFIDENCE:COMMERCIAL~~]

Chris

The option results in a starting base that is beyond the capacity of the model to handle in that the effect of the starting base and proposed uplift is to make gross RSPT negative in all periods.

The financial impact is the Commonwealth effectively removing all taxation of the resource sector.

The result is driven by the very large starting base (over the last few years there has been a lot of investment in infrastructure - rail and ports - a lot more than has been in the mines themselves) - when this is multiplied by 150% this is a big number.

This is combined with the reduced income (assuming 80% capital after the shovel with a 13% rate of return).

All in all there is no revenue. If we refunded there would be a significant cost.

cheers

GCD

---

**From:** Barrett, Chris (Treasurer's Office)  
**Sent:** Wednesday, 23 June 2010 4:12 PM  
**To:** Davis, Graeme  
**Cc:** Parker, David; McDonald, Hamish  
**Subject:** Costing [~~SEC-IN-CONFIDENCE:COMMERCIAL~~]

Graeme,

Sorry to do this. Can you try a quickie costing with the following elements:

Uplift at 15%

Net back to shovel (means taking out transport, processing, head office, and most extraction costs)

BUT infrastructure in base

Valuation of Base:

- o either 150% of market value of physical assets uplifted at 15% from 2 May 2010 to start of tax on 1 July 2012; i.e market value x 150% X 115% x 115%
- o Or: 200% of accounting value of physical assets uplifted at 15% from 2 May 2010 to start of tax on 1 July 2012; i.e market value x 150% X 115% x 115%

Depreciation of starting base: 20% over 5 years

New investment: 3 year write off

Transferability

It would be great if we could have this tonight or first thing tomorrow. Happy to answer any questions you may have. If you have to make assumptions to make any of this work, go ahead, just let me know how ropey they are.

Regards,

Chris

**Chris Barrett**

Chief of Staff to the Hon Wayne Swan MP

Treasurer

Commonwealth of Australia

P: + 61 2 6277 7340 | F: + 61 2 6273 3420 | E: [chris.barrett@treasury.gov.au](mailto:chris.barrett@treasury.gov.au)