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### Submission - MRRT and related measures Repeal

Dear Sir

I am writing to express my opposition to the repeal of the Mining Resources Rent Tax ("MRRT") as part of the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013. I take issue with the Treasurer's comments in his Media Release 'Repeal of the Minerals Resource Rent Tax' which seem to suggest that this proposed repeal has not been properly considered by the Government.

"The MRRT is a complex and unnecessary tax"

The mechanics of the MRRT are quite similar to the PRRT which has been enacted since 1987 and which has operated quite successfully in the oil and gas industry.

The complexity of the MRRT arises from the starting base rules, an element of the MRRT which was added in after significant lobbying from the mining interest groups. The starting base rules require an examination of upstream expenditure companies incurred up to 1 July 2012 on tenements that existed on 1 May 2010, which can be used to offset any MRRT liability. This element of the MRRT can simply be removed without repealing the rules in their entirety if the Government wished to make the MRRT less complex. By removing this element of the rules, this would also serve to deny these starting base deductions to mining companies and increase revenue for the Government.

As for the MRRT being unnecessary, the Treasurer has been active in the media regarding his concern about Australia's debt levels and only yesterday, proposed to raise Australia's debt ceiling to \$500b in order to meet forecast national expenditure. It is therefore incongruous that the Government proposes to repeal a tax in light of Australia's debt problem, not to mention the wastefulness of repealing a law into which significant resources have already been spent developing and implementation by both the government and industry.

The fundamental idea of the MRRT was for the Australian people to capitalise on high commodity prices. A return to the royalties system would yet again mean only mining companies and not the Australian people, profit from increased market prices.

"Struggled to raise the substantial revenue predicted by the former Government"

The former Government did not fully comprehend the extent to which the above mentioned starting base deductions would 'soak up' any mining tax companies would have to pay.

Large mining companies recorded significant deferred tax assets in their accounts upon introduction of the MRRT, simply due to the availability of the starting base deduction. However, once these deductions are used, these mining companies will have to start paying MRRT.

Accordingly, future revenues from the mining tax are likely to increase exponentially once companies begin to use up their starting base deductions. This proposed repeal is short-sighted as the tax is designed to pay off much greater in the long term.

“Damaging business confidence which is critical to future investment and jobs”

By repealing this law, the Government only serves to further damage business confidence in the stability of Australia’s tax system. Businesses have invested significant resources to understand and implement the MRRT. They have already accepted the law as it stands and have factored the tax into their future projections and subsequently, their decisions. There is no evidence that removing the rules has any impact on future investment and jobs.

#### Repeal of related measures

I am not opposed to the repeal of the related measures, and agree that these are necessary for revenue savings.

Regards

John Phu