

26th July 2012

General Manager
Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Attention Ian Douglas

companylosses@treasury.gov.au

Dear Sir/Madam

Improving access to company losses

Thank you for the opportunity to provide input on the Discussion Paper, '*Improving access to company losses*', dated July 2012.

The Association of Mining and Exploration Companies (AMEC) is the peak national industry representative body for mineral exploration and mining companies within Australia, and represents over 360 members, many of which are small and medium sized enterprises.

Fundamental requirements of the mining and minerals exploration sector are clarity, certainty and a level playing field for business and investment decision making. It is imperative that this is achieved through a long term stable public policy framework and fiscal regime.

Although AMEC supports the general concept of 'carry back of losses', we have extreme concern that implementation will require offsetting savings from the business tax system, and that the Business Tax Working Group (BTWG) is understood to be closely reviewing current taxation arrangements within the minerals exploration and mining sector.

AMEC notes the content of the *Final Report on the tax treatment of losses* released by the BTWG in April 2012, and particularly the acknowledgement that there has been limited time available for it to fully evaluate the costs and benefits of discrete reforms to the treatment of losses against alternative policies such as the possible cut to the corporate tax rate.

AMEC is concerned about the potential unintended consequences of any offsetting savings being obtained from changes to taxation arrangements relating to small emerging miners.

In this regard, it is important to note from ongoing AMEC member feedback (including small emerging miners and junior minerals exploration companies) that they are experiencing:

- very tight and competitive global financial markets in which to raise capital,
- significant reductions in share prices and market capitalisation,
- increased cost pressures due to a range of additional expenses (such as new taxes; reduction in the diesel fuel credit; labour, fuel, transport and power costs; and a

Association of Mining and Exploration Companies (Inc)

6 Ord Street, West Perth WA 6005 PO Box 948, West Perth WA 6872
Ph: 1300 738 184 Fax: 1300 738 185 info@amec.org.au www.amec.org.au

range of levies, royalties and cost recovery processes) that will bite further into limited working capital and cash flow, and

- reduced growth potential.

This is contrary to the perceptions that the whole mining industry is highly profitable and experiencing a 'boom'. That is not the case throughout the industry.

In fact there is a significant divide between small emerging miners / junior explorers; and large multi-national multi-commodity conglomerates that have been able to make substantial profits on the back of high commodity prices and favourable exchange rates.

Commodity prices are now falling and exchange rates are returning to more normal levels to such an extent that investment in new and expansion programs are being deferred or cancelled as investors look to domestic and international alternatives.

Some existing mining projects are also either being placed under care and maintenance or are the subject of a merger or acquisition.

All of these signs are of extreme concern for the Australian economy as tax and other revenue streams, jobs, social and economic dividends will be threatened and probably reduced in the short term unless some relevant and proactive public policy action is taken.

Further detrimental changes to existing taxation arrangements for junior minerals exploration and small emerging mining companies could therefore have unintended consequences for the Governments forward revenue estimates.

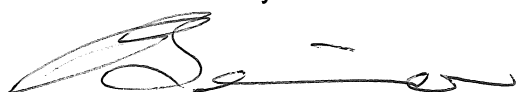
AMEC therefore strongly recommends that the costs, benefits and potential economic and social implications of any changes to taxation arrangements, such as 'carry back of losses' should be closely analysed and understood by Government, in conjunction with industry and bodies such as AMEC, prior to implementation.

As detailed in AMEC's February 2012 submission to the BTWG on the tax treatment of losses, AMEC is of the opinion that the Government should implement public policies that ensure Australia's reputation as a safe place in which to invest, and the resource industry's international competitiveness are not damaged further in a very competitive global resources environment.

One such policy initiative in which to stimulate much needed investment in greenfields minerals exploration is to implement an Exploration Tax Credit model (as detailed in the AMEC submission of February 2012).

We would be pleased to meet you to further progress such a policy initiative, or to discuss any other taxation related matter under consideration by the BTWG or Treasury.

Yours sincerely



Simon Bennison
Chief Executive Officer