CME

31 October 2013

Manager
Resource Tax Unit
Indirect, Philanthropy and Resource Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Manager,

The Mineral Resources Rent Tax Repeal and Other Measures Bill 2013 – Exposure Draft

This submission is made by the Chamber of Minerals and Energy of Western Australia (CME) in response to the 24 October 2013 request for public comment on The *Mineral Resources Rent Tax Repeal and Other Measures Bill 2013*.

CME and the WA resources industry

CME is the peak resources sector representative body in Western Australia (WA) funded by its member companies who generate 95 per cent of the value of all mineral and energy production and employ 80 per cent of the resources sector workforce in the State.

The Western Australian resources sector is diverse and complex covering exploration, processing, downstream value adding and refining of over 50 different types of mineral and energy resources.

In 2012-13, the value of Western Australia's mineral and petroleum production was $102 billion, accounting for 89 per cent of Western Australia's total merchandise exports and thus representing the bulk of Western Australia's 47 per cent contribution to Australian merchandise exports. Furthermore, in 2012-13 it employed 142,752 people in Western Australia and contributed a total of $4.87 billion in royalty payments to the state government.

Western Australia remained the nation's leading mining investment destination in 2012–13 attracting 51 per cent of total capital spending by the industry in Australia valued at $95 billion.

Background

The Mineral Resources Rent Tax (MRRT) accompanied by legislation extending the Petroleum Resource Rent Tax (PRRT) was introduced to Parliament on 2 November 2010.

The 30 per cent minerals resource rent tax (MRRT) commenced its application to the profits of coal (and coal seam gas) and iron ore miners from July 1, 2012. The revenue from the MRRT tax was originally expected to fund a billion-dollar tax break for small business, a cut to the corporate tax rate, an increase in compulsory superannuation contributions and improve regional infrastructure.

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However, within the first year of application it was clear that the MRRT was not going to collect the $11 billion revenues that had been originally forecast. The MRRT has proved an inefficient and ineffective tax, ultimately adding a significant compliance and regulatory burden to industry due to the administrative requirements of the complex legislation.

CME Position and the Mineral Resources Rent Tax (MRRT) and Other Measures Bill 2013 ("the Bill")

CME supports the repeal of the Mineral Resources Rent Tax (MRRT) and accompanied legislation extending the Petroleum Resource Rent Tax (PRRT). CME has consistently expressed concerns that the MRRT is administratively onerous and costly as well as ineffective, falling significantly short of delivering the genuine tax reform needed to ensure Australia's ongoing international competitiveness.

Regarding the taxation options for the resources sector, CME has always maintained a strong preference for retention of the current state royalty regime, administered by the state, government and with revenues flowing to the state in preference to federally imposed alternatives. The state has primary responsibility for resources project approvals and the provision of non-privately owned infrastructure which enable development of mining opportunities. As such, it is important the state government receives a dividend for Western Australian resources.

CME recommends that government continue to encourage further investment in the volatile exploration sector through mechanisms such as the proposed Exploration Development Incentive rather than limiting currently available exploration expenditure provisions.

Overall, CME welcomes the proposed Bill and believes that it will encourage investor confidence and improve our international competitiveness.

Yours sincerely,

Reg Howard-Smith
Chief Executive