



Media Release

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HENRY TAXATION REVIEW AND THE RESOURCE SUPER PROFITS TAX

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The Henry review has laid out a comprehensive blueprint to redesign Australia's tax system.

Unfortunately the government's narrow response to the review is not the bold tax reform that was promised. It is not the root-and-branch reform that the BCA and the community expected.

The initial response is built around an untested new Resource Super Profits Tax and a minimal cut in the company tax rate. A more comprehensive and considered response would better serve Australia's long-term interests.

The reactions of the broader business, financial and investor communities, both locally and offshore, reflect this account.

In March the BCA released a set of high-level principles to guide tax reform. As outlined in the attachment, the proposed Resource Super Profits Tax does not rate well against these principles.

Of most concern to the BCA is the failure of the RSPT to meet the principle that the taxation framework be characterised by stability and predictability, with any change prospective so as not to adversely affect existing investments or create perceptions of sovereign risk.

The proposed application of the RSPT to existing projects contradicts this principle. As a consequence, a perception has taken hold of increased sovereign risk associated with investing in Australia.

The growing perception of sovereign risk has extended well beyond the resources sector to affect the business environment in Australia more widely. This is harming our international standing, and if not addressed will reduce investment and impede our growth prospects.

The BCA stands willing to support reform to the taxation arrangements for the resources sector that is consistent with our principles. This needs to be done through a detailed and genuine process of consultation, both on the RSPT and the Henry review more generally.

The BCA will continue to press for tax reform that will enhance Australia's future prosperity.

CONSISTENCY WITH BCA TAX PRINCIPLES

BCA principle	Resource Super Profits Tax implications
<p>The tax system should support investment and growth through a reduced reliance on taxes on capital and income and a greater reliance on broad-based taxes on consumption</p>	<ul style="list-style-type: none"> • While the RSPT taxes returns to capital it does so by shifting the tax base from royalties to economic rents. There is some support in the industry for this general approach. • The government claims the new regime will lead to higher investment for new projects in future. The design of the RSPT including its rate and the uplift factor will influence investment decisions.
<p>The tax system should be consolidated to contribute to the further growth and development of a seamless national economy, and should also enhance Australia's international competitiveness</p>	<ul style="list-style-type: none"> • State royalty regimes remain in place (albeit royalties are fully rebated at current rates). • Australia's resources sector taxation regime will be less globally competitive. • The value financiers place on the government guarantee of losses is a significant unknown factor.
<p>The taxation framework should be characterised by stability and predictability. Any changes should be prospective, so as not to adversely affect existing investments or create perceptions of sovereign risk</p>	<ul style="list-style-type: none"> • The RSPT will apply to existing projects, adversely affecting their value and creating sovereign risk. • The government will treat investment in the interim period (i.e., from day of announcement) as falling under the RSPT regime, even though it is yet to be legislated. This creates significant uncertainty. • The introduction of the tax has been poorly explained and without adequate consultation.
<p>Tax arrangements should be transparent, simple to administer and minimise the compliance burden imposed on taxpayers</p>	<ul style="list-style-type: none"> • Elements of the regime appear simple in theory, but will entail significant complexity in practice. • Rebating of royalties adds administrative complexity.
<p>The tax system should raise revenue through taxes that are less exposed to the volatility associated with the business and commodity cycles</p>	<ul style="list-style-type: none"> • RSPT revenues will vary with commodity prices, as acknowledged by Treasury. • The RSPT and the guaranteeing of losses will lead to transferable, and in some cases refundable, credits to failed mining ventures. • The government has not sufficiently assessed or provisioned for these fiscal risks.

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The BCA works to achieve economic, social and environmental goals that will benefit Australians now and into the future. We research, communicate and advocate how Australia can build on its many advantages by reinforcing what we do well, recognising and improving where we don't do well, and ensuring all Australians are able to contribute to and enjoy our nation's prosperity. Members of the BCA are the chief executives of 100 of Australia's largest and most economically significant companies who collectively employ more than one million people. Our aspiration is for Australia to become the best place in the world in which to live, learn, work and do business.