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Transcript
5AA Adelaide with Leon Byner
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E&OE

Subjects: Minerals Resource Rent Tax.

BYNER: Well you heard this morning on our radio program that the Prime Minister has announced a new mining tax regime. The Federal Government has announced the planned 40 per cent Resource Super Profits Tax has been scrapped for a Minerals Resource Rent Tax at a rate of 30 per cent, which will be limited to just 320 companies mining iron ore, coal, oil and gas. To get some detail, let's talk to the Minister for Small Business, Craig Emerson. Craig, thanks for joining us today.

EMERSON: My pleasure Leon.

BYNER: Now, the media is saying today, and this is all coming out of Canberra, the press gallery are telling us that this is going to raise about \$1.5 billion less than what was going to be raised under the Rudd scheme. So what's going to go?

EMERSON: There will be a reduction in the company tax rate from 30 per cent to 29 per cent, instead of to 28 per cent, and the exploration rebate which would have cost \$1.1 billion, from my memory, is not going to go ahead.

I was actually in South Australia for the Minerals Council luncheon and gave a keynote address on behalf of Martin Ferguson, and it was very clear there, Leon, that the industry did not value the exploration rebate, so we've not proceeded with that. But we have modified the rate of the tax as you've said in your introduction from 40 percent down to 30 per cent. And you

can carry forward losses now at the bond rate plus seven per cent, rather than just at the bond rate.

BYNER: And it won't be retrospective?

EMERSON: Well, it will apply to existing projects but while recognising the capital cost that they've incurred, leaving those projects intact.

BYNER: Now, what happens to the superannuation contribution, which was also going to be taken from the (inaudible)?

EMERSON: It will still be going ahead. It's fine. We will increase the superannuation contribution from nine per cent to 12 per cent over the same period of time. So that's great news for working Australians.

BYNER: Yes, well, that's great Craig, and correct me if I'm wrong here, but a lot of that's going to be paid for by the employers.

EMERSON: The Commonwealth contribution works this way: that superannuation is a tax concession. It's treated in concessionary terms for tax purposes. So if you didn't have an alternative source of revenue to cover that revenue foregone, then there would be a hole in the budget. And the alternative revenue is from the Minerals Resource Rent Tax. So we're covering the Commonwealth's contribution, if you like, to that whole savings exercise.

Yes, businesses and workers will work out their own arrangements as to how much they contribute to that increase, which is over nearly a 10 year period, but the Commonwealth will back that contribution. And interestingly and importantly, we'll go ahead with the small business tax breaks of the immediate write-off of assets up to \$5000.

BYNER: Now Craig, when Kevin Rudd was PM only a while ago, he promised WA and Queensland multi-billion dollar infrastructure projects. We don't quite know what South Australia will get, and I'm going to ask you about that in a sec, but, does that all stand...?

EMERSON: Yes it does.

BYNER: It does?

EMERSON: Yeah. The infrastructure fund remains intact. So what is modified is that reduction in the company tax rate from 30 to 29 cents, rather than 30 to 28, and the exploration rebate. They're the main things.

BYNER: Alright. Now we know that WA and Queensland are going to get quite a number of projects, already specified. What will South Australia get?

EMERSON: I haven't got the figures in terms of the allocation to South Australia, but it will get its fair share of infrastructure. As I think you might know, this tax now will apply only to iron ore and coal. And there are some iron ore projects in South Australia.

And also the coal seam methane, where the offshore Petroleum Resource Rent Tax will be imported onshore for coal seam methane. So it won't actually apply to a large number of projects, including Olympic Dam in South Australia. And that means that a lot of companies that were concerned about the Resource Super Profits Tax won't have to be concerned. They will only be subject to this particular tax if they produce iron ore or coal.

BYNER: Alright. So at this stage we will get some infrastructure money?

EMERSON: Yes and I haven't seen that allocation and I'm not sure that's been determined.

BYNER: Okay, so why did we determine Queensland and WA – we're out there early – but we didn't say anything about Adelaide or South Australia?

EMERSON: I think it's because a very large part of the revenue from the Resource Super Profits Tax would come out of Western Australia and Queensland. That's just the truth of it. And a very large part of the revenue from the Minerals Resource Rent Tax will come out of Western Australia and Queensland. But some, some, but I don't think a huge amount, would come out of South Australia because of the exemption of all of these minerals, including Olympic Dam, other than iron ore and coal and coal seam methane.

BYNER: Craig Emerson, thank you for joining us today.

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