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Transcript
2GB Money News with Ross Greenwood
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Subjects: Mineral Resources Rent Tax.

GREENWOOD: Well of course the new Mining Resource Rent Tax, that's come out today, the reconfigured Resource Super Profits Tax is very much the news. The question is where is the money? Where does it come from? How come it only cost, for all this changed, \$1.5 billion? You say only, but it's actually, if you like, a drop in the bucket, as comparison with the total budget.

Well one man who was the original architect of the Petroleum Resource Rent Tax is Craig Emerson. Dr Craig Emerson is the Minister for Small Business, but would be - and has been - very close to the way in which this has been constructed as well. He joins us now on Money News.

Hi there Craig.

EMERSON: Hi Ross.

GREENWOOD: Question for you first up. I think a lot of people right now are wondering, for all of the significant change and for all of the, shall I say, congratulations that came from the big miners as they walked out, the fact that it is only costing the Government \$1.5 billion, has got all sorts of people in the community and in economics scratching their heads right now.

EMERSON: Well one of the things that's been removed is the offer, effectively to make good on any mining losses, and so we're not doing that through this redesign. And as you said in your introduction, a move from the original design of Resource Super Profits Tax to a Minerals Resource Rent Tax, which is very, very similar to the Petroleum Resource Rent Tax of 25 years ago that still applies today.

And so that's one of the things that's been removed. The other is the Exploration Rebate, which was more than a billion dollars. And also, Ross, we're reducing the company tax rate now from 30 cents to 29, instead of from 30 cents to 28.

GREENWOOD: But how much does that save on the way through? Have you got that number in your head?

EMERSON: Not in my head. It's not a big number in the forward estimates period, but if you think of it over ten years, it's a significant amount of money. It's not a major part of the overall story. I think really the key to it was that this offer to send money to mining companies that had mining losses has not going ahead because frankly the industry said they don't value that offer very much and we listened to that, redesigned the Resource Super Profits Tax to a Minerals Resource Rent Tax, which is very similar to the Petroleum Resource Rent Tax.

GREENWOOD: Putting on your small business portfolio's hat for a moment, are you disappointed that you can't get that company rate of tax down from 30 cents in the dollar to 28 cents in the dollar? That you've had to compromise on one percentage point?

EMERSON: On that, I don't think it's a major change. The reason I say that Ross is two fold. One, the company tax rate reduction of course would benefit small businesses that are companies, which is 720,000 of them, but we have kept fully intact the instant write-off of the value of any asset of - valued at up to \$5,000, which is available to all of Australia's 2.4 million small businesses, sole traders, partnerships and companies.

So the major tax break for small business has remained intact and I'm very pleased, as Small Business Minister, that that is the case.

Tragically, as you'd be aware, Tony Abbott has confirmed today that he would not only oppose but rescind the Minerals Resource Rent Tax. And in so doing, would deny small businesses this very valuable tax break.

GREENWOOD: Just another one for you and this is another change that's taken place, given the fact you were the architect originally of the Petroleum Resource Rent Tax, the fact that the status of the North West Shelf in particular, and I notice that Woodside shares fell heavily today on the stock market, what is the implication of the change of Woodside and the North West Shelf's status in being introduced into that Petroleum Resource Rent Tax?

EMERSON: Well, I just know this, and that is industry has welcomed the change. So obviously the North West Shelf operators believe that this is a positive overall. We're extending the Petroleum Resource Rent Tax not only there but also to onshore coal seam gas, and that's been welcomed by the industry too. And we did say all along that if the design of this profits based tax was right, then industry would in fact want to be covered by it, and that's the case.

What we have excluded though Ross is a lot of minerals that don't generate high profits. And this is a little bit like the original Petroleum Resource Rent Tax. I can say to your listeners that when we first contemplated that it was an across-the-board Minerals Resource Rent Tax, but there really wasn't that much profitability in non-petroleum mineral resources in this country at the time.

What's changed then is the China boom, which has made iron ore and coal production especially profitable. And what this Minerals Resource Rent Tax gains for the community, including our 2.4 million small business operators, is a fair share of that increase in profits.

GREENWOOD: And the other one I guess is that the small miners, and you would have of course heard this afternoon, Andrew Forrest and a range of the small miners from the Association of Mining and Exploration Companies, express their dissatisfaction at this stage. It seems it's small iron ore miners in particular, and I presume small coal miners as well, will be a little concerned if they're in their build up phase at this stage.

EMERSON: Well small miners, if they make profits of less than \$50 million, would not be affected by this if they happen to be iron ore or coal miners. If they're mining other minerals, other than oil and gas, then they're not in the, in the regime at all.

And interestingly I stood in for Martin Ferguson and gave a key note address in Adelaide where there was hundreds of small miners, and interestingly they said they did not want, did not want the Exploration Rebate, did not want anything to do with this tax. Well that's actually what's going to happen

for them. They're not going to be effectively in the regime and if they're now disappointed that's a bit curious because that's what they wanted: to be excluded from it.

GREENWOOD: Craig Emerson is this the last thing that needed to be cleared off the decks before the federal election?

EMERSON: Well I'm focused on this policy and not on other policies Ross so I can't give you a political answer to that. There's one person who knows that and one person alone and her name is Julia Gillard.

GREENWOOD: You might have to give her a call and find out Craig, which weekend you have to take off.

EMERSON: I don't think I'll be taking off any weekends between now and the end of the year.

GREENWOOD: Very good. Craig Emerson is the Small Business Minister and we appreciate your time here tonight on Money News.

EMERSON: And thank you for having me on the program Ross.

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