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*TITLE:* **To state the bleeding obvious, more mining tax revenue is better than less**

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*PUBLICATION:* **CRIKEY**

*PUBLICATION DATE:* **22 November 2011**

*LINK: http://www.crikey.com.au/2011/11/22/to-state-the-bleeding-obvious-more-mining-tax-revenue-is-better-than-less/*

The one thing that unites people about the mining tax is that it is not the best designed tax ever proposed. That should hardly be a surprise given that it was bashed out between the new Prime Minister Julia Gillard and the three biggest mining companies in the first days of her taking office from Kevin Rudd.

A well-considered and economically more efficient mining tax proposal was developed by the former secretary of the Treasury, Ken Henry. The biggest problem with Henry's proposal was its complexity, a problem compounded by Kevin Rudd who rather than release the Henry Tax Review in early 2010, decided to keep it to himself until the middle of the year.

The lack of consultation around Rudd's mining tax — the Resource Super Profits Tax (RSPT) — was in complete contrast to his repeated statements about the need to give industry "certainty" in relation to the carbon tax and, in turn, gave the mining industry a big stick with which to beat him, and his proposal, into the ground.

The Gillard government's version of the mining tax, the friendlier sounding Mining Resource Rent Tax (MRRT), will raise far less revenue than the more populist sounding Resource Super Profits Tax. Indeed, The Australia Institute estimates that the lost revenue could be up to $200 billion over the coming decade if resource prices remain at their current levels. If resource prices rise further, the lost revenue will be even higher.

One of the main reasons that the MRRT will raise less money than the RSPT is that the new proposal only collects revenue from coal and iron ore mines. That is, owners of gold, alumina, uranium, copper and other metals will be entirely exempt from the new tax.

While the government is right to argue that some mining tax revenue is better than none, such an argument would be unusual in most other contexts. Imagine if the government announced a crackdown on tax evasion but said that it was going to ignore the revenue being lost in some sectors because tax cheats in other sectors had agreed to help them with their inquiries.

Of course some mining tax revenue is better than none, but it follows that more mining tax revenue would be better than less. The question the government must answer, and no doubt a question that will be posed by the upcoming Senate inquiry, is why shouldn't Australian taxpayers share in the windfall associated with record gold prices?

Gillard is of course free to be as generous to big mining companies as she wishes to be, but if she wants to pass laws through the Parliament she will need to find a majority in both houses who support a specific proposal. Hopefully, the Senate will secure support for including a broader range of minerals and, in turn, secure billions of dollars in extra revenue for a budget the government says it is desperate to get back into surplus.

If the government is determined to virtually give our gold and uranium away to foreign-owned mining companies, then the next best thing the Senate could do would be to insist on a formal review of both the coverage and the rate of the mining tax. That is, just because Gillard thinks this is the best deal she can get for Australian taxpayers doesn't mean we couldn't do better.

The mining industry has been quick to redefine any change in government policy that it doesn't like as "sovereign risk" but they were strangely quiet about the windfall gains that decades of corporate tax cuts delivered them.

But given their skittish nature and their stated need for "certainty" the Parliament should make it abundantly clear to the mining industry that in the coming years the rate of the mining tax is likely to rise and the list of minerals included will likely be expanded.

As a new Prime Minister trying to solve a problem created by her predecessor, Gillard may well have done the best deal she could, but there is no doubt it is far from the best deal we can imagine. But with more time, and a stronger bargaining position, there is no doubt that it is in the interests of Australian taxpayers to revisit this issue as quickly as possible.

The mining industry in Australia has done a great job of talking up its contribution to the economy, to our society and, bizarrely, even to our natural environment. As spelt out in The Australia Institute's Mining the truth: The rhetoric and reality of the commodities boom paper, however, the mining industry only employs about 2% of the workforce, pays relatively low rates of corporate taxes and while it is true they export a lot, their exports have crowded out exports from manufacturing, tourism, education and agriculture on a dollar-for-dollar basis.

But leaving aside all of the exaggeration and bluster about their size, the main point of their relentless television advertisements is that they are proud of the contribution they make to society. Well, if that's the case, they should be more than willing to pay higher taxes on the enormous profits they are making on the back of windfall gains in the world prices of Australia's natural resources.

Perhaps unsurprisingly the mining industry is happy to give away a few million dollars to public causes, because having done so they can then spend millions more on advertising to tell us how generous they are. But they are far less willing to accept any obligation to pay the taxes we need to improve the livelihood of the most disadvantaged members of society.

Tax, as they say, is the price you pay to live in a civilised society. So why would an industry that is 83% foreign-owned want to pay to improve Australia?

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