Minerals Resource Rent Tax Repeal and Other Measures
Bill 2013 [No. 2]

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This is an update to Bills Digest 27, 2013–14, prepared for an earlier version of this Bill. For completeness the reader should consult both Bills Digests.

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Date introduced: 23 June 2014
House: House of Representatives
Portfolio: Treasury
Commencement: Schedule 1 commences on 1 July 2014. Schedules 2–9 commence on Royal Assent.

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill’s home page, or through http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation
When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the ComLaw website at http://www.comlaw.gov.au/.
The Bills Digest at a glance

The Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 [No. 2] (the current Bill) is a precise replica of the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 (the previous Bill). The previous Bills Digest provides an in-depth discussion of key provisions, policy issues and stakeholder views. 1 This Bills Digest provides an update on key developments since the previous Bills Digest, with a high level summary of key changes in the current and previous Bills for ease of reference.

What the Bill does

• This Bill repeals the Minerals Resource Rent Tax, and repeals (or modifies, in two cases) several other measures.

Background

• A resource rent tax is a tax on rents. In economic terms that is a tax on the excess profits earned from having access to scare non-renewable resources. The Minerals Resource Rent Tax (MRRT) applies only to particular types of mining projects (primarily iron ore and coal). It came into effect on 1 July 2012.

• At the initial May 2010 announcement of a resource rent tax and in subsequent statements, the former Labor Government linked the cost of a number of other measures—concerning business taxation, superannuation, welfare and family assistance payments—to revenue from the MRRT, although there was no formal hypothecation.

Key issues

• The MRRT is a complex tax, with significant administration costs but the potential for significant revenue. Its repeal represents a major change in the regulatory regime for the mining industry.

• The Bill unwinds several of the significant but otherwise unrelated measures the funding of which was linked by the former Labor Government to MRRT revenues. This will have very broad impacts.

• While statements have been made by the current and former Governments linking expenditure to the revenue from the MRRT, there is no hypothecation of funds. The link between MRRT revenue and the Schoolkids Bonus is particularly contentious for a number of reasons.

• There are timing and transitional issues associated with some of the measures in this Bill, as the date of effect means they will be retrospective by the time the legislation is passed.

History of the Bill

The previous version of the Bill, the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 (the previous Bill) was introduced into the House of Representatives on 13 November 2013 and subsequently passed the House of Representatives without amendment on 20 November 2013. 2

The previous Bill was referred to the Senate Standing Committee on Economics, which reported on 2 December 2013. While recommending that a number of policy measures be revisited in the future as part of other processes, the Committee recommended that the Bill be passed. A dissenting report by Labor Senators recommended that the Bill not proceed. 3 The previous Bill was negatived by the Senate on 25 March 2014. 4

In the 2014–15 Budget, the Government announced its intention to adjust the timing of changes to the rate of the Superannuation Guarantee, delaying the timetable included in the previous Bill. 5 The current Bill, as introduced, includes the original timetable of changes to the Superannuation Guarantee (see below for more

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Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 [No. 2]

3 detail); however in the second reading speech, the Parliamentary Secretary to the Treasurer noted the Government’s intention to introduce an amendment to the Bill to reflect the Budget announcement.6

Because the current Bill (as introduced) is a precise replica of the previous Bill, this Bills Digest is a short update to the previous Bills Digest to reflect subsequent developments.7 For completeness the reader should consult both Bills Digests.

**Purpose of the Bill**

The purpose of the current Bill is to give effect to the Government’s commitment to repeal the Minerals Resource Rent Tax (MRRT). In addition, the Bill repeals or adjusts several other measures, which have been linked as part of a broader ‘mining tax package’.

- the main purpose of the current and previous Bills is to repeal the MRRT. To give effect to this purpose, **Schedule 1** repeals the:
  - Minerals Resource Rent Tax Act 2012 (MRRT Act 2012) and
- **Schedule 2** amends the Income Tax Assessment Act 1997 (ITAA 1997) to discontinue the company loss carry back measures from the start of the 2013–14 income year. Under current legislation companies can carry losses forward or carry back losses up to $1 million to generate a tax offset in the current year.
- **Schedule 3** amends the ITAA 1997 to change the capital allowances for small business. Small business entities will be able to claim a deduction for the value of a depreciating asset only if it costs less than $1,000 (currently $6,500) in the income year the asset is first used or installed ready for use.
- **Schedule 4** amends the ITAA 1997 to change the special rules that currently apply to motor vehicles so that they are subject to the same rules as other depreciating assets. A small business entity can at present deduct the first $5,000 of the cost of a motor vehicle in the income year that it is first used or installed ready for use. This concessionary treatment will be withdrawn
- **Schedule 5** amends the ITAA 1997 to repeal the immediate deductibility of geothermal exploration or prospecting expenditure
- **Schedule 6** of the Bill amends the Superannuation Guarantee (Administration) Act 1992 (SGAA) to change the schedule of increases to the superannuation guarantee charge percentage. It will remain fixed at 9.25 per cent until 2016–17 before increasing incrementally to reach 12 per cent by 2021–22. This is a slower rate of increase than is provided for in the legislation now. As discussed below the Government also announced additional changes in the 2014–15 Budget-- these are not reflected in the current Bill
- **Schedule 7** of the Bill amends the Superannuation (Government Co-contribution for Low Income Earners) Act 2003 so that the Low Income Superannuation Contribution (LISC) will not be payable in relation to eligible contributions made on or after 1 July 2013
- **Schedule 8** proposes to abolish the Income Support Bonus (ISB), a lump-sum supplementary payment made twice a year to people on certain income support payments and
- **Schedule 9** proposes to abolish the Schoolkids Bonus, a lump-sum payment made twice a year to family assistance and other payment recipients with school-aged children.

**Committee consideration**

**Senate Economics Legislation Committee**

The previous Bill was referred to the Senate Economics Legislation Committee. Its report was tabled on 2 December 2013. The inquiry received 25 submissions which are at the inquiry webpage.8

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The Committee made three recommendations:

The committee recommends that the government revisit certain measures in the Bill, in particular incentives in superannuation for low income earners and taxation issues affecting small business, once the Budget returns to strong surplus ...

The committee recommends that the government consider revisiting the question of incentives in superannuation for low income earners as part of its tax review ...

The committee recommends that the Bill be passed.9

A dissenting report by Labor Senators stated:

Labor senators have a fundamental view that Australians deserve to share in the benefits of the minerals we all own—the MRRT is a profit-based tax, so when profits are high, revenue is up. When profits are lower (that is, during the construction phase of the boom), of course revenue will be lower—that is how the tax works. The MRRT was not put in place for the next six months, it was put in place for the next generation ...

While repealing the MRRT might reduce the tax burden on some iron ore and coal miners, the consequent repeal of, or changes to, other measures would have a detrimental effect on some of Australia’s poorest workers and on small businesses operating in a difficult economic environment.10

The dissenting report recommended that ‘the Bill not proceed’.11

Senate Standing Committee for the Scrutiny of Bills

The Senate Standing Committee for the Scrutiny of Bills had no comment on the previous Bill.12

Policy position of non-government parties/independents

Both the Australian Labor Party and the Australian Greens voted against the previous Bill in the Senate.13 Mr Palmer voted in support of the previous Bill in the House, but has also stated that the Palmer United Party may vote against the repeal if it removes the Income Support Bonus from veterans’ children.14

Of those independent Senators that will remain in the new Senate, Senators Nick Xenophon and John Madigan voted in support of the previous Bill.15

The Family First party ‘opposes the Mineral Resource Rent Tax’.16 Liberal Democratic Party Senator-elect David Leyonhjelm is reported to support the repeal of the MRRT, and statements from the Australian Motoring Enthusiasts Party suggest that Senator-elect Ricky Muir will vote with the Palmer United Party.17

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9. Ibid., p. 36.
10. Ibid., p. 37.
11. Ibid., p. 37.
Financial implications

The Explanatory Memorandum for the current Bill shows the total loss to revenue of the repeal of the MRRT is about $3.3 billion but combined with a number of savings in other areas, the Government expects a net positive impact of $12.6 billion over the period 2013–14 to 2016–17 from the repeal package.18 The Explanatory Memorandum for the previous Bill included an estimated positive financial impact of $13.4 billion over the same period.19

Table 1 below draws on costings provided in the Explanatory Memorandum for the current Bill to provide the total financial impact of the current Bill, but with a number of adjustments. Items that do not require legislative change are excluded: These are the decision not to phase down the interest withholding tax and discontinuing the Regional Infrastructure Fund and the Regional Development Australia Fund.20 The line entry for the reduction in the instant asset write-off threshold is increased from $2.3 billion to $2.6 billion (see note (c) below). The line entry for the changes to the Superannuation Guarantee has been adjusted to reflect the 2014–15 Budget, which is not yet reflected in the current Bill (see note (d) below).

Table 1  Financial implications of the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013

<table>
<thead>
<tr>
<th>Measure (a)</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Repeal of MRRT (b)</td>
<td>21.7</td>
<td>–430.9</td>
<td>–1,130.2</td>
<td>–1,778.7</td>
<td>–3,318.1</td>
</tr>
<tr>
<td>Discontinuing company loss carry-back</td>
<td>–</td>
<td>350.0</td>
<td>300.0</td>
<td>300.0</td>
<td>950.0</td>
</tr>
<tr>
<td>Reduction of instant asset write-off threshold from $6,500</td>
<td></td>
<td></td>
<td>1,050.0</td>
<td>1,000.0</td>
<td>2,600.0</td>
</tr>
<tr>
<td>to $1,000 (c)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discontinuing vehicle accelerated depreciation</td>
<td>–</td>
<td>100.0</td>
<td>200.0</td>
<td>150.0</td>
<td>450.0</td>
</tr>
<tr>
<td>Amending geothermal exploration treatment</td>
<td>–</td>
<td>–</td>
<td>5.0</td>
<td>5.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Rephasing the superannuation guarantee increase (d)</td>
<td>–</td>
<td>385.0</td>
<td>845.0</td>
<td>1,230.0</td>
<td></td>
</tr>
<tr>
<td>Abolishing the low income superannuation contribution</td>
<td>–</td>
<td>836.1</td>
<td>941.1</td>
<td>923.3</td>
<td>2,700.5</td>
</tr>
<tr>
<td>Abolishing the income support bonus</td>
<td>–</td>
<td>323.8</td>
<td>314.3</td>
<td>316.4</td>
<td>954.5</td>
</tr>
<tr>
<td>Abolishing the school kids bonus</td>
<td>–</td>
<td>1,258.2</td>
<td>1,325.2</td>
<td>1,346.6</td>
<td>3,930</td>
</tr>
<tr>
<td><strong>Net Impact (a)</strong></td>
<td>21.7</td>
<td>2,987.2</td>
<td>3,390.4</td>
<td>3,107.6</td>
<td>9,506.9</td>
</tr>
</tbody>
</table>

(a) The net impact included in the Explanatory Memorandum includes two additional savings measures: discontinuing the Regional Infrastructure Fund and the Regional Development Australia Fund, and not phasing down interest withholding tax. Neither of these savings measures requires legislative change; for that reason neither of the savings has been included in the table above. For more detail see the Bills Digest on the previous Bill: T Dale and others, Minerals Resource Rent Tax Repeal and Other Measures Bill 2013, Bills digest, 27, 2013–14, Parliamentary Library, Canberra, 2013, accessed 30 June 2014.

(b) The timing of the MRRT repeal means collections will still take place for the 2013–14 financial year; in May 2014 this was expected to be $170 million: Australian Government, Budget strategy and outlook: budget paper no. 1: 2014–15, pp. 5–20, accessed 30 June 2014.

(c) The table in the Explanatory Memorandum lists the increased tax revenue from lowering the threshold from $5,000 to $1,000, but lists the increased revenue from lowering the tax-threshold from $6,500 to $5,000 separately in a footnote, on the basis that this ‘was intended to be funded by revenue expected from the carbon tax.’ However the current Bill (the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 [No. 2]) lowers the threshold from $6,500 to $1,000.

(d) The figures included in the Explanatory Memorandum are based on the timetable currently in the legislation, but do not reflect the changes announced in the 2014–15 Budget. The entry in the table above reflects both the changes in the previous and current Bills, and the Budget announcement; however the $440m saving in 2017–18 associated with the Budget measure is not included here because it does not fall within the 2013–14 to 2016–17 range included in the Explanatory Memorandum.


**Statement of Compatibility with Human Rights**

As required under Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011 (Cth), the Government has assessed the Bill’s compatibility with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of that Act. The Government considers that the Bill is compatible, noting that in relation to Schedules 8 and 9 (the repeal of the Income Support Bonus and the Schoolkids Bonus), that where the policy changes interact with human rights, they ‘are reasonable, necessary and proportionate’ to achieving a legitimate aim.

In a report on the previous Bill, the Parliamentary Joint Committee on Human Rights noted that it was seeking clarification about whether the changes in Schedule 6 (changes to the Superannuation Guarantee) and Schedule 7 (repeal of the Low Income Superannuation Contribution) were ‘compatible with the rights to an adequate standard of living and to social security’. The Committee also sought clarification about whether the changes in Schedule 8 (the repeal of the Income Support Bonus) and Schedule 9 (repeal of the Schoolkids Bonus) ‘will be accompanied by appropriate mechanisms to monitor and address any undue hardship that the cessation of these payments may cause to vulnerable individuals and families’.

The Government’s response was included in an appendix to the Committee’s eighth report; the Parliamentary Secretary to the Treasurer wrote that:

> The Government is comfortable the measures set out in Schedules 6 and 7 of the MRRT Repeal Bill are compatible with human rights ... 

> There are no specific mechanisms to monitor the impact of the repeal of the Schoolkids Bonus or Income Support Bonus. However, people experiencing financial hardship may access existing support services delivered by Centrelink and other Government funded services.

In response, the Committee noted:

> ... the Parliamentary Secretary’s response did not provide a detailed and evidence-based explanation for the measures. The response simply states that the ‘LISC repeal and the SG rephrase are occurring in the context of fiscal savings for the Government’. The committee notes that, to demonstrate that a limitation is permissible, legislation proponents must provide reasoned and evidence-based explanations of why proposed measures are necessary in pursuit of a legitimate objective, and are reasonable and proportionate means to achieve that objective.

At the time of writing this Digest, the Parliamentary Joint Committee on Human Rights had not reported on the current Bill.

**Key issues and provisions**

Readers are directed to Bills Digest No. 27, 2013–14 for a detailed analysis of the provisions of the previous Bill (which are replicated in the current Bill) and the issues they raise. The material below provides a brief outline of some key issues and developments since the Bills Digest on the previous Bill.

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21. The Statement of Compatibility with Human Rights can be found at pages 73-88 of the Explanatory Memorandum to the previous Bill and pages 75–88 of the Explanatory Memorandum to the current Bill.
24. Ibid., p. 35.
26. Ibid., pp. 52–53.
**Double dissolution election trigger**

The current Bill has been presented in identical terms to the previous Bill. Should the Senate reject the current Bill, it could potentially become a trigger for a double dissolution election. Section 57 of the *Constitution* provides that each of the following steps must be satisfied for a Bill to be a double dissolution trigger:

- step 1: the House of Representatives passes a proposed law
- step 2: the Senate rejects or fails to pass it, or passes it with amendments to which the House of Representatives will not agree
- step 3: after an interval of three months the House of Representatives, in the same or the next session, again passes the proposed law with or without any amendments which have been made, suggested, or agreed to by the Senate
- step 4: the Senate rejects or fails to pass the law, or passes it with amendments to which the House of Representatives will not agree and
- step 5: the Governor-General may dissolve the Senate and the House of Representatives simultaneously; a step that would, by convention, normally be taken only on the advice of the Prime Minister.

A Bill must fail twice in the Senate to become a ‘trigger’ for a possible double dissolution election. It may be reintroduced at any time within a Parliamentary term, but there must be a minimum interval of three months between the first failure in the Senate and the passage of the Bill in the House of Representatives the second time. For further information on double dissolution triggers, see this Background Note on the topic.

**What expenditure has been linked to the MRRT?**

The initial announcement of the Resource Super Profits Tax (RSPT) and the subsequent MRRT were linked to a number of expense measures, although there was no hypothecation. The Bills Digest for the previous Bill includes a detailed discussion of the announcement of different policy measures and links to revenue from the resource taxes.

**Date of effect and timing considerations**

The changes in the current Bill, if passed, will impact on payments and tax collections in the very near future, and in some cases may be retrospective:

- **Schedule 1** (repealing the Minerals Resource Rent Tax) will take effect from 1 July 2014
- **Schedule 2** (repealing loss carry back) removes the loss carry-back for the 2013–14 financial year
- **Schedules 3 and 4** (lowering small business instant asset write-off caps and decreasing vehicle depreciation) apply from 1 January 2014
- **Schedule 5** (removing geothermal energy expenditure deductions) begins on 1 July 2014
- **Schedule 6** (delays to the superannuation guarantee charge increase) begins on 1 July 2014
- **Schedule 7** (removing the low income superannuation guarantee) applies to payments made after 1 July 2013
- **Schedule 8** (removing the Income Support Bonus) takes effect from the date of Royal Assent. The next test day for the Income Support Bonus is 20 September 2014, with payments made in the subsequent fortnight and

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30. Ibid., pp. 6–9.
• **Schedule 9** (removing the Schoolkids Bonus) takes effect from the date of Royal Assent. The next instalment of Schoolkids Bonus is due to be paid in July to eligible recipients in respect of the bonus test day on 30 June 2014.  

The financial implications of these changes in legislation depend on the date the current Bill is passed. A Treasury submission to the Senate Economics Legislation Committee inquiry into the previous Bill noted that ‘[a]ssuming passage of the Bill, the degree to which these savings will be achieved is, to some degree, dependent on the time at which the Bill receives royal assent’.  

The Treasury submission in relation to the previous Bill noted the potential impact of the timing of the Bill’s passage on several measures. The Treasury’s views are set out in Table 2. The Treasury has not yet released updated information in relation to the current Bill.

**Table 2**  
Timing issues associated with the current and previous Bill (quotes from the Treasury submission were made in relation to the previous Bill)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Timing issue</th>
<th>Savings implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Superannuation Contribution</td>
<td>‘If the LISC amendments are not passed by 1 July 2014, the ATO may become liable to make LISC payments for contributions made on or after 1 July 2013.’</td>
<td>‘...in practice recovering any payments may be difficult’.</td>
</tr>
<tr>
<td>Superannuation guarantee charge delay</td>
<td>‘... the superannuation guarantee rate will increase under existing legislation to 9.5 per cent for the year starting on 1 July 2014. In this case, employers will be required to pay their eligible employees a SG contribution of 9.5 per cent or risk incurring significant penalties. In addition, employers will require some period to make the necessary payroll and system changes in advance of 1 July 2014.’</td>
<td>‘Hence, if Royal Assent is not received in time, the package savings could be further reduced.’</td>
</tr>
<tr>
<td></td>
<td>See notes below in relation to the Superannuation Guarantee.</td>
<td>Under the timetable announced in the 2014–15 Budget there will be no change in the 2014–15 financial year. This is not reflected in the financial implications as listed in the Explanatory Memorandum, but is captured in the financial implications section above.</td>
</tr>
<tr>
<td>Income support bonus</td>
<td>‘... the next instalment of the Income Support Bonus occurs on 20 March 2014’.</td>
<td>‘If Royal Assent is not received prior to this time, package savings would be reduced by a further $161.9 million’.</td>
</tr>
<tr>
<td></td>
<td>Currently, the next test day for the Income Support Bonus is 20 September 2014, with payments made in the subsequent fortnight.</td>
<td>A saving of $150.7 million in 2013–14 was included in the Explanatory Memorandum (EM) for the previous Bill, but is not included in the current Bill’s EM. This may reflect the March 2014 payment.</td>
</tr>
<tr>
<td>Schoolkids bonus</td>
<td>‘Eligibility for the Schoolkids Bonus is determined on 1 January (for a January'</td>
<td>‘... should the legislation not pass Parliament and receive Royal Assent prior to 31 December 2013, package</td>
</tr>
</tbody>
</table>


33. Ibid.
Currently, the next instalment of Schoolkids Bonus is due to be paid in July to eligible recipients in respect of the bonus test day on 30 June 2014. The next payment after that will be made following the 1 January 2015 bonus test day.

A saving of $549.5 million in 2013–14 was included in the EM for the previous Bill, but is not included in the current Bill’s EM. This presumably reflects the January 2014 payment. There is also a $42.9 million reduction in 2014–15 between the EMs for the previous and current Bills.

The timetable of changes to the Superannuation Guarantee

Under the current Superannuation Guarantee (Administration) Act 1992 (subsection 19(2)), the Superannuation Guarantee is set to rise from 9.25 per cent in the year starting 1 July 2013 to 12 per cent in the year starting 1 July 2019. Both the previous and current Bills included identical amendments to delay that timing; however the 2014–15 Budget also included a further adjustment to the timetable (although legislation has not yet been introduced to enact that change). Table 3 below provides details of the three timetables.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>2014–15</td>
<td>9.5</td>
<td>9.25</td>
<td>9.5</td>
</tr>
<tr>
<td>2015–16</td>
<td>10</td>
<td>9.25</td>
<td>9.5</td>
</tr>
<tr>
<td>2016–17</td>
<td>10.5</td>
<td>9.5</td>
<td>9.5</td>
</tr>
<tr>
<td>2017–18</td>
<td>11</td>
<td>10</td>
<td>9.5</td>
</tr>
<tr>
<td>2018–19</td>
<td>11.5</td>
<td>10.5</td>
<td>10</td>
</tr>
<tr>
<td>2019–20</td>
<td>12</td>
<td>11</td>
<td>10.5</td>
</tr>
<tr>
<td>2020–21</td>
<td>12</td>
<td>11.5</td>
<td>11</td>
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<tr>
<td>2021–22</td>
<td>12</td>
<td>12</td>
<td>11.5</td>
</tr>
<tr>
<td>2022–23</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>


The Budget measure (that is, the changes announced in the Budget from the timetable proposed in the previous and current Bills) is expected to cost $170m in 2014–15, $180m in 2015–16, and save $440m in 2017–18, for a net saving over the forward estimates of $90m.\textsuperscript{34}

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Revenue estimates from the MRRT

Estimates of the revenue from the Minerals Resource Rent Tax (MRRT) and its predecessor the Resource Super Profits Tax (RSPT) have fallen steadily since 2010. Table 4 below outlines the expected revenues from different forecasts.

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Revenue forecasts and outcomes for the RSPT and MRRT over time</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (billion)</td>
<td></td>
</tr>
<tr>
<td>May 2010 announcement of Resource Super Profits Tax</td>
<td>3</td>
</tr>
<tr>
<td>November 2011 introduction of MRRT Bills</td>
<td>3.7</td>
</tr>
<tr>
<td>November 2011 MYEFO</td>
<td>3.7</td>
</tr>
<tr>
<td>2012-13 Budget</td>
<td>3</td>
</tr>
<tr>
<td>October 2012 MYEFO</td>
<td>2</td>
</tr>
<tr>
<td>2013–14 Budget</td>
<td>0.2</td>
</tr>
<tr>
<td>2013–14 Economic Statement</td>
<td>-</td>
</tr>
<tr>
<td>2013 Pre-Election Economic and Fiscal Outlook</td>
<td>-</td>
</tr>
<tr>
<td>Explanatory Memorandum for repeal legislation</td>
<td>-</td>
</tr>
<tr>
<td>2013–14 Mid-Year Economic and Fiscal Outlook</td>
<td>-</td>
</tr>
<tr>
<td>2014–15 Budget</td>
<td>-</td>
</tr>
<tr>
<td>2012–13 Final Budget Outcome</td>
<td>-</td>
</tr>
</tbody>
</table>


The Income Support Bonus, veterans’ children and threats to block passage of the Bill

In March 2014, controversy arose over the Government’s move to abolish the Income Support Bonus (ISB). The ISB is paid to those who receive an education allowance under the Veterans’ Children Education Scheme (VCES) and under the Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS). The VCES and MRCAETS provide financial assistance, support services and guidance to the children of certain veterans, primarily those with severe disability and deceased veterans whose death was war or defence related.35 The education allowance paid under these schemes is similar to Youth Allowance but is not means tested.

The schemes are provided for through regulations (under the Veterans’ Entitlements Act 1986 and the Military Rehabilitation and Compensation Act 2004) and the Income Support Bonus (ISB) has been paid under the relevant regulations.36 The Bill does not provide for the abolition of the ISB to eligible recipients under the VCES.

35. Department of Veterans’ Affairs (DVA), Education schemes, DVA fact sheet, MRC 47, DVA website, accessed 26 June 2014.
and MRCAETS. Rather, this was to be done through determinations tabled in the Parliament on 17 March 2014. Both determinations were to commence from the date that Schedule 8 of the previous Bill commenced (upon Royal Assent).

Media reports suggested that around 1,780 students were eligible for the ISB under the VCES/MRCAETS. While all the groups receiving the ISB could be considered vulnerable, cutting the payment to VCES and MRCAETS education allowance recipients drew a particularly emotional response from many in the Parliament. Leader of the Opposition, Bill Shorten, asked during Question Time:

My question is to the Prime Minister. Why on earth is the Prime Minister cutting support to the children of veterans who have been killed or injured, including children who have been orphaned? Will the Prime Minister now reverse his callous decision?

The Prime Minister, Tony Abbott, argued in response that the ISB was funded by borrowed money and could no longer be paid:

We were up-front with people before the election that this particular benefit would be removed, because it was a benefit that was supposed to be paid for by the mining tax, and the mining tax is not raising any money. I accept that this will be unpopular—no-one wants to lose a benefit. But we cannot go on spending money that we do not have. We cannot go on being generous with borrowed money, and this is the problem.

The Opposition moved disallowance motions against the determinations to repeal the ISB for VCES/MRCAETS recipients in the Senate on 25 March 2014. The motions were passed and the determinations disallowed.

The issue has come to the fore again in relation to the new Bill after the leader of the Palmer United Party (PUP), Clive Palmer, committed his party to oppose the Bill if the ISB for VCES/MRCAETS recipients was abolished:

'If they are to continue down this path there is no way we could support it in the Senate', Mr Palmer said. 'If a person has made sacrifices for their country it’s an absolute disgrace for a government to attack their children. We are still waiting to hear from the Abbott government on what its final intentions will be on this matter and time is of the essence because we will need the opportunity to give the bill its due consideration'.

The support of the PUP voting bloc in the Senate will be crucial to the passage of the current Bill if Labor and the Greens continue to oppose it. As the Bill does not actually provide for the repeal of the ISB for VCES/MRCAETS recipients (this can only be done through determinations) it would be possible pass the Bill and retain the payment just for these students.

VCES/MRCAETS recipients attending primary or secondary school are also eligible for the Schoolkids Bonus (which is being abolished by Schedule 9 of the Bill). However, the abolition of the Schoolkids Bonus for veterans’
children receiving an education allowance under these schemes has not attracted the same level of criticism as the scrapping of the ISB.