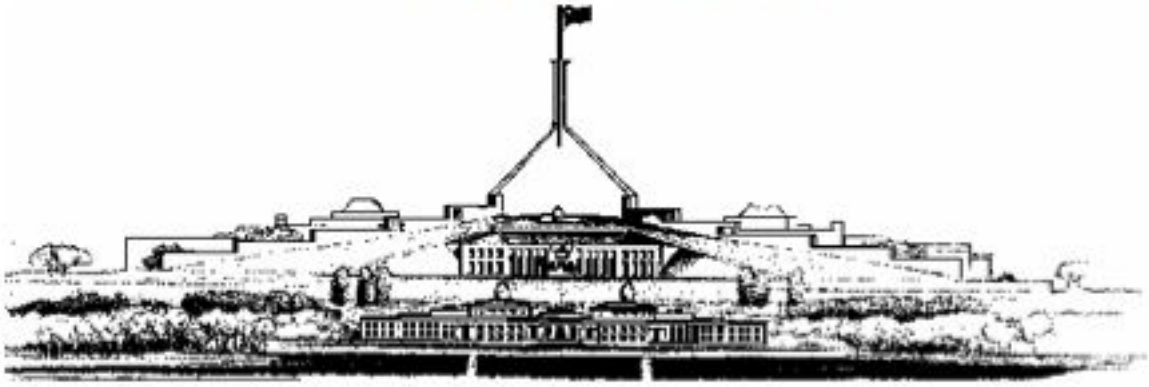
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

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

Second Reading

SPEECH

Thursday, 26 June 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Thursday, 26 June 2014	**Source**	House
Page	7587	**Proof**	No
Questioner		**Responder**	
Speaker	McCormack, Michael, MP	**Question No.**	

Mr McCORMACK (Riverina—Parliamentary Secretary to the Minister for Finance) (16:42): At the outset I would like to take up a couple of points that Labor members have made. First, the member for McMahon stated quite categorically that the MRRT is in no way linked to the schoolkids bonus when in fact former Prime Minister Julia Gillard on 13 May 2012 said:

… the Schoolkids Bonus before 30 June this year and then it can become an (inaudible) part of how they meet the costs of getting the kids to school.

It's part of what we did in the Federal budget to make sure we're spreading the benefits of the boom, spreading opportunity to every part of the country.

Former Minister for Finance Penny Wong on 6 June 2012 said:

I think it’s about making sure we use the benefits of the boom wisely. And I think the Government’s approach with the mining tax and making sure the benefits of that flow through to families, particularly low and middle income families through the School Kids Bonus, where people get assistance for kids’ education costs.

We also heard a couple of doorstop interviews where former Treasurer Wayne Swan informally linked the schoolkids bonus to the MRRT, to the mining boom. Certainly the member for McMahon, who belongs to a party that is a wholly owned subsidiary to the Greens, should know that.

I take up a point that the member for Grayndler made when he was arguing you cannot argue job losses and low revenue at the same time. You can argue both because it is called sovereign risk. The damage done by the MRRT to Australia's international investment reputation from the former government's decision to implement a mining tax on an industry completely and unexpectedly scared off visitors—investors, sorry. Well, it did scare off visitors: visitors who were coming here to invest in our mining industries. The coalition supports states' rights to raise royalties.

This bill repeals the minerals resource rent tax and discontinues or rephases measures that the former government introduced following the announcement of the mining tax. Funding for these measures was tied to forecast mining tax revenues which were never realised, forcing the government to borrow billions upon billions of dollars to pay for them.

The failure of the mining tax to generate any meaningful revenue whatsoever, together with the additional expense of the measures associated with its introduction—all those expenditure items that the government promised—poses a significant risk to the budget, not just now but going long into the future. They would pose a risk 'as far as the eye could see,' as the Prime Minister would, quite correctly, say.

The cost of the mining tax and its associated measures will significantly exceed the revenue raised by the mining tax over the forward estimates and way beyond. While the mining tax was originally estimated to raise $26.5 billion by 2016-17, to date it has raised only $340 million in net terms. This is less than $20 per Australian compared to the more than $700 per Australian in linked expenditure over the next three years. The repeal of the mining tax package will contribute more than $12.6 billion to the budget's bottom line, on an underlying cash basis, by 30 June 2017. The repeal of the mining tax represents a significant step towards repairing some—just some, but a significant sum—of the fiscal damage inflicted by the former government on our nation's finances. All Australians know how dreadful that was.

Schedule 1 of the bill repeals the Minerals Resource Rent Tax with effect from 1 July 2014. Repealing the mining tax is an election commitment. The coalition has consistently opposed this tax because it undermines confidence in Australia as an investment destination and as a secure supplier of resources. Mining companies in Australia will continue to pay their fair share of tax through state royalties and company tax, but they will no longer be

subject to the unreasonable and unnecessary regulatory and compliance burden that the MRRT imposes on the Australian mining industry.

Ms Price: Hear, hear!

Mr McCORMACK: I hear the member for Durack saying, 'Hear, hear!' She would certainly know because it would be affecting her very large electorate quite significantly. This burden is stifling jobs—especially in Durack—future investment and economic growth right across this great nation. For the future prosperity of all Australians it is time to remove this impediment to activity in the mining sector and secure a structural improvement in the budget. The repeal of the mining tax will restore industry confidence and will have a positive impact on the level of mining investment in Australia going forward. That is certainly so in the electorate of the member for Durack.

Schedule 2 to the bill repeals the mining-tax related loss carry-back provisions which enable companies making a tax loss of up to $1 million in the 2012-13 income year and subsequent years to recoup taxes paid on an equivalent amount of taxable income in a prior income year. The bill provides that, from the 2013-14 income year, companies can only carry their tax losses forward to use as a deduction for future taxable income, consistent with arrangements prior to the mining-tax related amendments. The removal of this measure will improve the budget position by $950 million by 30 June 2017.

Schedule 3 to the bill amends the instant asset write-off threshold provisions. The instant asset write-off limit increased from $1,000 to $5,000 through the mining tax package and lifted again from $5,000 to $6,500 through the carbon tax package. These increases are very unaffordable, unwanted and needless. The legislation before the Senate deals with a decrease from $6,500 to $1,000 effective from 1 January 2014. Consistent with arrangements which existed prior to the mining-tax related amendments, small business entities will now be able to immediately deduct the value of a depreciating asset costing less than $1,000 in the income year the asset is first used or installed ready for use. The single small business pool arrangements will be preserved to ensure the continuation of lower business compliance costs. Under these arrangements assets costing $1,000 or more will be allocated to the existing general small business pool and depreciated at a rate of 15 per cent in the first year, and 30 per cent in subsequent years. If the value of a small business entity's general small business pool is less than $1,000 at the end of the income year, the small business can claim a deduction for the entire value of the pool. Reducing the instant asset write-off back to $1,000 will improve the budget position by $2.6 billion by 30 June 2017.

Schedule 4 provides that from 1 January 2014 a $5,000 accelerated deduction for motor vehicle purchases made by small business entities will no longer be available. Motor vehicle purchases by small business entities using the simplified depreciation rules will instead be treated as normal business assets under the concessional capital arrangements, and depreciated at a rate of 15 per cent in the year in which the asset is first used or installed for use, and then 30 per cent for all subsequent years. The removal of this measure will improve the budget position by $450 million by 30 June 2017.

Schedule 5 to the bill repeals the extension of the income tax exploration provisions to geothermal energy exploration with the result that geothermal energy exploration and prospecting expenditure will not be immediately deductible. Geothermal companies will now be required to depreciate relevant assets over time, which is consistent with the general treatment of non-exploration assets. This schedule removes an additional layer of tax law complexity and therefore decreases compliance costs for affected business.

Schedule 6 to the bill re-phases the increase in the superannuation guarantee. Superannuation guarantee contributions will remain at 9.25 per cent until 30 June 2016, and then gradually increase to 12 per cent by 1 July 2021. Given that increases in the superannuation guarantee are funded largely from reductions in take-home wages or business profits, re-phasing the superannuation guarantee could boost near-term economic activity. Any reductions in businesses' overall wages bills would lower their operating costs, whilst workers could also receive more take-home pay in the near term. Further changes to the superannuation guarantee schedule announced in the federal budget will be introduced as an amendment to this bill. These changes would not have been required if the bill had not been blocked by the opposition in March.

Schedule 7 seeks to abolish the low-income superannuation contribution. The bill ensures that the LISC is not payable in respect of concessional contributions made on or after 1 July 2013. The government intends to revisit incentives for low-income earners once the budget is back into strong surplus. Although this bill will repeal the low-income superannuation contribution, low- to middle-income earners may be eligible for the superannuation

co-contribution to boost their retirement savings. Individuals who make personal after-tax super contributions may be eligible for a government co-contribution of up to $500.

Schedule 8 gives effect to the government's election commitment to repeal the income support bonus as part of its legislative package to repeal the mining tax. The income support bonus was announced by the previous government in the 2012-13 budget and was expected to be funded by the anticipated revenue from the mining tax. In repealing the mining tax, the government's election commitment was to cease the associated expenditure measures to achieve the government's required fiscal position. The repeal of the income support bonus will improve the budget position by around $950 million by 30 June 2017. The delay in the passage of this bill has reduced the projected savings to be achieved by the measure by more than $170 million.

Schedule 9 repeals the schoolkids bonus. This will ensure that the family payments systems is sustainable into the future. The government intends to offer a more efficient, targeted approach to improving education outcomes for students through effective education policies rather than bonus payments to individuals. The removal of this measure will improve the budget position by $3.9 billion by 30 June 2017. Finally, I would like to thank all those members who contributed to this debate. With that, I commend the bill to the House.