



7 November, 2013

File:

Mr Jason McNamara  
Executive Director  
Office of Best Practice Regulation  
Department of Finance and Deregulation  
John Gorton Building  
King Edward Terrace  
PARKES ACT 2600

Dear Mr McNamara

**DETAILS STAGE REGULATION IMPACT STATEMENT – REPEAL OF THE MINERALS RESOURCE RENT TAX AND ASSOCIATED MEASURES**

I am writing in relation to the attached draft Details Stage Regulation Impact Statement (RIS) prepared by Treasury for the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013.

I am satisfied that the draft RIS meets the Government's best practice regulation requirements, in particular that:

- the problem being addressed and the objectives of government action are well articulated;
- all feasible options are considered;
- the analysis of the likely impacts of each option is adequate and presented in a balanced way; and
- the conclusion is supported by the analysis in the RIS.

Treasury's response to the points raised in Mr Porter's letter to me of 5 November 2013 is attached.

I submit the RIS to the Office of Best Practice Regulation for formal assessment.

Yours sincerely



for  
Rob Heferen  
Executive Director  
Revenue Group  
Treasury

## Response to Points Raised in the OBPR's letter of 5 November 2013

### Problem

As suggested, we have included some discussion of the impact of the MRRT on investment in mining, including comments from stakeholders.

The discussion of MRRT revenue forecasts and MRRT collections has been updated. It is difficult to compare the PEFO forecast with actual collections, because the first year of the PEFO forecast is 2013-14 and we have collections data for only two of the quarterly instalment payments falling within 2013-14.

### Impacts Analysis

Compliance cost estimates for the MRRT repeal have been undertaken using the BCC. There is limited data available on the components of compliance costs relevant to the measures in the Bill. The estimates are therefore heavily assumption-driven. For quality assurance the BCC estimate for the repeal of the MRRT has been benchmarked against the estimate undertaken by the ATO using its cost of compliance calculator. As noted in the previous draft, the compliance cost savings arising from the abolition of the MRRT were also tested with both the Minerals Council of Australia and the Association of Mining and Exploration companies.

Additional analysis has been included that describes the expected impact on investment of the repeal of the MRRT.

Further analysis of the impact the repeal of the MRRT will have on compliance costs and administrative costs has been included; in particular:

- data is provided on the number of businesses that have paid MRRT and the number of businesses that have been required to submit instalment notices while making no net payments;
- further explanation is provided for why the compliance and administrative costs of the MRRT are high relative to other taxes.
- estimates of the compliance and administrative costs associated with the MRRT are compared with those for other taxes;
- the sources of the complexity of the MRRT legislation are described (under both the *Problem* and *Impacts Analysis* headings);
- the interaction of the MRRT and state royalties is described;
- explanation is provided as to why, with limited exceptions, entities that are registered for MRRT will incur similar compliance costs whether or not they are liable to pay MRRT in a given year; and
- the 'starting base' allowance for existing mines is described (reference to the concern of some stakeholders that this disadvantages small and emerging miners has been removed as there is no evidence available of such a bias in practice).

Although long term revenue estimates for the MRRT are not available, some discussion has been included with regard to the volatility of resource rent taxes such as the MRRT.

Some discussion of the impact of the delay in the increase in the SG rate on retirement incomes and national savings has been included. Also, a description of the trade-offs involved in determining the magnitude and length of the delay in the SG rate increase has been included.

The impact on business compliance costs arising from the MRRT associated measures have been revised to include transitional costs but the ongoing compliance cost/saving of the associated measures has been reassessed as zero. Additional analysis has been included in the relevant sections to support this position.

#### Consultation

Some discussion of the views of stakeholders that support and oppose the repeal of the MRRT has been included.

Concerns with technical aspects of the draft legislation are described, together with the Government's response to these concerns.

Information provided by stakeholders about the effect of the repeal of the MRRT on investment and compliance costs and broader impacts has been included under the *Problem and Impacts Analysis* headings.

The views of Ai Group on the changes to the instant asset write-off and loss carry-back, which Ai Group does not support, are outlined.

#### Conclusion and Recommended Options

This section has been reviewed in the light of the changes that have been made to the earlier sections of the RIS.

