



RESOURCE SUPER PROFITS TAX CREATES BACKLASH FROM MINERS

The Federal Government's 40 percent resource super profits tax has stirred the ire of many miners highlighted by the negative aspects of the tax in the decisions of companies and the reaction of markets, said Pitcher Partners Perth Associate Director Leon Mok.

"A hypothetical calculation run for typical profitable iron ore miner in the Pilbara, for example, resulted in an increase in effective tax rate to 55 per cent.

"Another outcome could see foreign investors look away from Australia because it would cost more to mine in Australia, which would give a competitive advantage to overseas projects in Brazil, Africa and Canada," Mr Mok said.

Despite these reactions, there has been some support for the Resource Super Profits Tax including former Reserve Bank Governor Bernie Fraser.

"In theory, the super profits tax should allow the cost of extraction to be lowered in the early years of a mine's operation. This is because the Government has committed to provide refundable credits for state-based royalties charged over and above the level of the super profits tax," Mr Mok said.

He said significant collaboration between the Federal Government and the states will be required for this to work efficiently.

The expected increase in the effective tax rate to 55% only happens during the fully profitable phase of the operation.

"This will be little comfort to miners as profits need to compensate for the significant risks associated with mining, and additional tax further skews the risk reward relationship," Mr Mok said.

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