APPENDIX C: FISCAL IMPACT OF TAX REFORM

On 2 July 2010, the Government announced improved resource tax arrangements which will apply from 1 July 2012 to Australia's most highly profitable non-renewable resources.

As part of these arrangements, the Government announced that it would not continue with the Resource Super Profits Tax (RSPT) and instead implement a Minerals Resource Rent Tax (MRRT) and an extended Petroleum Resource Rent Tax (PRRT), with these taxes limited to iron ore, coal, oil and gas.

The MRRT differed from the RSPT in a number of ways including: a lower tax rate of 30 per cent; a higher uplift rate; immediate write-off for deductions associated with new investment; no refundability for unused tax deductions; creditability rather than refundability for royalties; the option of a more generous starting base balanced by slower access to that base and an extraction allowance of 25 per cent.

The new resource tax arrangements are expected to generate $10.5 billion in net revenue over the forward estimates (as shown in Table C1). This is $1.5 billion lower than the 2010-11 Budget forecast for revenue from the RSPT, reflecting the net impact of policy changes and parameter variations including commodity prices.

The net revenue impact of this policy change, relative to the forecast RSPT at Budget and excluding parameter variations, is to reduce estimated revenue by $7.5 billion over the forward estimates (as reported in Appendix B).

Since the 2010-11 Budget, the commodity price forecasts have also been revised up, taking into account new information from ABARE, industry sources and the outcome of the most recent commodity price negotiations. The revised commodity price forecasts increase revenue from the resource tax arrangements by $6 billion over the forward estimates. Commodity prices are still expected to decline over the latter part of the forecast and through the medium term projection period.

At the time of the original announcement, the Government stated that all elements of the Stronger, Fairer, Simpler tax reform package were dependent on the package being balanced by revenues from resource taxation.

The reduced resource tax revenue forecasts made it necessary to amend other elements of the package to maintain a balance. As a result, the Government announced on 2 July 2010, that it would not proceed with the Resource Exploration Rebate and that the company tax rate would be reduced to 29 per cent from 2013-14, with small companies continuing to benefit from an early cut to the company tax rate to 29 per cent from 2012-13. These measures are also reported in Appendix B.

As a result of these changes the *Stronger, Fairer, Simpler* tax reform package remains fully funded over the forward estimates.

Table C1: Australian Government general government (cash) receipts

	Estimates		Projections	
	2010-11	2011-12	2012-13	2013-14
	$m	$m	$m	$m
Individuals and other withholding taxes				
Gross income tax withholding	129,820	142,840	153,970	165,620
Gross other individuals	29,810	34,280	37,280	40,010
less: Refunds	24,570	27,080	29,780	32,490
Total individuals and other withholding taxation	135,060	150,040	161,470	173,140
Fringe benefits tax	3,750	3,920	4,150	4,380
Superannuation funds	7,200	8,880	10,380	10,910
Company tax	64,800	78,040	78,540	79,560
Resource rent taxes(a)	1,690	2,110	7,930	11,310
Memo: Net impact of MRRT and expanded PRRT	-	-	*4,000*	*6,500*
Income taxation receipts	**212,500**	**242,990**	**262,470**	**279,300**
Sales taxes				
Goods and services tax	47,499	50,750	53,809	56,939
Wine equalisation tax	770	830	880	930
Luxury car tax	540	580	610	650
Other sales taxes	0	0	0	0
Total sales taxes	48,809	52,160	55,299	58,519
Excise duty				
Petrol	6,110	6,180	6,250	6,350
Diesel	7,020	7,230	7,540	7,860
Beer	2,050	2,130	2,200	2,280
Tobacco	5,610	5,770	5,910	6,160
Other excisable products	3,950	4,780	4,940	5,050
Of which: Other excisable beverages	940	1,040	1,130	1,230
Total excise duty receipts	24,740	26,090	26,840	27,700
Customs duty				
Textiles, clothing and footwear	680	760	800	860
Passenger motor vehicles	520	760	970	1,030
Excise-like goods	4,080	4,350	4,540	4,710
Other imports	1,210	1,380	1,510	1,610
less: Refunds and drawbacks	380	380	380	380
Total customs duty receipts	6,110	6,870	7,440	7,830
Other indirect taxation				
Agricultural levies	349	355	365	369
Other taxes	2,137	1,988	1,977	2,331
Total other indirect taxation receipts	2,486	2,343	2,342	2,700
Indirect taxation receipts	**82,145**	**87,463**	**91,922**	**96,749**
Taxation receipts	**294,645**	**330,453**	**354,392**	**376,049**
Sales of goods and services	7,986	8,200	8,089	8,038
Interest received	5,049	4,927	4,777	4,789
Dividends	2,164	1,444	1,418	2,063
Other non-taxation receipts	4,930	5,807	9,881	5,722
Non-taxation receipts	**20,129**	**20,379**	**24,164**	**20,613**
Total receipts	**314,774**	**350,832**	**378,556**	**396,661**

(a) Resource rent taxes include PRRT and gross receipts from the MRRT. The $4 billion in 2012-13 and $6.5 billion in 2013-14 represents the net impact on receipts across several different revenue heads of the new MRRT and the expanded PRRT. This includes the offsetting reductions in company tax (through deductibility) and interactions with other taxes.