RESOURCE SUPER PROFITS TAX — PROPOSED RATE REDUCTION

281. Mr V.A. CATANIA to the Premier:
I refer to media reports today stating that the federal government is contemplating a change to the greatest rip-off —

Several members interjected.

The SPEAKER: Members, I want to hear from the member for North West. I do not want to hear from anybody else. I also do not want to hear unintelligible sounds in this place. That accusation could be made of all members in this place, but there is a particular sound a member in this place knows is being made. Member for North West.

Mr V.A. CATANIA: Thank you, Mr Speaker. I repeat that my question is to the Premier. I refer to media reports today —

Withdrawal of Remark

Dr G.G. JACOBS: I clearly heard the Leader of the Opposition refer to the member for North West as a rat.

Mr M. McGOWAN: On a further point of order, I also heard the Leader of the Opposition say the words, “He’s a rat.” He did not refer to anyone. If the member assumes it is the member for North West, it is a fair assumption, but it may not be correct.

The SPEAKER: I did not hear the comment made and I will not make a ruling in this case. If I do hear members referred to in this place by anything other than the seat they occupy, I will draw that member’s attention to it.

Questions without Notice Resumed

Mr V.A. CATANIA: I refer to media reports today stating that the federal government is contemplating a change to the greatest rip-off of Western Australia through its ill-conceived resource super profits tax—a tax that is strongly supported by members opposite, despite the cost to jobs and the state’s future prosperity. Will the backdown by the federal government go in any way to ameliorating the devastating effect of this tax on mining projects in this state and the jobs that go with them?

Mr C.J. BARNETT replied:
I thank the member for North West for the question. It is an incredibly serious issue for Western Australia, particularly for the mining industry in the member’s electorate and prospective miners in that electorate and the Mid West. I have never seen such a flawed proposal such as the resource super profits tax.

The other aspect of this fundamentally poor policy is to refund to companies their state mining royalty. In other words, they will actually pay nothing to purchase the mineral resource. It is fundamentally poor policy. If we go beyond the failure of the policy side and look in detail at the proposed implementation, it just gets worse. Having looked at the issue, it is an easy line—I and others have used it—that the tax rate is too high and the threshold...
rate is too low. That has been said widely around the country. I notice that members opposite say that they support the tax but they would like the threshold raised.

Mr E.S. Ripper: Absolutely.

Mr C.J. BARNETT: Yes, absolutely. The Leader of the Opposition, the member for Rockingham, the member for Armadale and others have said that the threshold should be raised.

Mr E.S. Ripper: We have also said abandon —

Mr C.J. BARNETT: The Leader of the Opposition did not even ask a question on the most important issue facing this state and he should have. He asks trivial questions instead of important questions, such as the one raised by the member for North West.

Let us take a few moments to talk about the most important issue facing Western Australia.

Point of Order

Mr B.S. WYATT: Mr Speaker, on a point of order —

The SPEAKER: It had better be a good point of order, member for Victoria Park.

Mr B.S. WYATT: The most important issue of the day was the Premier’s answer to the third question in question time on day six of this parliamentary sitting.

The SPEAKER: What is the point of order, member for Victoria Park?

Mr B.S. WYATT: The point of order is that the Premier is again providing a deceptive and one-sided answer.

The SPEAKER: There were far too many points of order in this place yesterday, which delayed question time and did not allow enough questions to be asked. I will in future consider the continual raising of points of order far more seriously than I have done to this point. I will be formally calling to order members who make spurious points of order.

Questions without Notice Resumed

Mr C.J. BARNETT: As a qualification to the support that Labor members offer to this tax, their most common line is, “Raise the threshold.” That deserves some examination, because that is what they say.

There are two principal issues to the structure of a tax. Firstly, the rate of tax and, secondly, the threshold. The issue that really matters is the rate of tax. In looking at the structure of the proposed resource super profits tax, people quite logically make comparisons between that and the existing petroleum resource rent tax. That is where the threshold issue comes from. The rate of tax for the petroleum industry is 40 per cent on the petroleum resource rent tax. The federal government, and, I presume, members opposite, has said that 40 per cent is what applies to petroleum; therefore, 40 per cent is about right, to use the Prime Minister’s term. The difference that matters is that internationally petroleum is taxed at about 40 per cent. It does not make our petroleum industry uncompetitive. Internationally the mining industry is not taxed at 40 per cent. That is the difference. If we apply the 40 per cent standard internationally on petroleum to mining, mining becomes uncompetitive. It is the rate that matters; not the threshold. The threshold is relatively minor.

I make the point that there is no doubt that raising the threshold does reduce the tax incidence. The threshold applied in mining is applied not to the market value of the resource or project, but to the historic cost, which will be very low and dated. The threshold is applied to a low base. Therefore, the threshold in mining makes comparatively little difference. The other difference is that with the petroleum resource rent tax, capital expenditure is deducted as it is spent. That is the reason that petroleum companies pay very little tax in the first 10 years of a liquefied natural gas project—it would probably be nothing. In this case, capital expenditure is deducted through a depreciation schedule. In other words, it is spread out over time. Although the threshold makes a difference, it is a very small difference. If members opposite are serious in qualifying their support for this tax, they must, firstly, argue totally against the tax or, secondly, at a minimum, argue for the rate of tax to be probably at least halved and probably more.

The duplicity in this issue is that if the federal government genuinely believed that mining companies do not pay enough for natural resources, we would have thought it would have come to the state governments, particularly the Western Australian government—over half the mining industry is located here—and said, “We don’t think royalties collect enough.” It has never done that. It has never suggested that in any discussion either before or after this proposal. It has never, ever suggested that. It has never, ever put that forward. But if it is its view—I do not agree with it—that mining companies should pay more —

Mr M. McGowan: That’s your view!

The SPEAKER: Thank you, members!
Mr C.J. BARNETT: I am talking about the federal tax.

Several members interjected.

Mr C.J. BARNETT: Mr Speaker, it is impossible to have a serious conversation in this chamber.

If the federal government’s objective is to tax mining companies more, on the basis of its argument that those companies do not pay enough, the logical thing to do would be to simply put a surcharge on the rate of company tax that is applied to the mining industry. That would be the simple thing to do. But the federal government is not interested in doing that. Why? This tax will raise $12 billion. That $12 billion is a large amount of money but a relatively small part of the commonwealth budget—a very small part. This is not about raising revenue. This is about an attempt to control the mining and petroleum industry throughout Australia. This is centralisation—an absolutely perverse intrusion into the private sector.