

Tania Constable, CEO

Opening Speech - MCA 2019 Tax Conference

Good morning ladies and gentlemen and welcome to the 2019 MCA Tax Conference.

A very special welcome to our guests from Canada and New Zealand, Dr Jack Mintz and Professor Bob Buckle.

We are delighted to be hosting the conference in Perth.

The timing of this conference comes at a critical point with Budget preparations in Canberra underway and the federal election fast approaching.

As our industry prepares for new policy challenges, taxation remains a critical policy priority for Australian mining.

To make our views clear on tax we recently released the Next Frontier policy priorities document.

The Next Frontier, and the MCA's detailed pre-Budget submission, both spell out the critical tax issues for mining.

These are:

- The need for a lower company tax rate in the face of growing global competition
- Stability in Australia's approach to credit off-road fuel expenses
- Tax integrity rules that are consistent with OECD best practice
- Reforms to FBT arrangements for residential workforces in remote communities.

The MCA has been at the forefront of making the case for a competitive taxation system to encourage investment in Australia.

This includes the principle that a lower company tax for all businesses in line with the OECD average.

It also includes defending the policy principles underpinning features of Australia's tax system that are critical to the competitiveness and fairness of the system.

Retaining fuel tax credits across all industries is one of them. The major political parties have made public assurances that there is no intention to change current arrangements.

Let's be clear. These arrangements are based on sound tax policy principles. Fuel Tax Credits are based on the fundamental tax policy principle that business inputs should not be taxed – the same principle that underpins the GST. Fuel Tax Credits also ensure that excise, a road tax, is not applied to off-road use of fuel.

The MCA is also making the case for the same fringe benefits tax (FBT) arrangements to apply to fly in and residential workers renting in remote communities. We will defend the tax principle that flying in and out of remote regions and accommodation in those regions is not a 'fringe benefit' and should never be taxed as such under the FBT system.

Australia should remain in step with international consensus on Base Erosion and Profit Shifting (BEPS) reforms to improve tax integrity.

As a capital importer, Australia's tax rules need to be carefully designed to ensure legitimate investment is not harmed. Well-designed legislation coordinated with international moves will ensure that identified 'tax mischief' is targeted, and unintended consequences are mitigated.

In line with this, Australia's thin capitalisation rules should be consistent with OECD best practice. Australia's thin capitalisation rules need to be designed for a capital importing economy reliant on foreign investment in capital-intensive industries and be targeted at the tax mischief.

The MCA supports meaningful and globally-consistent tax transparency that minimise compliance burdens. The MCA has been a long supporter of Australia adopting the Extractive Industries Transparency Initiative (EITI) and backed in the successful Australian EITI pilot.

The MCA is also focussed on putting the facts on the table regarding taxes paid by this industry.

The fact is that the mining industry is a major taxpayer in Australia. New research commissioned by the MCA and produced by Deloitte Access Economics shows that mining is estimated to have paid over \$30 billion in company tax and royalties in 2017-18!

That is the same amount spent by the federal government on schools, universities and vocational education combined in 2017-18.

\$18.6 billion of this comprises company tax – over 20 per cent of all company tax paid in Australia.

This is almost as much as federal government funding for public hospitals.

Over the last decade, mining has paid \$213 billion in company tax and royalties to the federal government and to state governments.

This immense return from Australia's mining industry fills the coffers of federal and state governments to pay for schools, roads, hospitals and social security for all Australians.

It is the taxes paid by our industry that are sustaining tax bases, providing the revenues for personal income tax cuts and help put the federal budget on a path to surplus. Much of that comes from right here in WA, courtesy of the world class iron ore, gold industry and other minerals.

If mining is to maintain this contribution, a competitive tax system is critical to ensure Australia can compete for footloose capital.

Australia's company tax system is now one of the most uncompetitive. The need for business tax reform is more critical than ever.

My message to Canberra is that the issue of corporate tax reform is not going away.

It is simply not sustainable for Australia to be stuck with the second highest company tax rate in the OECD. It is not sustainable to have a tax rate higher than the G7, G20 and OECD - all comparable developed economies.

Importantly, Australia's effective tax rate – the real measure of tax competitiveness – has barely moved for more than a decade.

While Australia has stood still with little company tax reform for almost two decades, the rest of the world has been reducing tax rates. We now sit with the third highest marginal rate in the OECD declining from being around the middle of the pack less than ten years ago.

The question is – why does anyone think Australia can demand such a high tax burden compared to other developed countries?

Australia cannot continue to impose such a high tax burden on new investment on our manufacturing, services and mining industries and expect to be a competitive location for globally mobile capital to increase investment, jobs and wages.

The complacency must end, and it must end soon.

With little progress on corporate tax reform in the two decades since the 1999 Ralph Review of Business Taxation, a detailed review and sensible discussion of Australia's tax options to reduce effective tax rates on new investment is long overdue.

The Australian community deserve a discussion based on facts and a Parliament willing to back a competitive company tax system.

In addition to tax, we want to see action to:

- Modernise Australia's workplace rules
- Reduce red tape
- Create the workforce of the future
- And position mining for the future.

The MCA released our new campaign last month built on the theme "There's more to Australian mining".

Mining needs to tell its story better.

Our industry is a world leader in many areas - including in mine rehabilitation and water management which the current ads feature.

"There's more to Australian mining" will tell our story better to more Australians more often because mining is much more than most Australians realise.

This is an industry we can all be proud of.

Not only because of the taxes we contribute but also the fact that resources produce more export income for Australia than all other industries combined.

Resources companies employ about 240,000 people directly in highly paid, highly skilled jobs – mostly in regional Australia.

The success of Australia's mining companies is the result of decades of risk-taking, large capital investment, technological innovation and determination to meet complex and multi-layered regulatory regimes.

Australia's mining industry is well-placed to supply growing Asian markets, but this opportunity is not guaranteed. It requires policy certainty, competitive tax settings for investment, skills, infrastructure and workplace policies that encourage productivity growth.

Tax is a key part of that and it is now my great pleasure to introduce our keynote speaker to talk to new research on where Australia is placed on tax competitiveness.

Dr Mintz is President's Fellow at the University of Calgary's School of Public Policy.

He has also been a Professor of Business Economics at the University of Toronto, as well as a Professor for the Department of Economics at Queen's University. In addition to these scholastic duties he is a research fellow at the Centre for Business Taxation Institute, Oxford University.

Dr Mintz is a highly respected and experienced tax policy expert. He chaired the Canadian government's Technical Committee on Business Taxation in the late 1990's that led to corporate tax reform in Canada since 2000 - Canada's 'Ralph Review'.

Dr Mintz has served as chair of the review of the Alberta Government's savings policy,, and on the Federal Panel on Healthcare Innovation, and the Canadian Minister of Finance's Economic Advisory Council. Dr Mintz also fulfils the role of chair and Vice-President of the Social Sciences and Humanities Research Council of Canada.

Dr Mintz became a member of the Order of Canada in 2015 and he received the Queen Elizabeth Diamond Jubilee Medal in 2012 for service to the Canadian tax policy community.

Dr Mintz has researched and published broadly in the areas of taxation laws and policy, financial structures, economic impacts of policy changes, business and corporate taxation and policy, governmental economics, and economic policy.

He has published in excess of 180 books and articles in the field of public Economics and fiscal federalism, has been an advisor to governments throughout the world on fiscal matters.

The MCA is honoured to have Jack Mintz undertake three major pieces of research over the last three years ranking Australia's tax competitiveness.

This research has provided detailed analysis of marginal effective tax rates and overseas trends that is unique and added new information the debate in Australia.

Please welcome Dr Jack Mintz to present his latest research.