

The New *Business* Tax System

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Benefits of Tax Reform for the Mining Sector

The mining sector benefits significantly from the Government's tax reform package, including through internationally competitive company tax rates, lower capital gains taxation, the removal of embedded taxes and reduced fuel costs.

The mining sector, as with all industries, will benefit from a tax system which enhances the international competitiveness of Australian business, encourages greater investment, promotes equity, simplicity and certainty as well reduces compliance costs and tax induced distortions to investment decisions.

Lower tax rates

Business tax reform will deliver a reduction in the company tax rate from 36 per cent to 34 per cent for the 2000-01 income tax year and to 30 per cent thereafter. As a result, Australia will have one of the lowest company tax rates in our region.

In addition, miners operating as sole traders or partnerships will benefit from the legislated lower personal tax rates that take effect from 1 July 2000.

The mining sector will also benefit from reduced capital gains tax which will encourage a greater level of investment and innovation.

Special mining provisions retained

The immediate deductibility for expenditure on the removal of mining overburden, prospecting and exploration and the research and development tax concession have been retained.

Further, from 1 July 2001, expenditures incurred by the mining sector, such as those for export market development, defending native title claims and mine closures, will be immediately deductible, provided that such costs do not create or improve an asset. Such costs, which are termed 'blackhole expenditures', are not currently deductible.

In addition, the special mining provisions under which certain capital expenditures can be written off over the lesser of ten years or the life of the project will be retained until 1 July 2001.

Other benefits from tax reforms

The abolition of the wholesale sales tax and other inefficient indirect taxes will significantly reduce business costs for the mining sector as will the substantial reductions in the cost of diesel and other fuels. Mining output is predominantly exported and the Government's tax reform package will reduce the tax burden on all Australian exporters.

Since over 80 per cent of mining businesses have annual turnovers of less than \$1 million, these firms will continue to qualify for accelerated depreciation and from 1 July 2001, the new Simplified Tax System.

Recognising the potential impact of removing accelerated depreciation on large capital intensive projects with long lives, the Government will be prepared to consider such projects in the context of an expanded strategic investment coordination process, including consideration of the option of targeted investment allowances.