



**BUSINESS TAX WORKING GROUP DISCUSSION PAPER,
AUGUST 2012**

AusIMM SUBMISSION SEPTEMBER 2012

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About The AusIMM

The Australasian Institute of Mining and Metallurgy (The AusIMM) was formed in 1893, representing professionals engaged in all facets of the global minerals sector. With a focus on 'enhancing professional excellence', The AusIMM delivers an ongoing program of professional development services to ensure our members are supported throughout their careers to provide high quality professional input to industry and the community.

The AusIMM is the leading organisation representing minerals sector professionals in the Australasian region, primarily in the disciplines of mining engineering, metallurgy and geoscience. Our purpose is to provide leadership and opportunities for minerals industry professionals.

We have more than 12,000 members spread across industry, government and academia, of which over 1,400 are student members currently enrolled in undergraduate studies.

As a professional organisation whose members have an ethical duty to put the community first, The AusIMM constitutes a forum through which technical experts in the minerals sector can comment on policy for a sustainable industry, free of private and sectional interests.

AusIMM comments on the Business Tax Working Group Discussion Paper, 13 August 2012

The AusIMM is very concerned at the potential for long term adverse impact on Australia's minerals sector if any of the discussion paper's options to remove or reduce exploration and prospecting tax deductions were adopted.

As the discussion paper points out, any "reduction or removal of exploration concessions would be expected to increase marginal effective tax rates for explorers, reducing the scale of exploration in Australia and encouraging some investors to transfer activities overseas" (p.31).

The AusIMM does not believe the discussion paper gives adequate attention to the integral role minerals exploration plays to underpin a vibrant minerals industry for the future. It is well documented that the minerals sector has been a major contributor to Australia's extraordinary economic performance of recent years.

Many minerals exploration businesses are small businesses operating with low levels of capital. Changes to the taxation system to implement the discussion paper options would significantly impact many of these businesses, potentially forcing them out of the industry.

Australia's minerals exploration sector works in an environment of increasing commercial risk. The easily discovered and mined mineral resources have already been found. As mineral resources become harder to discover, the costs of exploration and the level of inherent commercial risk both increase. Increased minerals exploration investment is therefore required to sustain the future of the sector, and the tax system must support that exploration investment.

The minerals sector is currently absorbing the impact of two significant tax policy decisions of recent times – the Minerals Resource Rent Tax and the Carbon Tax. At this stage it is too early to assess the impact these two taxation system changes might have on levels of minerals exploration investment in Australia.

There is continuing uncertainty about the stability and health of international economies and the potential adverse impact of global economic trends on Australia's prosperity.

Uncertainty about the impact of the recent tax system changes and the prospect of further global economic down-turns present good reasons to avoid any further taxation systems change that will reduce the wealth generated by the minerals sector into the future.

The AusIMM urges the Business Tax Working Group, the Treasury and the Treasurer to not pursue the removal or reduction in tax deductions for minerals exploration and prospecting. AusIMM members firmly believe this would be a short-sighted move that will undermine the future of Australia's minerals sector and therefore undermine the nation's future economic prosperity.