

TAX FORUM SUBMISSION

AUSTRALIAN GREENS LEADER SENATOR BOB BROWN

Mining tax and sovereign wealth fund

The Australian Greens want:

- gold brought back into the coverage of the mining tax;
- no rebating of increased state royalties;
- the company tax cuts redirected to small business; and
- a substantial proportion of the proceeds placed into a sovereign wealth fund.

The Henry Tax Review set out a blueprint for a resources rent tax close to world's best practice, greatly superior to the existing mix of inconsistent, inadequate and inefficient royalties. The proposed Resources Super Profits Tax was broadly in line with the Review's proposals. The Minerals Resources Rent Tax (MRRT) is, however, a severely compromised version which will raise much less revenue and discriminate between different parts of the mining industry in an arbitrary manner.

At an absolute minimum, gold miners, who are garnering windfall profits from an unanticipated near-record price for gold, should be brought under the MRRT along with coal and iron ore miners. Better still would be to restore the coverage to most minerals, including copper, nickel and uranium.

The federal government also cannot continue to provide a "blank cheque" whereby state governments can raise royalties and have these amounts refunded to the companies by the federal government.

The rate of the tax should be restored to the 40 per cent proposed in the Henry Review rather than the 22½ per cent in the MRRT.

The other changes incorporated in the MRRT such as the higher uplift rate and other generous provisions need to be reviewed. A more comprehensive mining tax will ensure the mining sector makes a fairer payment to the community for the non-renewable resources from which it derives its profits. The Greens believe that a substantial proportion of the proceeds should be quarantined in a sovereign wealth fund. There are two reasons. The first is inter-generational equity. There should be a fund that can be drawn on after the resources are exhausted as a means of sharing the benefits with future generations. The second reason is to address the challenge of the 'two speed' economy. A sovereign wealth fund investing offshore will partly counteract the appreciation of the Australian dollar which has eroded the international competitiveness of important export industries such as sophisticated manufacturing, tourism and international education. Such a fund has operated well overseas, such as in Norway where it has invested proceeds from their North Sea oil.

Company tax cut for small business

The Government plans to cut the company tax rate from 30 to 29 per cent, with the smallest companies receiving the cut a year earlier. The Greens propose that the smallest companies receive a larger cut, perhaps to 25 per cent, paid for by leaving the rate at 30 per cent for companies with large profits.

Increase in unemployment benefits

The current levels of unemployment and student benefits (Newstart and Youth Allowance payments) are woefully inadequate and poorly designed to encourage workforce participation. A person on Newstart receives just \$237 a week while a Youth Allowance recipient living independently has to live on \$194. There is a \$120 a week gap between the single rate of Newstart and the single aged pension.

Global financial transactions tax

Australia should support global initiatives by leaders such as France's President Sarkozy and Germany's Chancellor Merkel to introduce a global tax on international financial transactions (also known as a "Tobin tax" or a "Robin Hood tax"). This could not only raise money to fight global poverty but could stabilise financial markets by discouraging very short-term speculative financial transactions.

Level playing field

Unless there are good reasons, such as correcting environmental and other market failures or charging for the use of limited resources, the tax system should be neutral between companies and industries and avoid distorting business and consumer decisions. The tax system should be reviewed to ensure that all companies pay their fair share. This means that appropriate action should be taken against the use of tax havens and transfer pricing. It also means that subsidies or concessions should not be provided to certain industrial sectors. For example, the mining sector's use of fossil fuels should not be subsidised by the provision of fuel tax credits.

Income tax progressivity

The income tax system should be more progressive. Like President Obama and Warren Buffet, the Greens believe the richest people in society can contribute more. The Australian version of the Buffet tax - a 50 per cent marginal rate - should be introduced for incomes of over \$1 million.

Other issues

The above are a selection of issues that the Greens hope to raise at the Tax Forum. There are of course many other important issues that have been discussed in the *Henry Tax Review*, and likely to be raised by other participants at the Forum, on which the Greens would like to see action.