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**Fact sheet: The New Resource Rent Tax Regime**

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On 19 March 2012 the Senate passed the *Minerals Resource Rent Tax 2011 Bill* and ten additional pieces of related legislation that make up the Minerals Resource Rent Tax package.

Mining companies are currently taxed through royalty regimes applied by the States and Territories. The Government's motive in amending the current regime is that royalties tend to be set at rates low enough for mining to operate in periods of low commodity prices, consequently royalties will often fail to provide an adequate return to the community when commodity prices are high. The royalty regimes will continue under the MRRT, however all future and current royalties will be credited against the mining companies' MRRT liability.

Minerals Resource Rent Tax (MRRT)

- The MRRT establishes the framework for calculating mining companies' minerals resources rent tax liability on mining profits made from extracting taxable resources (coal and iron ore).
- The MRRT will be imposed at a rate of 30 per cent, reduced by a 25 per cent extraction allowance which recognises the expertise and capital mining companies bring to mineral extraction. Thus the effective tax rate is 22.5 per cent.
- All future and current State and Territory royalties will be credited against the MRRT.
- The MRRT does not apply to mining companies with resource profits below $75 million per annum.
- The MRRT liability will gradually increase for mining companies with profits between $75-$125 million per annum, reaching 22.5 per cent for profits above $125 million.
- The tax will be payable for the financial year 2013 beginning 1 July 2012.
- The number of affected companies will be around 320.

The Australian Treasury estimates the MRRT will generate $3.7bn in 2012/13, $4.0bn in 2013/14 and $3.4bn in 2014/15. This estimate is based on projections including commodity prices, exchange rates and cost of extraction.

The MRRT has been earmarked by the Australian Government to fund a reduction in corporate tax from 30 per cent to 29 per cent (not passed yet), as well as an increase in superannuation guarantee levy from 9 per cent to 12 per cent.

Petroleum Resource Rent Tax (PRRT)

- The Petroleum Resource Rent Tax (PRRT) regime, which currently only applies to offshore petroleum projects will be extended to cover all oil, gas and coal seam methane projects, onshore and offshore Australia.
- The PRRT will apply at a rate of 40 per cent.
- The standard features of the current PRRT will otherwise apply, including the range of uplift allowances for unutilised losses and capital write-offs; immediate expensing for expenditure and limited transfer of the tax value of losses.

If you would like to know more about the MRRT please find the Hawker Britton Occasional Paper 'A Guide to the Minerals Resource Rent Tax' in the link below.

http://www.hawkerbritton.com/hawker-britton-media/budget/511/updated-minerals-resource-rent-tax-guide.htm