



MEDIA RELEASE

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REFORM FOR A FAIR RETURN TO THE NATION FROM OUR RESOURCES

The Australian Government will introduce a 40 per cent resource super profits tax (RSPT) from 1 July 2012. Under the RSPT the Government will provide a refundable credit to resource entities for state royalties and will guarantee to contribute 40 per cent of the investment cost of a resource project. In effect, the Australian community will share in the costs of, and returns from, realising the value of resource deposits.

There will be a staged consultation process over the course of this year to work through detailed design issues, particularly the transition for existing projects. This is a major reform and the Australian Government is committed to a genuine and open consultation process to make sure we get it right.

A significant proportion of funds raised from the RSPT will be returned to the resources industry through a new resource exploration rebate and investments in infrastructure. The resources sector will also benefit from a lower company tax rate.

New resource exploration rebate will boost investment

Exploration is vital to build a pipeline of resource projects for future generations. The Australian Government will introduce a new resource exploration rebate (RER), within the company income tax system, from 1 July 2011, delivering on its 2007 election commitment to promote resources exploration. The RER is estimated to cost \$1.1 billion in the two years commencing 2012-13.

Under the RER companies can receive a refundable tax offset at the company tax rate for their exploration expenditure. The RER will apply to the same range of exploration expenses currently deductible under the tax law, provided the exploration is undertaken in Australia.

The RER is a simpler and more effective way to promote investment in exploration than a flow-through shares scheme. For a company in a tax loss position that spends \$1 million on exploration, the RER will provide an immediate cash benefit of \$300,000.

In a huge boost for geothermal energy explorers, their exploration expenditure will also be eligible for the RER.

The RER will significantly benefit small, pre-profit exploration companies. Small exploration companies currently do not get a tax benefit from their deductible exploration expenses until they become profitable. Compared to larger, more diversified companies, these smaller companies face a competitive disadvantage because losses they generate from exploration often cannot be used to offset other taxable income.

New investment in infrastructure

One of the nation's top priorities must be the elimination of infrastructure bottlenecks so that we can get our resources to market. The Australian Government is already making a substantial investment in the nation's infrastructure, including the \$22 billion *Nation Building for the Future* package announced in the 2009-10 Budget. We will build on this commitment by establishing a new ongoing infrastructure fund, and make annual contributions starting at \$700 million from 2012-13.

The infrastructure fund will help build the roads, rail, ports, electricity and water supply, and other facilities needed to unlock Australia's resource wealth.

The Government will consult closely with the states on both the establishment of the infrastructure fund and the arrangements for rebating state royalties.

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