The influence and effect of industry lobbying in the development of government regulation:
The case of the Minerals Resource Rent Tax

Professor Kerrie Sadiq[*]
Queensland University of Technology
Business School
2 George St
Brisbane, QLD 4000
Australia
email: kerrie.sadiq@qut.edu.au

Dr Janet Mack
Queensland University of Technology
Business School
2 George St
Brisbane, QLD 4000
Australia
email: janet.mack@qut.edu.au

On 1 July 2012 Australia introduced a Minerals Resource Rent Tax (MRRT). That is, a tax imposed on profits generated from the exploitation of non-renewable resources. A mere 16 months later, in October 2013, the newly elected Federal Government announced its repeal. Both the introduction and proposed repeal of the MRRT has not been without controversy. After a failed attempt by the Federal Government at a Resource Super Profit Tax, the MRRT was developed in consultation with several of Australia's largest mining companies, including BHP Billiton, Xstrata and Rio Tinto. At the date of introduction it was estimated that the tax would raise $13.4 billion in the first 3 years. However, in the first six months after the introduction of the MRRT only $126 million was raised and none of Australia's biggest miners had any liability to pay the tax.

Despite the minimal revenue raising, a tax imposed on profits generated from the exploitation of non-renewable resources is generally perceived as appropriate and grounded in sound policy rationale. However, clearly, both a lack of revenue and the subsequent announcement to repeal the tax indicates that in the case of the MRRT there was a failure in the implementation of regulation effectively executing that policy.

This paper through a longitudinal study examines the development of the MRRT from the initial proposal to impose a uniform resource rent tax as part of the Review of Australia's Future Tax System through to its proposed repeal. In doing so, evidence of the influence of the large mining companies is critically analysed to determine the effect that key stakeholders had in the development of the legislation. In particular, the paper examines the influence the mining companies had in minimising the amount of tax likely to be due and whether they had a role in determining the methodology for calculating a miner's liability. This liability is calculated on the basis of mining profit less MRRT allowances. One of those allowances is what is known as a starting base allowance, which allows a miner to take into account investments in assets and certain expenditure on assets. There are two valuation approaches to determining this allowance - the book value approach and the market value approach - and the miner is able to choose which valuation approach to apply.

Ultimately, the purpose of this study is to determine whether the mining companies were opportunistic both in the development of the MRRT and its subsequent application of the valuation rules, and if so the impact of that opportunism. The results from this paper will inform current debate concerning the development of regulation from both a taxation and an accounting perspective.

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[*] Corresponding Author