

Resource tax digging a hole for rich and poor

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Terry McCrann named Labor's proposed Resource Super Profits Tax (RSPT) the Really Stupid Politicians Tax.

RSPT also has a similar ring to British political party Respect, an amalgam of groups including the Revolutionary Communist Party and Socialist Resistance.

The Respect Party's platform calls for higher taxes on the rich, nationalisation and "a socially just and ecologically sustainable society".

The RSPT, like the policies of the political party whose name it resembles, would undermine living standards under the guise of "fairness".

The tax involves expropriating \$9 billion a year from successful mining businesses like BHP, Rio and Fortescue Metals, which the Government stigmatises as "foreign owned". Prime Minister Kevin Rudd says he will give two thirds of the tax grab to superannuants, small business and infrastructure.

The rest will be used for more conventional vote-buying.

This is killing the geese that have laid Australia's golden eggs.

It is banana republic politics at its worst, concocted by people who don't know or don't care about the effects of government-created business risk.

If Canberra confined its new tax to new developments little would be raised, as the tax would choke off many new prospects. Recognising this, Canberra intends RSPT to apply retrospectively to the profits of successful mining investments made under the existing tax framework.

Mining depends crucially on discovering hidden mineral value. And for every attempt to do so there are 10 failures. Once the costs of the failures are factored in there is no super profit, just some companies which thrived while others bombed.

Mining is similar to other research-based industries -- the information technology (IT) industry has its Apples and Microsofts but also hosts of failures.

A super profits tax on successful IT firms, as with mining, would severely reduce innovatory activity.

Astoundingly, the Government argues its new tax grab will provide companies with increased assurances that the future taxation regime will be more stable.

By torturing economic data, Treasury even claims its modelling shows the new impost will lead to an incredible 5.5 per cent increase in the resources sector's output.

Only politicians or public servants far removed from commercial realities could accept such notions.

BHP estimates the RSPT would increase its 43 per cent tax rate to 57 per cent.

Like any other company, it is not sufficiently gullible to believe that a 40 per cent super profits tax

on top of its existing taxes will leave it better off!

Labor's \$9 billion-a-year RSPT grab on the resources industry follows a familiar pattern.

We already have the tobacco tax, which nobody dares to oppose for fear of being painted as supporting the political elite's ultimate villains, tobacco companies and smokers.

The Government still intends to introduce the \$18 billion-a-year greenhouse gas tax, and its telecommunications policy is designed to force Telstra to give away its network.

Only unscrupulous governments introduce new impositions on businesses after they have locked in key decisions. Such measures are not really taxation but are better described as institutionalised robbery of shareholders, including superannuation fund contributors.

And the adverse effects on wealth creation penalise everyone's future affluence.

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