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THE IMPACT OF RESOURCE RENT TAXATION ON THE AUSTRALIAN MINING INDUSTRY

By

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ABSTRACT

A company tax rate based on profitability return, or as more commonly expressed, a resource rent taxation scheme has been introduced at various stages in the past by both Australian state and commonwealth governments. At present a number of overseas countries are applying this form of legislation to the taxing of sections of their mining industries.

Within this study, ways in which this type of tax has been used are examined. The form in which the tax can be applied varies.

1. It can be selectively or universally applied.
2. The base on which economic return is calculated can be selected in a number of ways.
3. It can start operating only when high profit levels exist, or alternatively be the basis of a total taxation scheme.

The implication for the Australian mining industry of the introduction of different types of resource rent taxation schemes is assessed within the context of previously enacted systems.

INTRODUCTION

In recent years, increasing agitation for taxation reform has led to considerable discussion on the concept of tax neutrality. The purpose of a neutral tax system is to leave unaffected the efficiency of the market mechanism in allocating resources to competing activities. Smith and Ulph (1976) point out economic theory suggests that taxation of economic rent is the only system that consistently meets the requirements for complete tax neutrality.

As it is applied to the mining industry, what is meant by the term *rent*? Smith (unpublished paper, 1977) defines rent as the surplus accruing from the supply of a commodity or factor in excess of the minimum amount necessary to bring forth that supply. Taxation of rent involves the taxing of profits in excess of the minimum rate of return necessary to ensure that a desirable investment environment remains. A similar definition is adopted by the Industries Assistance Commission (1976a) in their investigation of the suitability of applying a Resource Rent Taxation (RRT) scheme to Australian oil extraction. Economic rent here is defined to be the return derived by input factors in a productive activity over and above the return required to keep them in that activity. That is, rent is derived by factors of production if they receive a return above their supply price. Hence, rent may be reduced without in any way affecting the supply of a resource to a project. A third interpretation of the term is given by Garnaut and Clunies Ross (1975). They use it in the context of profits that remain after deduction of company income which corresponds to the minimum return necessary to attract private

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investment to a new project. The rent generated through the exploitation of a resource is a function of the efficiency with which it is utilized and of any factors that affect the rate of return necessary to attract investment.

The notion of taxing the rent component earned by resource industries such as the mining industry has generated considerable appeal in recent times and methods of implementing such a scheme have been discussed widely. Furthermore, in a number of overseas countries taxation legislation based on this concept has been introduced in various forms. In the next section a brief description of some RRT schemes which have been proposed or are presently operating is given.

The Australian mining industry has traditionally been taxed at a number of levels. Typically contributions are levied for municipal charges, state government royalties, national government taxes and sometimes national government royalties. Various forms of a RRT are proposed as an alternative to these. This new scheme could either be introduced as the one and only tax levied on the mining industry, or alternatively as an additional tax, levied concurrently with one or more of the existing taxes.

In the review of the various RRT schemes, consideration is given to the suitability of a particular form of the tax to imposition on both the total Australian mining environment and specific industry sectors. Some mention is made of the appropriateness of the different proposals to the existing structure of company taxation legislation.

RESOURCE RENT TAXATION SCHEMES

GARNAUT AND CLUNIES ROSS PROFIT TAX

This taxation scheme as described by Garnaut and Clunies Ross (1975) begins to operate when a certain threshold rate of return has been realised. Assessment under this scheme requires the accumulation at specific interest rates of all payments and receipts in respect of the establishment and operation of a project. The operation of the scheme in its most simple form, with one interest rate and one threshold would be similar to that of a company profits tax system with the following differences

1. no deduction of interest payments from taxable income,
2. immediate 100 per cent allowances on all investment expenditure, these being treated in the same way as current expenditure, and
3. an unlimited carry forward of losses, bearing interest at a specific rate.

One characteristic of the scheme is that separate taxes on a project may be levied at more than one threshold rate of return; for example a 50 per cent tax may be levied beyond the achievement of a threshold of a 10 per cent rate and a further 25 per cent beyond the level of a 20 per cent return rate. It is inherent in a project based rent tax of this type that liability in any one year (if any) is calculated with reference both to earnings within that period and within all preceeding periods of the life of the project.

It would be acceptable under the proposed scheme for projects to be liable for other levies such as company profit taxes. Garnaut and Clunies Ross mention that in some instances it may be preferable for a company to have the option of paying either a company profit tax or a RRT, whichever is higher. It would be permitable to rebate from future RRT liability the value accumulated at some long term bond rate of past payments of other taxes. Swan (1976) in assessing this proposed aspect of the scheme states that it would be undesirable to allow full deduction of the company tax payments before the RRT was invoked as this provision would exempt particular projects from the normal tax on capital income, Swan concedes, though,

that to avoid double taxation of rents it would be necessary to allow deduction of company taxes that fall on earnings in excess of the threshold value.

Impact of introduction to Australia

The introduction of a RRT to the Australian mining industry along the lines proposed by Garnaut and Clunies Ross would have many implications.

1. Without modification, the method could only be applied to the taxation of new projects. The scheme requires the application of a discount factor to all project receipts and deductions which excludes imposition on the profits from existing mining operations unless a complete audit is to be undertaken to bring individual financial histories into line with the new requirements.
2. With universal imposition of the scheme and abolition of existing taxes and royalties, government receipts would initially be drastically reduced. However, as proposed it does allow for the concurrent retention of existing company profit taxes and other levies, which if continued would minimize fluctuations in government revenue.
3. Company taxation at present is levied on a corporate rather than a project basis. Further, much of the mining industry is characterized by the horizontal diversification of operating companies. With taxation imposed on a project basis on a company, accounting complexities would arise with profits from one source being taxed at a different rate from those at another. Unless losses incurred from one project could either be written off against profits from another or alternatively earn a real negative taxation bounty, the risk of investment in a marginal project would be increased. Gibbons (1977) also points out that problems would occur in the recognition of the tax deductibility of abortive expenditure under a project basis scheme.
4. Once introduced, company internal accounting procedures necessary for the operation of this RRT scheme should present no more problems than those required at present. The elimination of the necessity for capital write-off allowances may in fact simplify procedures.
5. The scheme is suited in form either to application to the whole of the Australian mining industry or to exclusive imposition on only one or more sectors.
6. No provisions appear to have been built-in to compensate for the effects of high inflation rates or for exchange rate movements.
7. The scheme fulfills many of the requirements of a neutral tax. While it does not propose taxation of rents at a rate of 100 per cent, it does include a mechanism for rates to be readily set and changed at different threshold levels. Further, this flexibility should allow the tax imposition on the mining industry to be kept in line with the liability faced by other sections of the community.

BOUGAINVILLE COPPER LIMITED TAX SCHEME

The scheme that Bougainville Copper Limited (BCL) presently operates under was introduced in 1974, two years after production from the mine had commenced. The BCL scheme is based on a tax rate which varies with the rate of return achieved by the mine. A tax rate of 33.3 per cent applies to earnings to a 15 per cent return rate and those above this

level are taxed at a rate of 70 per cent.

The rate of return calculation is made each year and is independent of assessable payments or receipts in previous years. The calculation is made by dividing profit after tax (base rate tax at 33.3 per cent) by cumulative capital investment.

Some operating details of interest are

1. capital allowance provisions for writing-off expenditure at *normal* rates, such as over operating life are in force,
2. the capital stock value used in the rate of return calculation approximates the sum of depreciated mine expenditure, investments and working capital,
3. interest payments on loans are allowable deductions,
4. for purposes of determining the threshold rate of return for imposition of the marginal tax rate, no averaging of previous years' results is allowed. If this occured, results from poor years could delay the achievement of the threshold rate, and
5. there are no provisions for the government to return previous marginal tax payments when losses are incurred.

Impact of introduction to Australia

Many of the implications of the introduction of a Garnaut and Clunies Ross RRT to the Australian mining industry are also relevant to the BCL tax. In particular the difficulty exists of taxing large diversified Australian companies on a project basis. However, the BCL scheme would more easily fit into the present Australian environment in a number of respects.

1. Rate of return calculations are made with respect to results from the year under review. Existing Australian companies could be assessed for liability without examination of their financial histories.
2. Provision is made for account to be taken of high rates of inflation and exchange rate movements.
3. Accounting procedures are simplified as discounting of receipts and deductions does not have to take place. However the treatment of capital allowances may involve increased internal accounting complexity.

PAPUA NEW GUINEA MINING TAX

Legislation embodying the concept of the imposed tax rate varying with mining project profitability was passed into law in Papua New Guinea in 1978. Details of this scheme are described by Holloway (1977).

Under its operation, tax liability is calculated on a project basis over the life of the mine. Profits at levels below a threshold rate of return pay tax at a base rate (presently 33.3 per cent), while earnings above the threshold are assessed for payment of an Additional Profits Tax (APT) at a varying rate (presently 36.7 per cent).

The base rate tax liability is calculated in much the same way as present Australian company profit taxes. This tax is calculated after deduction from income of capital write-off allowances, interest payments and exploration expenditure.

Assessment of APT takes place independently. The threshold rate of return for imposition of the tax is set at 10 percentage points in excess of a prescribed United States borrowing rate. All payments and receipts are accumulated at the threshold compound interest rate from the commencement of the project, and in any year when a positive sum is achieved, APT liability is incurred. The accumulated sum is then set to zero, and liability for the next year calculated on its generated cashflow. Once APT has been paid, it will continue to be incurred until a negative

annual cashflow is earned. In calculating the cashflow figure to be used for APT assessment, interest payments and receipts are ignored and capital expenditure is immediately deductible.

Impact of introduction to Australia

Due to the similarity of the legislation to that in force in Australia, introduction of the base rate tax component of the Papua New Guinea scheme would raise few problems. However, an APT liability would introduce a number of considerations, many of which have been highlighted in the discussions on both the Garnaut and Clunies Ross and BCL tax schemes.

1. The inherent difficulties involved with a project basis scheme.
2. The rate of return calculation involves assessment of the mine's financial history throughout its whole life. The Papua New Guinea legislation explicitly does not encompass the Bougainville and Ok Tedi projects which have previously negociated their own agreements. The legislation is intended to apply, in the main, to the assessment of new projects. Introduction to Australia would involve a complex historical review of existing mining projects to bring them into line with the new method of tax calculation.
3. The legislation stipulates that the Papua New Guinea government, upon signing an agreement with a mining company must give certain guarantees concerning the later imposition of new royalty charges, excise levies or other taxes. Australia's federal system of government may create difficulties in the granting of firm undertakings of this kind.

UNITED KINGDOM PETROLEUM REVENUE TAX

British companies extracting oil from beneath the North Sea are assessed for

1. royalty at 12.5 per cent of well-head value,
2. Petroleum Revenue Tax (PRT) at 45 per cent of gross revenue after allowable deductions, and
3. corporation tax at the standard rate of 52 per cent of net revenue after allowance for royalty, PRT and normal tax deductions.

As described by Anon (1975a), the PRT is assessed on profits from the sales of oil and gas from each North Sea oil field. Deductions are allowed on royalties paid, exploration, operating and transport costs, an adjusted capital expenditure figure and an oil allowance for each field. Any loss may be carried forward indefinitely or back for one year.

The PRT levy only operates when the pre-corporation tax income achieves a return on capital expenditure (at historic cost) of more than 30 per cent. There is provision for some tapering in the PRT levy applying to returns marginally in excess of this threshold value. For PRT purposes, activities associated with North Sea oil extractions are treated separately from any other company ventures. This means that profits from oil and gas production may not be reduced for tax purposes by losses in other activities.

Impact of introduction to Australia

The PRT is levied on one industry sector in a country imposing a company taxation structure with many similarities to that in force in Australia. Attempts to apply this tax scheme universally across Australian mining enterprise would meet many of the difficulties inherent in previously examined schemes.

The PRT in Britain has been imposed on a new industry operating in a geographically distinct location. Introduction to similar industry sectors in Australia may be found to be appropriate. In the last two decades, the nickel, export coking coal and export iron ore industries have emerged in Australia. In the

near future, uranium and off-shore natural gas produced for export may also be included in this category.

A significant difficulty and one which has been mentioned previously is the problem of imposition of a project based scheme on diversified operating companies. Further, some of the accounting procedures necessary for PRT calculation are complex and when considered in the existing Australian context, awkward. The setting of an appropriate threshold rate of return would be of vital importance.

NORWEGIAN SPECIAL TAX ON OIL AND GAS RECOVERY PROFITS

This tax scheme is similar to the British PRT levy, although some operating procedures differ in detail.

INDUSTRIES ASSISTANCE COMMISSION PETROLEUM RENT ROYALTY

A Petroleum Rent Royalty (PRR) has been proposed by the Industries Assistance Commission (1976a). The structure of this scheme is similar to that proposed by Garnaut and Clunies Ross. It differs in that its application is on a company rather than project basis, and it operates in conjunction with normal company profit tax legislation, being calculated before tax and being treated as a deductible expense in the calculation of income tax. The PRR would be introduced when a threshold rate of return was realised. All assessable receipts and deductible outlays would be accumulated over the life of the project for the purposes of the royalty calculation.

Impact on introduction to Australia

The PRR scheme has been devised for an Australian context and its imposition on a company basis both simplifies calculations and makes allowance for successful and unsuccessful projects within a corporate grouping. The scheme would present difficulties if applied universally to the Australian mining industry, however, if introduced exclusively to appropriate industry sectors should not produce undue problems.

SOUTH AFRICAN GOLD MINING TAX

This scheme imposes taxation on a sliding scale rate being determined by the ratio of profits to revenue. As set out by Anon (1975b), the scheme originally was designed so that mines operating with a low profit to revenue ratio paid zero or a very low rate of tax, while as the profit ratio increased, the rate rose to a maximum of 56.4 per cent. Recent South African budgets have added tax surcharges to the original scales. The taxation legislation is designed to allow for a varying rate when metal prices change and also to take into account fundamental operating cost differences between projects.

While the previously described schemes impose a tax rate which is introduced and sometimes varied relative to profitability as expressed by return on capital investment, the South African scheme uses return on revenue as its rate determinant.

Impact on introduction to Australia

This taxation scheme was described by Anon (1975a) in a review of some mining taxation legislation around the world as *probably the best employed anywhere*. It operates on a project basis in a large homogeneous industry dominant in the South African economy.

On the other hand, the Australian mining industry is anything but uniform and considerable modification would be needed to this scheme if it was to be successfully imposed in this country. Determination of a sliding scale rate appropriate to the various industry sectors would not be possible by the simple use of one formula. Further, to maintain equity, operations based on different mining methods although mining in the same industry sector would need to be treated independently if efficiency was to be encouraged.

Adoption of a practice of incorporating in legislation a yardstick for return based on

revenue rather than capital investment would be liable to encourage inefficient utilisation of resources.

AUSTRALIAN RATE OF RETURN BASED TAXES

Queensland state government

A company taxation scheme with a varying rate dependent on profit rate of return was imposed in Queensland from 1915 until 1932. Liability under the tax increased from 12 pence in the pound for a return of less than 6 per cent to a rate of 24 pence in the pound from a return exceeding 17 per cent. As set out in Anon (1916), the return calculation was made using a figure for capital based on equity share subscriptions to the company plus secured loans. This differs from that normally adopted for rate of return calculations which is based on the worth of the tangible employed assets of the company.

Commonwealth government

A national company tax based on profit return was imposed between 1941 and 1946. This taxation measure was referred to as the *war-time (company) tax* and was described by Spicer (1941) as a tax on high percentage profits in times of war. As originally enacted, the tax was imposed at a rate of 4 per cent when profits represented 8 per cent of capital employed and rose linearly to a maximum of 60 per cent when a taxable profit return of 22 per cent was achieved. In this legislation, as set out in Anon (1940) a more normal definition of capital, being the resources of a company employed in Australia in gaining or producing taxable profit is used in the return calculation.

In early 1942, there were moves to amend and strengthen the legislation. It was proposed by the government that all profits above a threshold return of 4 per cent of capital employed be taxed at the rate of 100 per cent. While this amendment was not imposed, the tax was strengthened to commence at a rate of 12 per cent when profits represented a 5 per cent return and to rise to 78 per cent when a return of 12 per cent was achieved.

As Spicer (1942) explained, these tax changes were made to strengthen the system of price control which had been in operation since the beginning of the war. It had been found impossible to control prices through price fixing and so taxation measures were resorted to. At that time the imposition of such prohibitively high rates of tax led to considerable doubt being expressed as to the wisdom of bringing all businesses, whether efficient or ineffecient down to a common profit level. When faced during the war with maintaining stable price levels, no other major English-speaking country imposed a rate of return based tax. Rather, Britain, the United States, Canada, South Africa and New Zealand all introduced a form of excess profits tax which left room for the encouragement of efficiency.

Impact of reintroduction of these taxes

Since the period when the Queensland government imposed a rate of return based tax, the commonwealth government has assumed most taxing powers from the state governments. Further, many of the functions of government have changed since that time. It would seem unlikely that a similar tax to this, and set at about the same level would be reintroduced today.

The *war-time (company) tax* was imposed for a specific purpose under unusual circumstances. It is impossible to directly relate it to a contemporary tax on the Australian mining industry. It is, however, of interest to note the comment on the effect of the tax on the encouragement of business efficiency.

RECENT REFERENCES TO THE IMPOSITION OF A RESOURCE RENT TAX SCHEME ON THE AUSTRALIAN MINING INDUSTRY

In recent years, there has been considerable discussion on the merits of taxing some or all sectors of the Australian mining industry by the implementation of a RRT scheme.

Two recent reports of the Industries Assistance Commission (1976a, 1976b) make reference to the application of such a system.

The report on crude oil pricing in its recommendations drew attention to the following comments,

> *The determination of an appropriate level of community or government take is difficult, however, as it involves consideration of economic rent which in turn requires the specification of a normal rate of return consistent with risks undertaken. Although the commission received some objective evidence which was relevant to such considerations, including evidence on risks and returns overseas, the final assessment of what constitutes an appropriate share of company profits must, in practice be a very subjective process.*

While this report did not explicitly recommend the immediate introduction of a RRT scheme, it left the question open for further investigation. An appendix to the report reviews a number of RRT schemes which may be considered appropriate to the oil extraction industry.

The report on the petroleum and mining industries, although not recommending the introduction of this form of taxation as it considers that the system would be difficult to implement for the mining industry as a whole, concedes that it fulfills the theoretical requirements of a neutral taxation/royalty scheme.

Lynch (1977) in introducing the Australian budget announced that consideration was being given to the possible introduction of a resource tax. This statement, which was originally used in a context of restricted application to oil extraction profits led to considerable discussion on the form a tax of this type should take, and the sections of mining enterprise that it should be imposed on. Anthony (1977a) stated that a RRT would be worked out on a percentage return on capital investment and working costs. Anthony (1977b) also specifically singled out the oil and uranium industries for possible application of the tax and said that it was not the government's intention to impose the tax on other sections of the mining industry. However later remarks by Newman (1978) that the government was still considering whether in the first instance to introduce a RRT leaves the intention on this question unclear.

The opposition parliamentary party in Australia has on a number of occasions expressed its approval to the introduction of this form of taxation. In this regard, Keating (1977) stated that the intention to introduce a form of RRT is encompassed in the Labor Party's national platform. Hayden (1978) reaffirmed that the Labor Party is committed to the introduction of a RRT on minerals and energy and mentioned that in setting threshold levels at which it would be imposed on profits, it would be necessary to ensure that full account was taken of the risky nature of mining ventures as well as the large amounts of capital employed by them.

Both major Australian political parties have expressed some committment to the eventual introduction of a form of RRT on the mining industry. It is relevant to examine parameters that would be critical to the successful introduction of a scheme appropriate to the Australian environment.

AN APPROPRIATE AUSTRALIAN RESOURCE RENT TAX

A new tax in Australia would be imposed in an environment of established company taxation practice at both state and national levels. Important questions need to be considered in the formulation of a scheme appropriate to either the whole mining industry or to sectors within it.

1. Should a company or project basis be adopted? Existing taxation practice within Australia is on a company basis. If a new scheme is imposed exclusively on some industry sectors and this practice is maintained, accounting complications would arise for large diversified companies with mining operations in many sectors.
2. Should profitability rate of return be calculated on an annual period or whole of life basis? If a RRT is imposed industry wide, the latter approach would be cumbersome to implement in the calculation of the liability of existing projects.
3. Should the capital stock value used in the rate of return calculation be based on project equity investment, total funds employed or capital investment undertaken?
4. Should a new tax replace all existing levies, or is it more appropriate to consider an RRT as a supplementary tax to current practice?
5. What threshold rate of return level is appropriate to the Australian mining industry?
   a. The threshold rate for the Papua New Guinea scheme is set at ten percentage points above a specified United States bond rate.
   b. A study of the risk borne by companies engaged in oil exploration and development by the Broken Hill Proprietary Company was referred to by the Industries Assistance Commission (1976). This study concluded that investors require an annual return 12 percentage points higher than the long term government bond rate in order to compensate them for the higher risks of investing in oil shares than in government bonds. Two-thirds of this premium is attributable to the average risk of the business and the remainder is justifiable by higher than average risks inherent in petroleum exploration.
   c. The British petroleum revenue tax is imposed when a threshold of 30 per cent is reached.

   Although these examples cannot be directly compared as their basis for calculation varies, they do give an idea of the return required before any rent component of profit is being earned from a mining investment.
6. Should a RRT scheme impose a fixed or variable tax rate?

An appropriate RRT on the Australian mining industry would require these and other questions to be examined in detail.

THE REACTION OF THE AUSTRALIAN MINING INDUSTRY TO A RESOURCE RENT TAX

In an attempt to empirically determine the effects on the Australian mining industry of the imposition of a RRT scheme, the financial statements of a cross section of significant mining companies have been examined. The intention within this study has been primarily to determine the ability of mining concerns to generate a *rent* component of profits and so a liability to RRT rather than to accurately determine the value of this liability. As any RRT scheme introduced in Australia could take many forms, it is of little value at this stage to precisely calculate a figure for tax liability which is based on a host of assumptions.

Data from this study has been obtained from an examination of the published annual reports of eight Australian mining companies over a period of three years. As companies within this representative sample report at

different dates during the year, the period examined extends from 1974 to 1977. For comparative purposes, results for companies whose reporting period extends from July to June are designated by the year the period commences. Additional information on the method of analysis adopted for the examination of the company accounts can be found in Gillies and Thomas (1977) and Gillies (1977).

To facilitate comparison of results both between the different companies and over the three periods examined, reported results were initially reduced to a common base. In this regard, each company's taxation liability for the period was adjusted, where necessary, to a profit levy of 42.5 per cent and profitability results expressed in terms of cashflow rate of return on equity investment.

To determine the ability of mining concerns to generate a *rent* component of profits, the assumption was made that in any introduced scheme the basis of the threshold rate calculation would be profit return on capital investment and working costs. This assumption was made on the basis of the statement of intention by Anthony (1977a). Within the rate of return calculation, a figure for profit after payment of company tax at 42.5 per cent has been used and the definitions recommended by Merrett and Sykes (1973) for *capital investment* and *working costs* have been followed.

In Table 1, results from the study are printed. From the value for profit rate of return on capital investment and working costs, it can be seen whether a company in a particular

Table 1

Comparison of rate of return figures for mining concerns taxed on a company profits basis with those which may be used in the determination of resource rent taxation liability*

Company	Cashflow rate of return after company tax at 42.5 per cent %			Profit rate of return on capital investment and working costs %		
	1974	1975	1976	1974	1975	1976
Comalco Limited	19.7	12.8	19.9	4.5	2.4	5.5
Consolidated Gold Fields Australia Limited	28.5	25.5	21.6	4.3	1.4	neg.
Hamersley Holdings Limited	28.5	29.7	36.7	4.2	4.6	8.0
MIM Holdings Limited	29.6	18.6	27.1	11.8	4.7	9.6
North Broken Hill Holdings Limited	7.9	7.1	6.5	6.8	5.9	5.9
Peko Wallsend Limited	14.1	19.3	25.3	4.7	10.1	12.7
Utah Development Company	63.5	89.3	91.2	18.1	27.3	36.1
Western Mining Corporation Limited	17.3	17.0	17.5	4.0	3.1	3.6

* All data from published annual reports. Where appropriate accounts referred to are those prepared on a consolidated group basis.

year was liable for rent taxation. If the threshold rate of return had been set at 10 per cent for the years under review, 6 company accounts would have been assessed for rent taxation of the 24 examined. Further, if the threshold had been determined at 15 per cent, 3 would have been liable, while if set at 20 per cent only 2 would have had the surcharge tax imposed upon them.

CONCLUSIONS

In recent years, the idea of imposing a RRT on the whole or sections of the Australian mining industry has received considerable attention. The concept that this form of taxation is neutral in its impact on a productive resource-based enterprise has been used by some as a strong reason for encouraging its introduction. Within this study, a number of forms of rate of return based taxes which are currently, or have in the past been applied in Australia and overseas are reviewed. The different forms RRT legislation can take are examined, and in this light some difficulties inherent in devising a scheme appropriate to the Australian mining industry are discussed. In an attempt to assess the likely impact of a RRT on the industry, a retrospective analysis is made of a sample of company profitability statements from a recent three year period. Within the confines of assumptions made, results of the study indicate that on past performances, only the most profitable of companies would be liable for payment of the tax. It must be stressed, however, that any resource rent tax introduced in Australia could take a variety of forms and so any estimation of its impact can be made only in the most general of terms.

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