



Crossbench eyes tax credit overhaul; Exclusive

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Body

Influential crossbench MPs say unwinding a lucrative fuel tax credit for major mining companies will be a key objective after the next election, where they could wield the balance of power in a minority government.

Teal independent Kate Chaney from the mining state of Western Australia is working to build support in parliament for changes to the diesel fuel tax credit system for big miners, and aims to pursue the reforms in future parliaments if she's re-elected.

She already has the backing of several east-coast colleagues, including Wentworth MP Allegra Spender and independent ACT senator David Pocock, who have confirmed they will pursue an overhaul to the tax credit system after the next election.

"This will stay on the agenda... it creates headwinds for decarbonisation that we can't afford to have when we need to make sure Australia doesn't get left behind," Ms Chaney told The Australian Financial Review.

Ms Spender said a minority government scenario could prove the best opportunity to pursue bold economic reform, and agreed the fuel credits should be linked to decarbonisation efforts for major miners.

"I know that Kate is passionate about this, and so am I," Ms Spender said.

"We need to have long-term reform in the tax system and the diesel fuel rebate is an example of that.

"There is an opportunity for broader economic reform that I would certainly back that would be sympathetic to what miners are seeking as well."

The diesel fuel excise levied on drivers at the bowser covers the costs of maintaining public roads, but companies can claim a tax credit when the fuel is used on private roads, including mine sites.

Iron ore and coal miners received about \$2.3 billion of the diesel fuel tax credits paid out in 2020- 2021, according to Parliamentary Budget Office figures, which amounted to about a third of the overall amount paid.

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The independent MPs argue the fuel credit system is undermining decarbonisation in the resources sector, and major miners should only be provided credits if they spend it on efforts to reduce their carbon emissions.

Senator Pocock said the tax credits amounted to "a fossil fuel subsidy" for major miners.

"It is locking in the use of diesel because if you stop using diesel, you stop getting the fuel tax credits. Let's reshape it and tie it to decarbonisation," he said.

As polls suggest the Albanese government is at risk of losing its majority in the next federal election, due by May, the support of independent MPs could prove crucial for any future government.

But Federal Resources Minister Madeleine King said there was no appetite to overhaul the tax credit system, which was critical for farmers.

"We are not changing the diesel fuel rebate. Farmers and miners get the rebate for vehicles that only operate on private roads that are not funded by the taxpayer," she said.

The crossbench foray into the debate comes just weeks after mining giant **Fortescue** also advocated for fuel tax credits to be tied to decarbonisation efforts, putting it at odds with its competitors and paving the way for a potential fight within the resources industry.

Ms Chaney said she had spoken with **Fortescue** representatives about the reforms, and that the credit should remain in place for farmers. She said any company that claims less than \$50 million should receive the original credit, which would capture most farmers.

Minerals Council of Australia chief executive Tania Constable pushed back at **Fortescue** and Ms Chaney's suggestions, saying removing the credits would weaken the economy.

"We already have effective mechanisms to reduce emissions; tinkering with our tax system won't help us achieve these goals," she said.

Teal independent member for Warringah Zali Steggall agreed with her crossbench colleagues that the credits should not be taken away from farmers, but said miners should not receive them at all, regardless of whether they were tied to decarbonisation efforts.

Senator Pocock accused mining companies of hiding behind farmers on the issue, given agriculture had more social capital than the resources sector.

The Chamber of Minerals and Energy of Western Australia, which counts **Fortescue** as well as Rio Tinto, BHP and Hancock Prospecting as members said it did not support changes to the tax credit system.

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