HOW KEVIN RUDD'S MINING PROFIT TAX WORKS

Imagine this happened to your business or a business you work for or contract to.

In a given year the business makes a $100 profit before the following costs:

- Head office or administration costs of $10
- Interest on overdraft or loan of $10

Giving a net profit before tax of $80

In the same year, the business invests $100 to purchase plant and equipment for the business.

Here is how it works:

Profit before admin, interest on loans and tax	$100
Profit subject to Resources Super Profit Tax (RSPT) = $94 Being: $100 profit less $6 "super profit" return allowed (6% on $100 invested in plant &equipment)	
Less: **40% RSPT** ($94 x 40%)	($38)
Profit after RSPT	$62
Less: Costs not deductible for RSPT	
• Head office or corporate admin costs	($10)
• Interest on business loan	($10)
Profit subject to company income tax	$42
Less: **Company income tax** at 28%	($12)
Profit after tax	$30

So, how is the $80 of profit of the business divided??

Paid to the Government in "super" profits tax	$38	
Paid to the Government in company tax	$12	
	$50	(63%)
Left for the business owner	$30	(37%)

Yes, that is correct - the Government takes 63% of the business's profit!!!!

Under existing tax laws the business would have paid $24 in tax – 30% of profit

Ask yourself some questions:

- Does this sound fair on the business owner who is investing all the money and taking all the risk?
- If this was your business, would it make sense to keep investing in it?
- If you were employed by this business would you be worrying about your job?
- If you were a contractor or supplier to this business would you be worried about the future business?

ORDINARY AUSTRALIANS HAVE A LOT OF REASONS TO BE WORRIED ABOUT THIS TAX