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Creating a more dynamic and resilient economy – BHP response to interim report

BHP welcomes the opportunity to provide feedback on the Productivity Commission's interim report, *"Creating a more dynamic and resilient economy"*.

As one of Australia's largest companies, we are proud of the contribution we make every day to the national economy. In the financial year 2025, this included:

- \$10.5 billion in Australian **taxes, royalties and other payments to federal, state and local governments**¹;
- \$6.2 billion in **wages and benefits** to 46,000 employees and contractors across Australia;
- \$20.3 billion in **payments to our suppliers**, including more than \$2.6 billion to local footprint suppliers. For those that identify as Indigenous businesses in Australia we contributed \$779 million;
- \$102 million in **community contributions**;
- \$8.9 billion in **returns to shareholders and investors**, helping support the retirement of millions of Australians whose superannuation funds are invested in BHP.

Over the last 10 years, BHP has paid more than \$103 billion to Australian governments, making us one of the nation's largest taxpayers. Our average effective tax and royalty rate over the last ten years has been 45.3 per cent. We report these contributions openly and transparently.

As we position our business for the future, BHP is investing in growth across a number of our Australian assets. Over the last 10 years, we have invested approximately \$47 billion in capital expenditure across our minerals assets and we have projects that if sanctioned could see us invest near double this amount over the next decade.

In South Australia, we have ambitions to grow our copper operations into a globally significant mine-to-metal copper province, while in the Pilbara we have approved the commissioning of a sixth car dumper and related infrastructure for a total investment of more than \$1.3 billion. This will support further jobs, investment and community opportunities into the future.

The business investment challenge

Australia is being outcompeted for global capital and as a result we are not achieving the levels of capital deepening necessary to drive an uplift in productivity growth. As of the start of 2025, private investment as a share of GDP was at 18.6 per cent, 1.4 percentage points lower than in 2005². Similar trends are evident for new capital expenditure, which is currently 3 per cent lower than in 2015³.

Concerningly, analysis by the OECD found that Australian business investment is 30 per cent weaker than what it should be relative to current economic conditions – an 'investment gap' that is the third worst among developed economies⁴.

¹ All figures in this document are in Australian dollars.

² ABS (2025), *Australian National Accounts: National Income, Expenditure and Product*.

³ ABS (2025), *Private New Capital Expenditure and Expected Expenditure, Australia*.

⁴ OECD (2025), *OECD Economic Outlook June 2025 – Tackling Uncertainty, Reviving Growth*, p 70.

At the same time, Australia relies on both corporate and personal income taxes much more than other countries relative to other taxes. Over time, the best path to improving incentives would be to shift towards a more balanced tax mix in line with our OECD peers, which would shift the composition of the tax mix towards consumption taxes. Analysis suggests that a rate of corporate tax around 25 per cent and value added tax between 15 and 20 per cent is more typical among peer nations.

A new cash flow tax would be counterproductive

In the absence of structural changes to the taxation mix, the Productivity Commission has proposed a 5 per cent net cashflow tax on all companies.

In an environment where international competitors are actively courting investment, Australia's tax settings need to be competitive. Global capital is mobile and it follows the path of least resistance to lower-risk, higher-return opportunities.

While we acknowledge that small and medium-sized businesses would also receive a reduction in their corporate tax rate to 20 per cent, this improvement would not be extended to Australia's largest companies, who would ultimately bear a higher effective tax burden.

This is counterproductive. Australia's corporate tax rate is already high by OECD standards. Increasing the tax burden on the nation's largest and most productive businesses will not increase investment in Australia.

Central to the basic design of the measure, this proposal presents only disincentive for why BHP would choose to invest additional capital in Australia relative to other jurisdictions. There is nothing in this proposal that could cause a dollar to be invested in Australia by a major business with a turnover above \$1 billion – it only puts up the tax burden that we face investing our capital in Australia.

We are a proud Australian business and we want to be able to invest more here, but the reality is that capital flows globally and our Australian pipeline of growth projects would be less competitive for capital. Inevitably, this will mean more of our available capital will flow overseas rather than into projects in Australia.

BHP has contributed to and supports the detailed submission prepared by the Business Council of Australia in response to the '*Creating a more dynamic and resilient economy*' inquiry which comprehensively details how the cash flow tax would not support new investment into Australia.

An alternative approach to corporate tax settings

Our corporate tax settings must ensure that Australia is an attractive location for global investment.

In the longer-term, Australia should address corporate tax rates to ensure they are more competitive with our OECD peers and encourage greater levels of capital expenditure. However, given the current structural budget deficit, we appreciate that targeted supply-side reforms that unlock productivity may be more appropriate while the government undertakes measures to better control spending.

In the spirit of the Treasurer's request for alternatives, our view is that the Government could consider introducing a permanent investment allowance in similar terms to how these have operated in the past on a temporary basis. The allowance would be in the form of an additional tax deduction equal to a percentage of the expenditure on depreciating assets after the relevant start date. The rate set in 2008 was 10 per cent and we continue to view that as appropriate.

Ultimately, what matters to business is a stable and competitive tax system and, to this end, we recommend the following actions and principles:

- Regular global benchmarking and defining a medium-term policy pathway to fiscal competitiveness with OECD jurisdictions;
- Maintaining certainty around the fiscal policy settings which enable investment;
- Continuing to adhere to longstanding economic principles that business input costs will not be taxed;
- Committing to spending restraint to rebuild fiscal buffers and preserve capacity for future economic shocks; and

- Avoiding providing subsidies for assets that are unlikely to be financially viable in the long-term without government support.

We welcome the Government's pre-election commitments not to introduce new or higher taxes on the mining industry or change the tax treatment of business input costs. These commitments provide the certainty and stability needed to sustain continued high-quality investment.

An agenda for regulatory reform

We note the Productivity Commission has also identified regulatory reform as a priority to improve economic dynamism. BHP shares the Productivity Commission's concerns around regulatory creep in Australia and welcomes its draft recommendations aimed at reducing this burden.

For the mining sector, the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) has long been a source of frustration, with an approvals process that is fragmented, duplicative and not fit-for-purpose. BHP welcomes Government work currently underway to modernise the EPBC Act and looks forward to constructive engagement with the reform process led by Minister Murray Watt. We believe key design elements should be based on the 2020 independent Samuel Review and include national environmental standards and removal of Commonwealth and state duplication.

Conclusion

BHP welcomes the focus on productivity, investment and competitiveness in the national debate and thanks the Productivity Commission for the opportunity to comment on their draft recommendations.

We would be happy to answer additional questions about our submission or discuss in greater detail.