



Submission – Inquiry into Treasury Laws Amendment
(Tax Reform No. 1) Bill 2026 and
Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026

9 June 2026

Introduction

The Australian Drilling Industry Association (ADIA) is pleased to make this submission to the Senate Economics Legislation Committee on behalf of its members and the drilling industry in Australia.

Whilst there is significant complexity across both Tax Reform Bills, ADIA's submission is primarily focussed on two direct impacts that will result if the bills pass in their current form. The impacts relate to the proposed changes to Capital Gains Tax on businesses.

The first impact will be the very real potential for devastation of large sections of the mineral exploration industry. This will directly impact the largest single part of Australia's drilling industry, including contractors and suppliers. As a result, the entire drilling industry could be driven into a sharp recession.

The second impact is to business more generally. This will impact not only the drilling industry, but numerous other contractor-driven industries. Drilling contractors and suppliers are high-risk business ventures that operate in highly competitive markets. Business owners have no guarantee of success. The overnight removal of long-held business incentives significantly alters risk-reward settings. This could lead many business owners to decide it is simply no longer worth the risk to operate.

Both impacts could not come at a worse time for the Australian economy. With Federal Treasury's own economic growth outlooks benign, and Australia's productivity concerningly low, the combined impact of these policies on the economy will only make matters worse.

ADIA argues that existing business investment settings need to be retained. Further, the government should provide benefits through taxation incentives for businesses able to demonstrate sustainable ways to lift productivity and with it our economic prospects.

Doing so will help to position Australia as a global critical minerals and rare earths powerhouse. It will serve Australia well in terms of our potential trade and defence advantages. This will lead to a far better outcomes for the Australian economy. It will also ensure better environmental outcomes, both in Australia and globally.

About the Australian Drilling Industry

Nearly 300 drill contractors across Australia are collectively a \$3.9 billion industry, with a combined \$2.16 billion impact on Gross Domestic Product¹.

Australian drill contractors operate almost 2,000 drill rigs across exploration, underground, water well and geotechnical drilling².

Drill contractors range in size from large, listed entities to small, single rig operators. Fifty five percent (55%) of contractors in Australia operate with fleets of three (3) or fewer rigs³.

Australian drill contractors directly employ more than 12,000 people⁴.

Fifty-eight (58%) of drill contracting businesses are permanently based in regional or remote communities⁵. Many businesses are the lifeblood of their local communities offering employment opportunities, and support for local sports and community services.

Drill contractors are serviced by a host of supplier companies. Many suppliers also locate their businesses in regional and remote communities near to their clients. In turn, these businesses also support local communities.

Drill contractors collectively unlock almost \$500 billion in annual wealth for Australia across mining (\$297 billion), construction (\$178 billion) and water supply (\$16 billion)⁶.

Put simply, Australia's mining, infrastructure and water industries are directly enabled by the Australian drilling industry.

Any threat to the drilling industry will have a far wider impact on the economy than just to the industry itself.

¹ Economic Impact of Drilling in Australia Report with Oxford Economics; August 2025.

² Ibid

³ Ibid

⁴ Ibid

⁵ Ibid

⁶ Ibid

Impact on the Australian Exploration Industry

Exploration expenditure is a key driver of the drilling industry. Of the estimated 1,949 drill rigs currently operating in Australia, at least 879 rigs (45%) permanently work in the exploration sector⁷.

Exploration activity and expenditure is highly volatile. The Australian Bureau of Statistics quarterly data on mineral exploration dating back to March 2018 bears out this fact⁸.

The data highlights the reality that Australia's mineral and energy inventories, as well as being subject to swings in global commodity prices, also compete for global capital.

The current concessional Capital Gains Tax arrangements act as an investment incentive for junior explorers in Australia to raise capital. Explorers need capital to sustain drilling exploration programs, in almost all cases, years ahead of the prospect of any viable mineral discovery, let alone eventual revenue flows, and a return on investment.

Australia relies on this ecosystem of junior explorers to ensure, as a nation, we benefit from our rich mineral, rare earths and energy endowments. Almost all of Australia's mining success stories started as a junior explorer.

Removing the current Capital Gains Tax discount will reduce the incentive investors currently have to take the inordinate risk to invest in junior explorers. This will lead to a sharp decline in the ability for junior explorers to raise capital. Overnight, this puts drilling programs at risk.

This is not a hollow threat. Already, just the threat of the legislation has been enough for some investors leave the junior exploration market.

ADIA works closely with the Association of Mining and Exploration Companies (AMEC). AMEC's submission to this enquiry will consider further implications for the exploration sector and the potential impact on AMEC's members and the exploration sector more broadly.

ADIA supports all AMEC recommendations as they relate to the exploration sector, noting our first preference is for the removal of the proposed tax on *all* businesses, and not just a carve out for the exploration sector.

⁷ Economic Impact of Drilling in Australia Report with Oxford Economics; August 2025

⁸ <https://www.abs.gov.au/statistics/industry/mining/mineral-and-petroleum-exploration-australia/latest-release>

Impact on Drill Contracting Businesses

It takes a special kind of person to risk the family home, and give up the security of a weekly wage, to start a business. This is especially true with a drilling business.

Drill contracting businesses are high risk ventures. Not only are the markets drill contractors serve highly volatile, but the nature of drilling work itself is dangerous and capital intensive.

Like any contractor operating across a myriad of industries, drill contractors have absolutely no guarantee of success.

Business owners have to outlay significant capital – often millions of dollars – to buy a drill rig and support equipment just to get started, let alone employing staff and investing in business support systems. Competition is fierce at all levels of the industry, and there is no promise that any work will be found.

Due to high, unscalable upfront costs (you cannot operate with half a drill rig and drill rigs cannot operate without staff), and with no guarantee of market share, starting a drill contracting business is arguably riskier than a tech start-up. Most tech start-ups have potentially unlimited financial upside, whereas time and physical constraints limit the total potential earnings of a drill contractor.

The reason why people decide to take the risk and start a drilling business is that they believe they can make it work. That, when everyone else is paid, and the gear is finally paid off, there will be enough left over one day to enjoy a comfortable retirement.

This is the Australian entrepreneurial spirit which sits at the core of the drilling industry and at the heart of who we are as a nation.

The risk a business owner takes, and the reward he or she might earn, should not be compared with the opportunities, and the taxation arrangements available to wage and salary earners. Whilst different types of taxpayers, both are of course essential to each other's success. An advanced economy, like Australia's, needs those willing to take the risk to start and operate a business, as well as those willing to work for a business as a wage or salary earner.

In any event, business opportunities are not withheld from wage and salary earners. Every wage and salary earner in Australia is free to start a business should they choose.

The fact that drill contractors, like all contracting businesses, use business structures that sometimes use a discretionary trust is primarily driven by the need to mitigate some of the significant risks of operating the business. The need to structure a business in this manner is driven by insurers, financiers and client requirements.

Nobody starts a business with the core aim to split their income or to avoid paying tax.

This set of corporate structure requirements is not unique to the drilling industry. All high-risk equipment-heavy contracting disciplines across industries like civil construction, electrical, plumbing and mechanical use the same corporate structures.

By taking away the concessional capital gain taxation benefits that exists for business owners to be incentivised to start, and grow, a business, ADIA fears fewer people will go into business. There is also a reduced incentive for those currently in business to remain operating.

Already there is compelling evidence that business ownership across the Australian economy is in sharp decline. As recently reported by the ABC, research from the e61 Institute found that the portion of Australians who are self-employed fell from a 2002 high of 20% to 14% today⁹. The research cited cost and increasing complexity as the reasons why more Australians are choosing not to start a business¹⁰.

If a smaller number of larger businesses are left to operate, competition will be reduced, innovation stifled, and Australia's global competitiveness diminished.

⁹ <https://www.abc.net.au/news/2026-05-25/not-moving-jobs-not-starting-businesses-not-moving-states-data/106599004>

¹⁰ Ibid

We will Miss Current Global Opportunities

ADIA is deeply concerned the proposed Budget changes will in fact worsen Australia's low growth, low productivity, high inflation and growing unemployment economic environment.

And we will miss significant global opportunities.

The current Middle East crisis, and the global opportunities Australia can maximise through its vast minerals, rare earths and energy endowments, requires targeted business incentives, not higher business taxation.

Business needs confidence to invest. Changing the rules that govern business return on investment significantly diminishes confidence to invest further.

Business productivity improves through targeted long-term investment. Increasing taxation on business reduces incentives for business to grow and innovate. It could well be argued that cutting business investment incentives is, in fact, a *tax* on productivity.

Businesses are only willing to take on more staff when they see the prospects for growth.

If the government implements these measures, many drill contractors will be fearful about the prospects for future growth, and the very real possibility of a sharp downturn in the exploration sector.

This is likely to lead to reduced investment and could well lead to higher unemployment across the entire drilling industry.

With the commitment to net zero greenhouse gas emissions by 2050, Australia has an opportunity to transform itself, and its trading partners, into cleaner energy economies. This energy transformation will require more battery minerals and clean energy sources to be found.

All of that requires more drilling. And more drilling requires Australia to have a viable drilling industry.

Australia has the opportunity to develop trade and defence advantage through its critical minerals and rare earth endowments. Australia will need to decide that it wishes to become a global player to exploit these opportunities. Other advanced economies, including Canada, Brazil and Chile, as well as developing regions in Africa and Asia are fast becoming lower cost, more reliable alternatives for global markets.

Australia has the potential to lead an AI-enabled future. That aspiration will require significant investment in data centres that in turn demand finding more abundant and cleaner energy sources, and significantly more water.

All of these opportunities require a vibrant, well-resourced, Australian drilling industry that has the incentive to grow.

Final Remarks

Australia must meet this global moment.

Our ailing economy needs incentives for business to thrive and grow, not higher taxation.

Current global opportunities demand a strategic response by the Australian government.

ADIA is asking for the proposed business taxation changes to be set aside and for the current arrangements to be retained.

ADIA stands with the Australian Chamber of Commerce and Industry, its state and territory chambers, as well as a host of other business industry associations to call on the government to work constructively with the business community to find a sensible set of solutions for the benefit of all Australians.

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