

OFFICE OF THE SECRETARY



Australian Government

Department of Resources,
Energy and Tourism

19 April 2010

Mr John Hawkins
The Secretary
Senate Economics Legislation Committee
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Parliament House
CANBERRA ACT 2600

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Dear Mr Hawkins

Submission to Senate Economics Legislation Committee Inquiry into Tax Laws Amendment (2010 Measures No. 2) Bill 2010

Income Tax Exempt Status to the Global Carbon Capture and Storage Institute Limited

This submission relates to the committee's inquiry into Tax Laws Amendment (2010 Measures No.2) Bill 2010. In particular it supports the proposed amendment granting income tax exempt status to the Global Carbon Capture and Storage Institute Limited (the Institute) for a period of four years. This follows the in principle support offered by the Prime Minister and the Treasurer.

The Institute was established by the Australian Government in 2009 with a specific mandate to accelerate the global adoption of safe, commercially and environmentally sustainable carbon capture and storage (CCS) capabilities, through facilitating global co-operation and dissemination of information. The Institute is member-based, and currently has over 190 members including governments, corporations, research organisations and non-governmental organisation with an interest in CCS. The Institute aims to drive collaboration and knowledge sharing amongst its membership base in order to deliver a diverse portfolio of at least 20 fully integrated, large-scale and operational demonstration Projects by 2020.

At present the Institute is wholly funded by the Australian Government, however it was anticipated in the establishment of the Institute, and formally expressed in its Constitution, that the Institute could seek funding from other sources. Due to the global nature of the Institute's work, it is highly likely that additional funding would be in the form of contributions from other countries; however the potential levying of Australian income tax on contributions from other countries poses a significant disincentive to foreign contributions. In its preparatory work the Institute received advice from members that the imposition of Australian income tax on contributions is likely to be perceived as a threat to the sovereignty of contributing nations and therefore a significant disincentive to investment. As such, the Institute has pursued income tax exempt status under Division 50



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of the Income Tax Assessment Act 1997 in order to remove this barrier to foreign investment.

The Institute did not fall into any of the categories for exemption in the income tax legislation and have therefore applied to be specifically named as exempt under the Legislation. This application is supported in principle by the Prime Minister, the Treasurer, and the Minister for Resources, Energy and Tourism. The support of the Treasurer and Prime Minister is conditional on the Institute amending its Constitution to ensure its operations are for the public good and that its members will not receive an inappropriate commercial benefit. The first amendment which emerged from discussion with Treasury and ATO officials was to ensure that information and knowledge gained by the Institute was distributed as broadly as possible including to non-members, subject to intellectual property rights. The second amendment clarified that any financial assistance given to members by the Institute was explicitly for the purpose of pursuing the objectives of the Institute, and should not create a commercial benefit to a member. With the support of Members, the Institute formally amended its Constitution to meet these conditions at the first Members' Meeting in Paris on 10 November 2009.

The Department of Resources, Energy and Tourism supports the proposed Tax Laws Amendment 2010, as an exemption from income tax would remove a significant impediment to foreign investment in the Institute. Moving to a broader funding base is in the interests of the Institute as it broadens the Institute's global credibility and efficacy in reaching its goals; and will potentially reduce the Australian Government's financial burden in supporting the ongoing work of the Institute.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Drew Clarke', written in a cursive style.

Drew Clarke
Secretary