

8 May 1991

Mr Alan Howell
Financial Controller - Australia
BHP Petroleum Ltd
GPO Box 1911R
MELBOURNE 3001

Dear Mr Howell

I refer to recent representations made by BHP Petroleum regarding the definition of "marketable petroleum commodity" (MPC) in the Petroleum Resource Rent Tax Assessment Act (1987).

The policy basis of the PRRT legislation is outlined in the Joint Statement on greenfields RRT released by the Treasurer and the Minister for Resources and Energy in June 1984. The statement makes it clear that a project is to include the production licence area and any facilities and operations which are essential for the production and initial on-site storage of MPCs. The Minister for Resources, Alan Griffiths, has indicated that the relevant policy announced in the Joint Statement should continue to be the basis for administration.

MPCs are defined on a product basis in the Act to reflect the fundamental principle that the RRT is a resource tax and should not extend to downstream processes such as refineries and facilities for transporting marketable products. The definition also refers to products produced from petroleum. In the case of Bass Strait sales gas, the intention has always been that this would be regarded as being produced at the onshore facilities at Longford as no production occurs at the platform.

Accordingly, the appropriate taxation points for the Bass Strait project would be: for sales gas and stabilised crude oil, at the respective exit points from the Longford plant; and for ethane, propane and butane, at the respective exit points from the fractionation plant at Long Island Point.

Expenditure on the transport and storage of stabilised crude oil from Longford to Long Island would not be an allowable deduction for RRT purposes on the basis of the existing policy.

I am confident that the policy intention is accurately reflected in the RRT legislation. However, administration of the Act remains the responsibility of the Australian Taxation Office.

Yours sincerely

RR Alderson
Assistant Secretary
Petroleum Policy Branch