

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Australian Taxation Office
Question No: 199
Topic: PRRT - Activities eligible for uplift rates
Reference: Hansard – Page 60
Senator: Whish-Wilson

Question:

Senator WHISH-WILSON: My next question relates to oil spills. Thanks for confirming, from previous estimates questions on notice, that an oil spill from an exploration well would be incidental to the exploration and therefore potentially profitable for an oil company. Can you confirm what types of activity, such as the cost of cleaning up the coastline, getting salvage equipment shipped from overseas and so forth, would be eligible for uplift rates at the 18 per cent a year. Perhaps you could take that on notice rather than do it now.

Mr Hirschhorn: Yes, I will take that on notice.

Answer:

Section 37 of the *Petroleum Resource Rent Tax Assessment Act 1987* describes the types of exploration expenditure that would be deductible under the Petroleum Resource Rent Tax. Exploration expenditure incurred for an environmental purpose in relation to the project would be deductible.

To the extent it can be demonstrated that costs associated with an oil spill have a direct connection to the petroleum project activities they will be considered deductible for Petroleum Resource Rent Tax purposes. Amounts may include costs associated with repairing the damage to the oil rig and related equipment, and containment costs to stop or reduce further oil spillage.

The ATO has publicly signalled that legal costs in defending a negligence claim or a prosecution under environmental protection legislation in relation to an oil spill would be closely examined as to whether they are costs with a sufficiently direct connection.