Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Additional Estimates

2016 - 2017

Division/Agency: Australian Taxation Office
Question No: 201
Topic: PRRT - Deductions
Reference: Hansard – Page 53
Senator: Ketter

Question:

Senator KETTER: In terms of PRRT deductibility, can you give examples of the kinds of social infrastructure costs that are not classified as general project expenditure?
Mr Hirschhorn: We have recently issued a practical compliance guideline, I think, on this issue. I will take this on notice, but when we talk about social infrastructure it is where production facilities are doing things for local communities either explicitly or implicitly as part of their licence to operate and gain community acceptance.
Senator KETTER: If a PRRT taxpayer were to hire a lobbyist for the purpose of influencing government policy in relation to an LNG project, would this be classed as labour costs associated with public and government affairs and therefore deductible against the PRRT as general expenditure?
Mr Hirschhorn: I will take it on notice, but my immediate response is I would be very, very surprised if we allowed that sort of expenditure, because the expenditure has to be directly related to the production facility. [...]

Answer:

Section 38 of the *Petroleum Resource Rent Tax Assessment Act 1987* describes the payment types that would be considered general project expenditure. Case law has established that there needs to be a close connection between deductible expenditure and project activities within a petroleum project.

The ATO is currently consulting on the application of the *Petroleum Resource Rent Tax Assessment Act 1987* expenditure provisions to social infrastructure costs with a view to publishing appropriate guidance in due course.

The labour cost of influencing government policies will not qualify as general project expenditure as it does not have the requisite connection to the project activities within a petroleum project.