

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Petroleum Resource Rent Tax Review

Question No: 318

Topic: Petroleum Resource Rent Tax

Reference: Written

Senator: Ketter, Chris

Question:

1. Has Treasury and/or the Government done work in the past two years on the design and/or administration of the PRRT? When did this work occur?
2. Has the Treasury raised concerns with the Government, on consulted with stakeholders, about the treatment of exploration costs? When did this occur?
3. Has the Treasury consulted the ATO and/or other stakeholders about the rate of the 'uplift rate'? Who did Treasury consult with? When?
4. Has the Treasury provided, or in the process of providing, the Government with analysis of alternative uplift rates, including lower rates? When was this provided / expected to be delivered?
5. Has Treasury discussed the timing of exploration deductions – i.e. that they are deducted after construction and development costs – with the ATO and/or the Government? When did these occur?
6. Has Treasury provided information to the Government regarding the ability for deductions to be shifted from project to project? When did these occur? What was the nature of that advice?
7. Has Treasury provided feedback to the Government on the scope of eligible deductions available under the PRRT scheme? Has Treasury modelled scenarios where the scope of deductions has been further limited?
8. Has the Treasury provided feedback the Government on the administration, or related issues, on possible retrospective changes to the PRRT? When did they occur? What was the nature of the feedback provided?
9. Has Treasury requested information from the ATO about the administration of a federal royalty regime under the PRRT or as a replacement to the PRRT? When did this occur? What feedback did the ATO provide?
10. Is Treasury undertaking, or has undertaken, modelling regarding a royalty scheme under the PRRT, or as a replacement to the PRRT, for the Government? Is it limited to gas, or oil, or applicable to both?
11. Are the multinational companies subject to the PRRT among the most likely to be affected by any future changes to Australia's thin capitalisation laws?
12. Has the Government's independent review sought information or feedback on Australia's thin capitalisation regime, and potentially its interaction with the PRRT?
13. Will offshore LNG generate PRRT payments? The report prepared by Wood McKenzie as part of APPEA's submission to the PRRT Review seems to indicate that at today's oil prices, the Gorgon project will never pay PRRT through the life of the project.
 - o Is that consistent with any analysis or forecasting done by Treasury?
 - o Would the same be true of the other offshore LNG projects that are subject only to the PRRT?
 - o How likely is it that the PRRT may not collect any revenue from new offshore LNG

projects?

14. What is the revenue impact of decommissioning refunds?

o Has Treasury modelled the impact on future PRRT revenues of closing down expenditure and expenditure in relation to the transition of a lease from a production lease to a retention lease?

15. Has Treasury modelled the expected impact of deductions related to the costs of decommissioning on PRRT revenues?

Answer:

1. The role of the Treasury includes on-going monitoring of the design and administration of all federal tax systems including the PRRT and this may include discussions with stakeholders and the ATO where necessary.

2. Treasury is not in a position to disclose the nature of advice provided to the Government. Treasury has not consulted with stakeholders on the treatment of exploration costs other than where required for business as usual as outlined in response to question 1.

3. Treasury has not consulted with stakeholders on the treatment of the 'uplift rate' other than where required for business as usual as outlined in response to question 1.

4. Treasury is not in a position to disclose the nature of advice provided to the Government.

5. Treasury is not in a position to disclose the nature of advice provided to the Government. Treasury has not consulted with the ATO on the treatment of exploration costs other than where required for business as usual as outlined in response to question 1.

6. Treasury is not in a position to disclose the nature of advice provided to the Government.

7. Treasury is not in a position to disclose the nature of advice provided to the Government. Treasury is not in a position to disclose specific modelling done in the course of preparing advice provided to the Government.

8. Treasury is not in a position to disclose the nature of advice provided to the Government.

9. Treasury has not requested information from the ATO of this nature.

10. Treasury is not in a position to disclose specific modelling done in the course of preparing advice provided to the Government.

11. Treasury cannot speculate on the impact of hypothetical future changes to the thin capitalisation regime.

12. Thin capitalisation is not within the scope of the terms of reference. The terms of reference for the review refer to "Commonwealth oil and gas taxes and royalties such as the Petroleum Resource Rent Tax (PRRT)". Thin capitalisation is part of the income tax regime.

13. The published PRRT forecasts are for the PRRT in aggregate: forecasts are not produced for individual LNG projects.

14. The published PRRT forecasts are for the PRRT in aggregate. Detailed forecasts are not produced for closing down expenditure or expenditure relating to the transition of a lease from a production lease to a retention lease.

15. See response to question 14.