

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2016 - 2017

Department/Agency: Treasury

Question: BET324

Topic: Gas exportation

Reference: Hansard page no. 86 – 6 May 2016

Senator: Chris Ketter

Question:

"Senator KETTER: That means yes; okay. I now will jump around a bit and go to the petroleum resource rent tax. I have some questions about the forward estimates. We heard earlier about the impact which my home state is going to make on the bottom line with the LNG industry and that we will become the largest gas exporter by 2020. Could somebody explain why the projected PRRT revenue falls from \$1.87 billion in 2014-15 to \$800 million to 2019-20?"

Mr Brake: It is a significant fall, but that is consistent with lower Australian dollar oil prices. Since MYEFO, there has been a significant fall in Australian dollar oil prices and that is leading to that fall. The petroleum resource rent tax is historically a very volatile revenue head, because it is based on rent and because that, in itself, is a relatively volatile item to tax. We often see quite substantial fluctuations in the petroleum resource rent tax; it is one of the harder tax revenue heads to forecast.

Senator KETTER: So you are saying it is the volatility in the oil price?

Mr Brake: I think that is the major reason.

Senator KETTER: How does that offset the volume rise in the gas that we are exporting?

Mr Brake: I think a number of these projects—because of the way the PRRT works, you can build up credits against future tax. These projects can take a long time before they start paying PRRT, so you can get these long lags between when they enter production and when they start paying PRRT. That is sort of a general comment.

Senator KETTER: But we will be the world's largest gas exporter by 2020.

Mr Brake: If there is any further information, we can provide it for you, but I do not have any further information on this.

Senator KETTER: Is there anybody else here who can?

Ms Horvat: I do not have any further information with me either, sorry.

CHAIR: Are you happy to provide it on notice?

Mr Brake: Yes."

Answer:

Refer to page 86 of the Hansard of 6 May 2016.

At the 2016-17 Budget, PRRT receipts were forecast to fall from \$1.87 billion in 2014-15 to \$800 million in 2015-16 and remain at that level in each year of the forward estimates. This fall was primarily a result of lower Australian dollar oil prices.

PRRT liabilities depend on prices and volumes of the relevant commodities as well as deductions for expenditure, particularly capital expenditure which is immediately deductible. Expenditure deductions can be uplifted and carried forward to subsequent years, so there can be delays between a project starting production and having to pay PRRT.