

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2016 - 2017

Division/Agency: Australian Taxation Office

Question No: 250

Topic: Claiming of exploration expenses and eligibility to claim the carry-forward tax credits

Reference: Hansard page 78 (19 October 2016)

Senator: Whish-Wilson, Peter

Question:

Senator WHISH-WILSON: [...] In terms of exploration expenses and eligibility to claim the carry-forward tax credits and the upticks, if there is a problem with an exploration well, like we saw for example in the Gulf of Mexico—like a spill—and there is remediation necessary et cetera, is that classified as part of exploration expenditure or would that be different? That one was worth tens of billions of dollars in costs and I am interested in knowing whether that has been considered.

Ms Mrakovic: I would either have to defer to the ATO on that one or at least take it on notice.

Senator WHISH-WILSON: Great. If you could also take on notice to let me know how the well-head value is calculated?

Ms Mrakovic: We will take that on notice.

Senator WHISH-WILSON: Who decides that value? Is that the company or the ATO?

Ms Mrakovic: We will take that on notice.

Answer:

If there was a problem with an exploration well requiring remediation expenditure, to the extent that the expenditure had a close or quite direct connection with the physical activities of the petroleum project, it would be considered exploration expenditure for petroleum resource rent tax purposes and would be available to be carried forward and uplifted.

The ATO does not calculate the wellhead value. The wellhead value is a royalty concept and is not used for the purposes of calculating a petroleum resource rent tax liability.