

LABOR SENATORS DISSENTING REPORT

Schedule 3 to this Bill amends the PRRT Act to allow the present value of expected future expenditures associated with closing down a particular petroleum project, where these future expenditures relate to so much of this project as continues to be used under an infrastructure licence, to be deductible against the PRRT receipts of this project. This change is made so far as these costs are currently not recognised for PRRT purposes.

The proposed treatment of platform closing down costs in the assessment of PRRT involves *estimating* the present value of future closing down costs and claiming them as a deduction before they have been incurred. This treatment violates the fundamental basis of the PRRT; that of a tax based on actual cash flows.

Moving from a tax based on actual net cash flows is a dangerous practice. One of the great attractions of the PRRT has been its stability over time. It replaced the crude oil levy that was varied from year to year. The instability of the crude oil levy created damaging uncertainty for investors.

Labor is dismayed at the Treasury claim in the Explanatory Memorandum that the proposed changes would not entail any cost to the revenue. This is ludicrous. Industry would not be seeking the change if it did not favourably affect profitability. The Treasury assertion is based on an assumption that, in the absence of this concession, all platforms would be shut down at the end of petroleum production and there would be no move to using platforms for processing facilities. There is no basis for making such a blanket assumption.

Alternative ways of allowing for *actual* platform closing down costs to be claimed as deductions should have been considered, that do not violate the cash-flow basis of the PRRT. Once the base of the PRRT is corrupted, the danger is that industry and government will seek further corruption of the PRRT base. This would undermine the stability of the PRRT, unnecessarily increasing sovereign risk to the detriment of both investment and government revenue.

Senator Ursula Stephens
Deputy Chair

Senator Ruth Webber

