

19 June 2006

The Secretary
Senate Economics Legislation Committee
SG.64
Parliament House
Canberra ACT 2600

Attention : The Committee Secretary

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**Petroleum Resource Rent Tax Assessment Amendment Bill 2006;
Petroleum Resource Rent Tax (Instalment Transfer Interest Charge
Imposition) Bill 2006**

The Australian Petroleum Production and Exploration Association (APPEA) is the national body that represents companies engaged in oil and gas exploration, development and production operations in Australia. APPEA membership covers companies that account for in excess of 95 per cent of Australia's petroleum (oil and gas) production.

The Petroleum Resource Rent Tax Assessment Amendment Bill 2006 and the Petroleum Resource Rent Tax (Instalment Transfer Interest Charge Imposition) Bill 2006 propose a range of technical amendments to the Petroleum Resource Rent Tax Assessment Act 1987 to both improve the administration of the regime and to ensure that it reflects modern commercial practice in the petroleum exploration and production industry.

The Act, which was first introduced in the mid 1980's, was largely modelled around the single facility structures that existed at the time. While many of the parameters of the regime remain relevant today, the increasing use of more complex production processes, multiple field developments and the introduction of the wider deductibility provisions 1991 (with a corresponding reduction in the carry forward rate for general project costs) necessitates an on-going monitoring to ensure the Act remains responsive to the demands of government and industry.

APPEA supports the proposed changes as they respond to important technical elements of the regime. While debate often centres on the key parameters of the regime, technical and administrative matters can also impact on the decision making in the industry. The introduction of self assessment mirrors the treatment accorded under the income tax regime (this will provide taxpayers with important certainty in investment decisions), while the changes to the closing down expenditures provisions (Schedule 3) remove a distortion that can directly act against companies further utilizing equipment when a PRRT project ceases.

Under the current system, taxpayers are effectively required to pay tax on a notional calculation of the value of the assets when a PRRT project is closed down, but can be denied or are required to wait for potentially long periods of time prior to obtaining deductibility of abandonment related costs. A matching or symmetry in the timing of assessable receipts and abandonment costs represents both an efficient and equitable outcome.

In summary, APPEA recommends that the proposed amendments be supported by the Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Belinda Robinson', with a stylized flourish at the end.

Belinda Robinson
CHIEF EXECUTIVE