

INTERIM GOVERNMENT RESPONSE TO THE PETROLEUM RESOURCE RENT TAX REVIEW

Part A	Proposed interim response
<p>Recommendation 1: A process should be established, involving full consultation with industry and the community, to update PRRT arrangements so that they are more appropriate to the current Australian oil and gas industry. This process should be comprehensive and take into account the integrated nature of the PRRT along with likely future developments in the Australian petroleum industry. Changes to the PRRT from this process should only apply to new projects (as defined in the PRRT legislation) after a date to be specified. Areas that should be considered include:</p> <ul style="list-style-type: none"> • changing the arrangements for the uplift rates for all deductible expenditures so that they are more commensurate with the risk of losing PRRT deductions, taking into account transferability and that this risk will vary over the life of a project; • ensuring that classes of expenditure with the highest uplifts are deducted first having regard to how deductions can compound in large, long-life projects; • examining the rules for the transferability of deductions between projects in a company to ensure they produce a consistent set of outcomes; and • examining the gas transfer pricing arrangements to identify possible changes that would achieve greater simplicity and transparency, ease of compliance, and fair treatment of the economic rent from each stage of an integrated petroleum operation. 	<p>A key purpose of the Government's additional consultation is to undertake the considered and comprehensive outreach to update the PRRT regime envisaged by this recommendation.</p> <p>Treasury will release an options paper setting out possible approaches under each of the areas identified in the Callaghan review. Treasury will seek comments from industry and interested parties on these.</p> <p>Further, while the Government notes that Mr Callaghan's overall assessment is that the PRRT is the preferred way to achieve a fair return to the community without discouraging investment, the scope of areas within the PRRT regime he recommended for further consideration together could result in major changes to the regime.</p> <p>However, the review also identified several aspects of the PRRT design that pose long term revenue risks.</p> <p>Treasury has been asked to oversee the additional consultation process and interested parties are encouraged to participate in that consultation.</p> <p>Treasury has been asked to provide a report to me by the end of September 2017 to inform the Government's final decisions.</p> <p>In making any final decision, the Government will be cognisant that sovereign risk is an important factor influencing investment attractiveness.</p>
Part B	Proposed interim response
<p>Recommendation 2: Prohibit onshore projects transitioned into the PRRT in 2012 with 'starting base' credits from combining with future onshore projects that don't currently have a starting base.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>
<p>Recommendation 3: The review into the legislative framework for decommissioning of projects currently being undertaken by the Department of Industry, Innovation and Science should take into account the impact of decommissioning expenses on PRRT revenue.</p>	<p>The Government is open to this recommendation and notes it will be considered in the context of the review into the legislative framework for decommissioning of projects being undertaken by the Department of Industry, Innovation and Science.</p>

<p>Recommendation 4: Recognise partial closing down expenditure as a legitimate deduction.</p>	<p>The Government is open to this recommendation and notes that this will be considered in the first instance through the current consultation process being undertaken by the Australian Taxation Office.</p>
<p>Recommendation 5: Allow PRRT taxpayers to lodge annual returns after they start holding an interest in an exploration permit, retention lease or production lease rather than having to wait until they receive assessable receipts from the project.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>
<p>Recommendation 6: Grant power to the Commissioner of Taxation to treat a new project as a continuation of an earlier project, where it would be reasonable to do so.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>
<p>Recommendation 7: Grant discretion to the Commissioner of Taxation to recognise more than one project from a production license area where there are genuinely separate and independent petroleum operations.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>
<p>Recommendation 8: Extend to offshore projects, the option to have all interests held by a group taken together and reported as a single PRRT return.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>
<p>Recommendation 9: Allow PRRT taxpayers to adopt a substituted accounting period for PRRT so it can align with their choice to use a substituted accounting period for income tax.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>
<p>Recommendation 10: Allow PRRT taxpayers operating with a Multiple Entry Consolidate (MEC) Group to make a functional currency choice for PRRT purposes that aligns with the functional currency choice made for income tax purposes.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>
<p>Recommendation 11: Grant power to the Commissioner of Taxation to administratively exempt projects from PRRT obligations where they are clearly unlikely to pay PRRT in the foreseeable future.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>
<p>Recommendation 12: Amend PRRT anti-avoidance rules to be in line with the income tax anti-avoidance rules.</p>	<p>The Government is open to considering this change and Treasury will seek comments and views on this proposal as part of the options paper it will release.</p>