



30 November 2016

Treasury review of petroleum taxes supported by industry

The announcement today by the Treasurer of a review into the operation of the petroleum resource taxation system is welcomed by the Australian Petroleum Production & Exploration Association (APPEA).

“The review is timely as the industry confronts the twin challenges of a dramatic collapse in profits and a sustained fall in the level of exploration undertaken in Australia,” said APPEA Chief Executive Dr Malcolm Roberts.

“APPEA’s latest [financial survey](#) of its members shows that – despite the industry recording its first-ever net loss in 2014-15 – it paid more than \$5 billion worth of taxes during the same period.

“The continued payment of taxes at a time when the industry is under severe pressure debunks critics’ suggestions that the industry is not somehow paying its way.”

Dr Roberts said a fact-based review of the Petroleum Resource Rent Tax (PRRT) by Treasury would show the super-profits based tax was working as intended.

“Much of the debate about PRRT has been characterised by grossly misleading information, distortion and a willingness to ignore the facts.

“For almost 30 years, the Commonwealth has used the PRRT as a super profits tax. The tax encourages investment by only taxing projects when upfront costs have been recovered and profits exceed a modest benchmark rate. However, when these conditions are met, the PRRT, in conjunction with the company tax regime, applies an effective tax rate of 58 cents in every dollar of profit.

“When projects are not profitable – usually because prices are depressed or upfront costs have not been recovered – the Commonwealth still applies a 30 per cent company tax to revenue.

“Australia’s oil and gas industry is at a crossroads. Exploration has collapsed.

“The PRRT regime that the Labor Party introduced in the 1980s is a major reason why Australia has attracted more than \$200 billion worth of new investment in recent years.

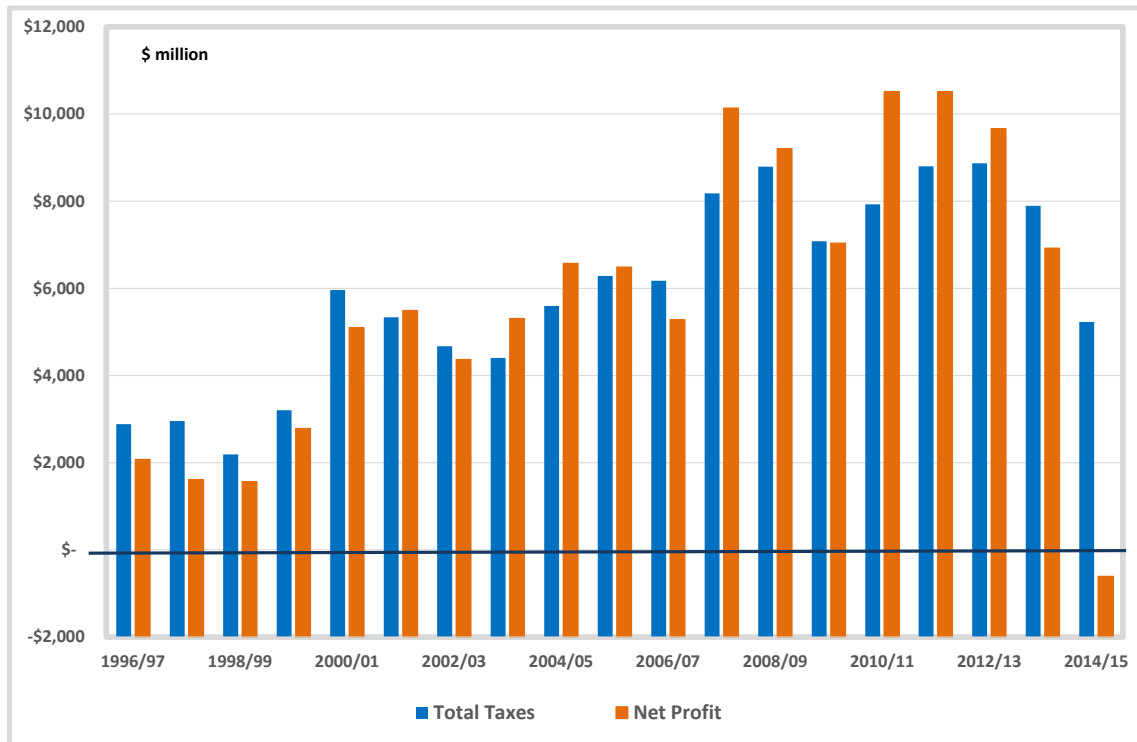
“These new projects will provide taxes, jobs and other benefits for Australia for decades to come.

“Australia deserves a facts-based inquiry by Treasury into the crucial role that oil and gas can continue to play in our energy security – an inquiry that removes the clear bias certain parties hold, not one that is based on fiction and ideological obsessions.”

Media contact: Kieran Murphy – 0408 151 922 – kmurphy@appea.com.au



Oil and Gas Industry Profit and Taxes Paid (\$million): 1996-97 to 2014-15



See [this link](#) for more details of the survey results

Number of Exploration wells drilled (first three quarters for 2016)

