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Petroleum resource rent tax changes

The Australian Petroleum Production & Exploration Association notes the passage of the first phase of amendments to the petroleum resource rent tax (PRRT) in Federal Parliament.

APPEA Chief Executive Andrew McConville said the amendments remove a key element of uncertainty impacting future investment decisions in the industry.

The amendments exclude the onshore oil and gas industry from the scope of the tax and modify a number of the carry forward rate provisions that apply to exploration and project costs incurred by investors.

“The clarity provided through the bi-partisan support for the changes will now allow companies to make more informed decisions about future funding commitments. New investments are essential to unlocking future supplies of oil and gas in Australia,” Mr McConville said.

Mr McConville said while the changes remove some uncertainty and are an important reaffirmation of support by the major parties to a profits-based resource tax regime for Australia’s offshore petroleum industry, challenges still remain.

“The decision to remove the onshore industry from the scope of the tax reflects the fact that onshore projects brought into the PRRT regime from 1 July 2012 were never likely to pay PRRT because of a combination of high levels of project expenditure and state-based royalties which remain the primary resource taxes for such projects,” Mr McConville said.

“Denying the transferability of onshore exploration costs incurred by a taxpayer when the regime applied onshore to offset PRRT payable by the taxpayer offshore after 30 June 2019 represents the denial of deductions for exploration activities undertaken in good faith to increase much-needed supply.

“Significant restrictions on access to gas resources in some states are also holding back much-needed investment in new gas supply for the east coast market.

“Onshore exploration and development remain crucial to meeting the demands of the east coast energy market.

“Now is the time for all governments to work together so the Australian gas industry can develop new gas supplies to provide more competition that will put downward pressure on gas prices and ensure supply security for homes, businesses, power generation and manufacturers across the country.”

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