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australian energy producers

BOARD OF TAXATION | *RED TAPE REDUCTION REVIEW*

Australian Energy Producers | 15 December 2025

Australian Energy Producers (AEP) welcomes the Board of Taxation's *Red tape reduction review.*

The Australian gas industry paid a record $21.9 billion in taxes and royalties in 2024-25. This is up from $21.5 billion in 2023-24 and is equivalent to the total annual cost of the Pharmaceutical Benefits Scheme.[1] The gas industry remains the second-highest corporate taxpayer in Australia, accounting for one in every ten company tax dollars paid.[2] Treasury forecasts that the Petroleum Resource Rent Tax (PRRT) will raise $6.9 billion in revenue over the next four years.[3]

The Australian gas industry is the most productive in Australia, contributing more than $100 billion to the Australian economy each year. 3.7 per cent of Australia's gross domestic product comes from the gas industry's direct economic contribution, with over 215,000 Australian jobs supported along the gas supply chain. KPMG analysis shows that the average full-time-equivalent (FTE) worker in the gas industry produces $2.8 million of gross value-added – approximately 16 times the Australian average of $181,000 per FTE worker.[4]

Liquefied natural gas (LNG) exports boost national income and support domestic energy security. LNG is Australia's third-largest export, contributing $67 billion in 2024-25 and accounting for 10.5 per cent of the value of all Australian exports.[5] More than $400 billion has been invested in Australia's LNG industry since 2010, with access to export markets providing the scale needed to develop Australia's abundant gas resources and ensure reliable gas supply for Australian homes and industry.

Australia's company tax rate is among the highest in the developed world. Australia's *statutory* company tax rate of 30 per cent (for companies with annual turnover greater than $50 million) is the fifth highest (alongside Costa Rica and Mexico) in the Organisation for Economic Co-operation and Development (OECD) and well above other major gas producing member states such as the United States (25.57 per cent), Canada (25.98 per cent) and Norway (22 per cent). In addition, Australia's *effective* marginal company tax rate of 28.56 per cent is the third highest in the OECD.[6]

Australia's uncompetitive tax position is exacerbated by substantial tax reporting burdens. Australian companies face an increasingly complicated, duplicative and demanding tax compliance environment. For large corporates, this includes:

- an expanding "justified trust" assurance approach, entailing extensive documentation, demonstration of daily operational controls and repeated regulator reviews, in addition to the move to real-time reviews requiring additional resources to respond to Australian Taxation Office (ATO) queries, on top of business as usual.

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[1] Australian Energy Producers, *Financial Survey 2025*, 2025; Commonwealth Treasury, *Budget 2024-25, Budget paper 1*, pp. 120 and 291.
[2] See Australian Taxation Office, *2023-24 Report of Entity Tax Information*, update 2 October 2025.
[3] See Commonwealth Treasury, Budget 2024-25, *Budget paper 1*, p. 105.
[4] KPMG, *Economic Contribution of the Gas Industry*, 2025.
[5] Office of the Chief Economist, Department of Industry, Science and Resources, *Resources and Energy Quarterly*, June 2025, p. 14; Department of Foreign Affairs and Trade, *Australia's goods and services by top 25 exports 2024*, updated May 2025.
[6] Organisation for Economic Co-operation and Development, "Corporate income tax statutory and targeted small business rates" (combined federal and state government) and "Effective tax rates - Corporate tax statistics", *OECD Data Explorer*, updated 24 and 25 November 2025 (respectively).

- a much more onerous 'short form' for confidential country-by-country reporting on multiple factors relating to base erosion and profit-shifting (BEPS) disclosures.
- the introduction of public country-by-country reporting requirements, which differ from comparable requirements in other jurisdictions, such as the European Union (EU).
- the introduction of the supplementary annual goods and services tax (GST) return for large businesses that have received a GST assurance rating through a GST assurance review, with an expectation that taxpayers undertake the GST analytical tool or similar reconciliation for the period.

Companies must also devote resources to complying with inefficient and costly regimes for fringe benefits tax and state payroll taxes. Further, practical measures to simplify PRRT administration and compliance, including those recommended by the Callaghan review, are yet to be implemented.

RECOMMENDATIONS TO THE AUSTRALIAN GOVERNMENT

1. Avoid imposing any additional taxation on the Australian gas industry, recognising the importance of stable and internationally competitive tax settings in attracting investment in capital-intensive, long-lived projects.
2. Encourage the ATO to progress a lighter touch approach to justified trust, through a reduced questionnaire scope, fewer intrusive requests and a more proportionate focus on materiality and risk.
3. Ameliorate the onerousness and prescriptiveness of the local file – short form for country-by-country reporting by:
   a. streamlining the short form by allowing taxpayers to indicate where relevant information has already been provided in an accepted form (such as the international dealings schedule, reportable tax position, public country-by-country report, or standard financial statements or market disclosures)
   b. automatically exempting domestic members of groups that have no crossborder transactions
   c. replacing the requirement to report every internal reporting-line change with a material-change threshold.
4. Extend lodgment timeframes to account for the level of detail, expertise and time required:
   a. adjust the year-end for fringe benefits tax from 31 March to 31 December
   b. extend the lodgment filing date for PRRT returns from 29 August to 31 December.
5. Expand Standard Business Reporting to incorporate a nationally harmonised approach to complying with state payroll taxes.
6. Implement all the outstanding recommendations of the Callaghan Review of the PRRT.
7. Institute a "regulation for growth" approach like the UK, which requires regulators to consider the promotion of economic growth and ensure any regulatory action is necessary and proportionate.

AEP looks forward to working constructively with the Australian Government to remove unwarranted tax compliance burdens and boost Australia's productivity growth and prosperity.

If you require further information or would like to discuss this submission, please do not hesitate to contact Dr Matt Steen, Principal Advisor – Economic Policy at msteen@energyproducers.au.

COMMENTS AND RECOMMENDATIONS

The ATO's evolving expectations for justified trust are intensifying verification requirements. Introduced in 2016, justified trust involves the ATO seeking "objective evidence that would lead a reasonable person to conclude a particular taxpayer paid the right amount of tax".[7] Justified trust is achieved through a tailored assurance program applying to major taxpayers, based on their unique business profiles. In engaging with the taxpayer, the ATO assesses the following four key areas:

1. The existence, application and testing of a tax-risk management and governance framework.
2. The presence of risks or concerns that the ATO has communicated to the market.
3. Significant and new transactions, and the tax outcomes thereof.
4. Comparing the taxpayer's business operations and financial performance to its tax performance.[8]

The justified trust method applies to the top 1,100 public and multinational businesses and superannuation funds (via the Top 100 and Top 1,000 programs), as well as the top 500 privately owned and wealthy groups.[9] While the promise of justified trust is a declining compliance burden for compliant entities, the practical outcome appears to be a trend towards perpetual assurance, given that:

- the ATO expects proof of "lived governance"; that is, evidence that controls and processes are operating in day-to-day business
- the shift towards system-based, data-driven evidence demands increasingly sophisticated technological solutions, such as reliable automated systems, full audit trails and real-time reconciliation
- businesses may invest heavily in systems and governance, only to face ongoing scrutiny and burdens analogous to a regular audit.[10]

The ATO should extend efforts towards a light-touch approach to justified trust assurance, so compliance efforts reflect genuine risks. AEP acknowledges the ATO's endeavours to ensure a lighter approach to justified trust, including for the Top 100 program:

- applying a third monitoring and maintenance year for high-assurance taxpayers for income tax
- ceasing the effective tax borne calculation for entities that are wholly or substantially domestic in operations and ownership, in the ATO's monitoring and maintenance reviews, and refresh reviews (unless there are exceptional or changed circumstances).[11]

Feedback from AEP members suggests there is scope for further improvement by pursuing more transparent, risk-based tailoring for trusted taxpayers; for example, through a reduced questionnaire scope and fewer intrusive requests. Similarly, a lighter handed approach would be facilitated by a

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[7] Australian Taxation Office, *Large business justified trust*, last updated 28 October 2021.
[8] ibid.
[9] Australian Taxation Office, *Corporate population compliance*, 1 November 2024; *Top 100 justified trust program*, last updated 18 November 2025; *Top 1,000 combined assurance program*, last updated 10 June 2024.
[10] Cf. Thomas Reuters, *5 Realities of the ATO's Justified Trust Program*, 9 October 2025.
[11] See Deloitte, *Tax governance for Top 100 and Top 1,000 taxpayers: Latest developments*, 27 September 2024.

more proportionate focus on materiality and risk. Stronger materiality thresholds and clearer scoping rules would reduce unnecessary scrutiny of areas that are low-risk or reviewed through other processes.

Multinational companies operating in Australia must disclose detailed tax and financial information by jurisdiction, both privately and publicly. Under Australian law (intended to implement action 13 of the OECD inclusive framework on base erosion and profit shifting) reporting entities must provide the following information each year to the Commissioner of Taxation in an approved form. The confidential country-by-country reporting regime requires Australian taxpayers to lodge a:

1. country-by-country report (allocation between countries of income received, activities undertaken and taxes paid by the group)
2. master file (global operations and activities, and relevant pricing policies)
3. local file (detailed information on local entity transactions and arrangements), consisting of a short form part A and part B.

In addition, the public country-by-country reporting regime requires the parents of large groups (whether headquartered in Australia or abroad) to lodge a tax approach statement, as well as jurisdictional tax and financial data. While other jurisdictions allow for public tax commentary on a voluntary basis, Australia is unique in mandating public disclosure.[12]

The expanded local file – short form for country-by-country reporting imposes a significant and onerous compliance burden on liable companies. The revised short form requires detailed disclosures on a wide range of matters, pertaining to both Australian and non-Australian restructures and transactions. ATO guidance for the expanded short form spans more than 140 pages of instructions (up from 8 pages) and the short form must be prepared and filed in a specific XML format designed by the ATO (LCMSF Schema Version 4.0). Further, all Australian taxpayers that are part of a multinational group with an annual global income of A$1 billion or more must complete the short form, even if they are wholly domestic.[13]

The 3 sections of the short form cover:

1. Business lines and key competitors, including strategies deployed in the function and the extent of any overlap between functions.
2. Operational reporting arrangements, with extensive information required where local personnel report to managers overseas, and an obligation to report any changes during the year. AEP members have reported that frequent changes in staff make this obligation a recurrent burden, especially where the company has a matrix reporting structure. The prescribed format of reporting (LCMSF Schema Version 4.0) compounds the high compliance cost.

[12] RSM, *Australian public country-by-country reporting rules*, 17 September 2025; Andersen, *Public Country-by-Country Reporting: Australia's New Era of Tax Transparency*, 2 December 2025.
[13] PwC Australia, *Changes to country by country reporting exemptions*, 9 December 2024.

3. Restructures or new arrangements involving intangibles, with a list of reportable arrangements defined by the regulator, regardless of materiality or Australian tax impact. The minimum number of fields for a reportable arrangement is 24 and may be as high as 100.[14]

Streamlining the short form would reduce unwarranted compliance costs while preserving transparency. AEP considers that allowing taxpayers to indicate where relevant information has already been provided in an accepted form (such as the international dealings schedule, reportable tax position, public country-by-country report, or standard financial statements or market disclosures) would prompt the regulator to assess which fields genuinely add information value over existing disclosure regimes, and which are redundant and costly for both taxpayers to comply with and the regulator to process.

Similarly, automatically exempting domestic members of groups that have no crossborder transactions would reduce compliance burden without compromising the integrity of the international tax regime.

Finally, adopting a "material-change only" approach to disclosing operational reporting arrangements (rather than requiring entities to immediately disclose every change in a crossborder reporting line) would better align compliance with economic significance, reduce administrative effort, and lower the risk of inadvertent non-compliance – especially given the scope and frequency of changes.

Adjusting the year-end for fringe benefits tax from 31 March to 31 December would provide employers with additional time to gather the detailed records, conduct expert valuations, and ensure accurate calculations required for compliance, thereby reducing the overall administrative burden. Industry experience suggests that there is currently not enough time between year-end (31 March) and the deadline for lodgement (25 June if lodged via a registered tax agent, 21 May if self-lodged). This tight timeframe imposes a significant workload on the small number of specialist staff available to companies. Adjusting the year-end to 31 December would deliver a health and safety benefit for overstretched tax teams, as well as an efficiency benefit to companies and the ATO (who would have fewer amended tax returns to administer).

Extending the lodgment filing date for PRRT returns from 29 August to 31 December would better reflect the time needed to compile, review and integrate data, including through engagement with joint-venture partners. The ATO specifies that returns are due no later than 60 days after the 30 June year-end, but acknowledges the need for deferrals in complex cases, having granted rolling extensions in recent years.[15] This has included lodgement filing extensions for LNG projects, in which participants (particularly operators) must compile and prepare residual pricing method calculations and other PRRT data for LNG projects. Moving from manual requests (and regulator consideration) for extensions to a uniform later filing date would save time and resources for both taxpayers and the ATO, especially given the increase in taxpayers following the deductions cap.

Expanding Standard Business Reporting to incorporate a nationally harmonised approach to complying with state payroll taxes would address longstanding compliance burdens for businesses operating across states. Variations in tax-free thresholds, rates, exemptions, grouping rules, and contractor provisions create significant complexity for employers, requiring separate registrations, lodgements, and payments in each state or territory, often leading to inadvertent errors in apportioning

[14] PwC Australia, *New short form country by country reporting raises the bar on BEPS disclosures in Australia*, 24 January 2025.
[15] Cf. Australian Taxation Office, *Lodging, reporting and paying for PRRT: Lodging a PRRT return*, last updated 10 November 2025.

wages for interstate or remote workers. In addition, Victoria and Queensland both impose mental health levies on employers, Victoria a further COVID-19 debt levy, and NSW has recently introduced new, detailed requirements for the annual return relating to employment agency payments, contractor details and year-over-year wage variation explanations. Expanding Standard Business Reporting, which already streamlines reporting to government via digital tools like XBRL and Single Touch Payroll, could enable standardised, real-time submissions for payroll taxes across states, enhancing efficiency, transparency, and accuracy while automating compliance tasks.

AEP encourages the Australian Government to progress all outstanding recommendations of the Callaghan Review, which are important to modernising the operation of the PRRT and providing certainty to industry. AEP has welcomed and provided comments on Treasury Laws Amendment Bill 2025 PRRT Callaghan review recommendation 6[16] and urged the government to implement the other remaining recommendations to simplify the administration of the PRRT; namely:

- **Recommendation 7:** The Commissioner of Taxation should be given the discretion to recognise more than one project from a production licence area for genuinely separate and independent petroleum operations in the licence area.
- **Recommendation 8:** Entities within a wholly owned group should have the option to have all the interests held by the group in an offshore project taken together and reported as a single PRRT return (without affecting the project-based nature of the tax).
- **Recommendation 9:** PRRT arrangements should be amended such that PRRT taxpayers can chose to adopt a substituted accounting period for PRRT so it can align with their choice to use a substituted accounting period for income tax.
- **Recommendation 10:** PRRT arrangements should be amended so that PRRT taxpayers operating with a multiple entry consolidated group can make a functional currency choice for PRRT purposes that aligns with the functional currency choice made for income tax purposes.
- **Recommendation 11:** To reduce compliance costs for taxpayers and administrative costs for the ATO, the Commissioner of Taxation should be given the power to administratively exempt projects from lodging PRRT returns where they are clearly unlikely to pay PRRT in the foreseeable future.
- **Recommendation 12:** PRRT anti-avoidance rules should be amended in line with the 2013 amendments to the income tax anti-avoidance rules.

AEP will continue to work constructively with Treasury to expedite the implementation of the outstanding Callaghan Review recommendations.

Measures to alleviate tax compliance burdens should form part of a broader, sustained effort to reduce regulatory costs on Australian businesses and improve regulatory culture. The Productivity Commission has noted that the stock of regulation has risen over the past two decades, with Australia falling from fifth to fourteenth in the World Bank's *Ease of doing business indicator* between 2005 and 2020, and from second to fifteenth in the OECD's *Product market regulation* indicator between 2003 and 2023. While the Office of Impact Analysis clearly articulates standards of good policy design and consultation in its guidance, too often these standards are not adhered to.[17]

[16] At the time of writing, AEP's comments have not yet been published by Treasury.
[17] Cf. Australian Government, Department of Prime Minister and Cabinet, *Best Practice Consultation*, July 2023; Office of Impact Analysis, *Australian Government Guide to Policy Impact Analysis*, 17 February 2023.

The Productivity Commission has observed that ministers, policymakers and regulators experience strong incentives to:

- behave in a risk-averse manner rather than promote economic dynamism
- undervalue the burden that interventions place on businesses
- focus primarily on their own policy or regulatory objectives and not consider broader trade-offs.

These behavioural disincentives to good regulatory practice are reflected in the ineffectiveness of impact analyses, which often are undertaken late in the process and sometimes are retrofitted to justify a decision already made.[18]

Adopting a UK-style "regulation for growth" requirement would help transform aspiration into obligation and enhance mutual accountability. The UK's "growth duty" obliges specified regulators to 'consider the importance of the promotion of economic growth and ensure any regulatory action they take is necessary and proportionate.'[19] The refreshed statutory growth duty guidance has 'increased focus and higher expectation on regulator performance, agility, and responsiveness.'[20] Further, the UK Government has committed to taking a whole-of-government approach to cutting administrative costs for business by 25 per cent by the end of the parliamentary term.[21] Taken together, these measures impose a mutual obligation and accountability on ministers and agencies to demonstrably reduce regulatory burden and enhance regulatory practices.

[18] Productivity Commission, *Creating a more dynamic and resilient economy*, interim report, p. 30ff.
[19] United Kingdom of Great Britain and Northern Ireland, Department for Business & Trade, *Growth Duty: Statutory Guidance – Refresh*, 21 May 2024, p. 4.
[20] United Kingdom of Great Britain and Northern Ireland, Department for Business & Trade, *The Growth Duty Performance Framework*, 16 May 2024, p. 3.
[21] United Kingdom of Great Britain and Northern Ireland, HM Treasury, *New approach to ensure regulators and regulation support growth*, policy paper, updated 31 March 2025.