

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio

**Inquiry into the Treasury Laws Amendment (Tax Accountability and Fairness) Bill 2023,
Schedule 5—Petroleum resource rent tax deductions cap**

Department: Department of the Treasury
Topic: Resource tax expenditure to the North West Shelf
Reference: Written
Senator: Nick McKim

Question:

1. According to the OPD document provided to the Senate, the initial design for the deductions cap said it would not apply to starting base expenditure, but when announced two months later it also excluded ‘resource tax expenditure’ which of course only applies to the North West Shelf. Which parties advocated that the North West Shelf should be excluded?
 - a. Why did Treasury decide to exclude the NW Shelf when royalties are distinct from super profits?

Answer:

1. Treasury recommended that the deductions cap not apply to resource tax expenditure of its own initiative. Section 35C of the *Petroleum Resource Rent Tax Assessment Act 1987* (PRRTA Act) applies to any expenditure that is in the nature of an excise, royalty, or other payment under an Australian law that is calculated based on profits or revenue from petroleum production licence areas, or the value of those resources.

Starting Base expenditure (Section 35E of the PRRTA Act) recognises past taxes paid under royalty and excise regimes when the coverage of the PRRT was expanded to some existing projects in 2012. Also exempting resource tax expenditure for the purposes of the deductions cap is consistent with the policy rationale for exempting Starting Base expenditure.

- a. The deductions cap is designed to function as a minimum return to the Australian community on the recovery of petroleum resources. Where a project has already incurred resource tax expenditure, for example in the form of Commonwealth royalties it is already paying some amount in relation to the resource.