

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

Inquiry into the Offshore Petroleum (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 [Provisions] and Treasury Laws Amendment (Laminaria and Corallina Decommissioning Cost Recovery Levy) Bill 2021 [Provisions]

Division: Corporate and International Tax Division
Topic: Levy discussions
Reference: Written (8 November 2021)

Question:

What discussions have taken place with APPEA and other oil and gas companies about the content of this Bill? What concerns did they raise? What other amendments have been made since the Bill was first drafted?

Answer:

The Department of Industry, Science, Energy and Resources and Treasury undertook targeted consultation on policy design with the Australian Petroleum Production and Exploration Association (APPEA) and its members between 24 June and 4 August 2021. Consultation meetings were held via teleconference. One submission was received from APPEA consolidating its members views on the design of the levy.

Public consultation on the exposure draft legislation was conducted between 16 September and 23 September 2021. Two submissions were received (one from APPEA and the other marked as confidential). Non-confidential submissions will be published on the Treasury's website once the legislation has received Royal Assent.

Key issues raised as part of the targeted consultation include: the point at which the levy is calculated, legislating a standardised conversion methodology and safe harbour, ending the levy and the introduction of an annual review and reconciliation process, periods of review, assessments rights and obligations, interest on overpayments, fiscal impacts of the levy, impacts of income of integrated LNG projects under the Petroleum Resource Rent Tax and corporate income tax deductibility.

As a result of targeted consultation, the exposure draft bills and explanatory material included: commonly used methods for calculating barrel of oil equivalent and conversions methodology, a mechanism to bring the levy to a close early once the Commonwealth's net costs had been recovered, adoption of review period suggestions, assessment rights and interest on overpayments.

Key issues raised in submissions received as part of public exposure draft legislation consultation include: the end date of the levy, the responsible entity for varying the rate, mechanism for ending the levy, transparency around collections, mechanism for dealing with overpayments, impacts of the levy on the Residual Pricing Methodology, further clarity around definitions and further clarification around the treatment of the levy in relation to the North-West Shelf Royalty.

As a result of exposure draft consultation, the Explanatory Memorandum was amended to clarify the treatment of the North-West Shelf Royalty and the impact of the levy on the Residual Pricing Methodology in the Petroleum Resource Rent Tax Assessment Regulations 2015.

The legislation was updated following consultation and input from the Department of Industry, Science, Energy and Resources and the Australian Taxation Office.