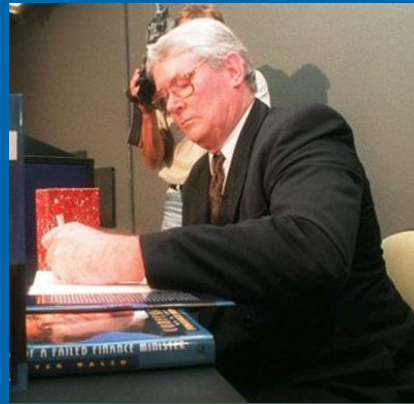


Australia's Petroleum Resource Rent Tax 1987: Paul Keating, Peter Walsh and other game changers



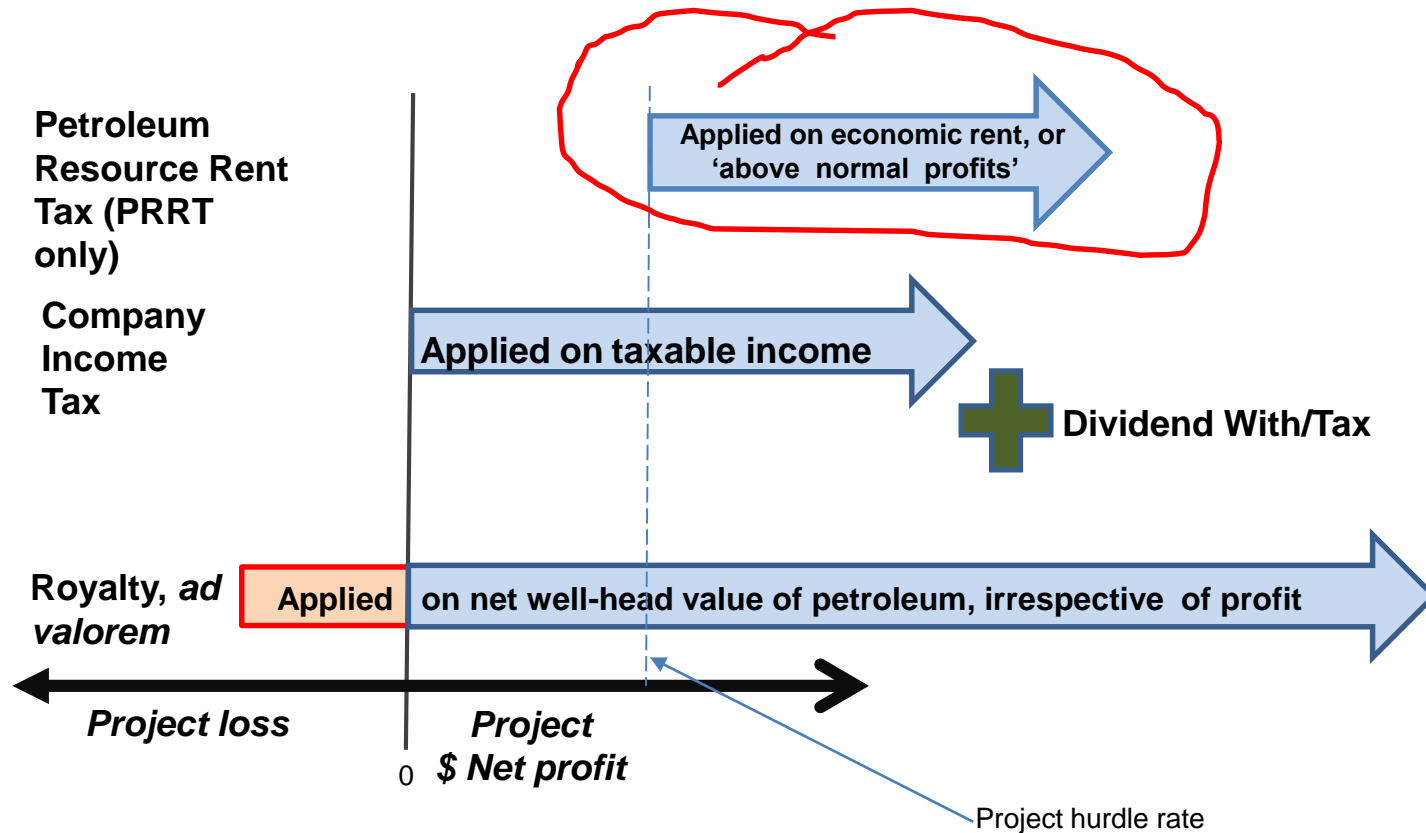
Presenter:

Dr Diane Kraal

Australasian Tax Teachers' Association's 29th Annual Conference, "Tax and Society".

Victoria University, 18 to 20 January 2017.

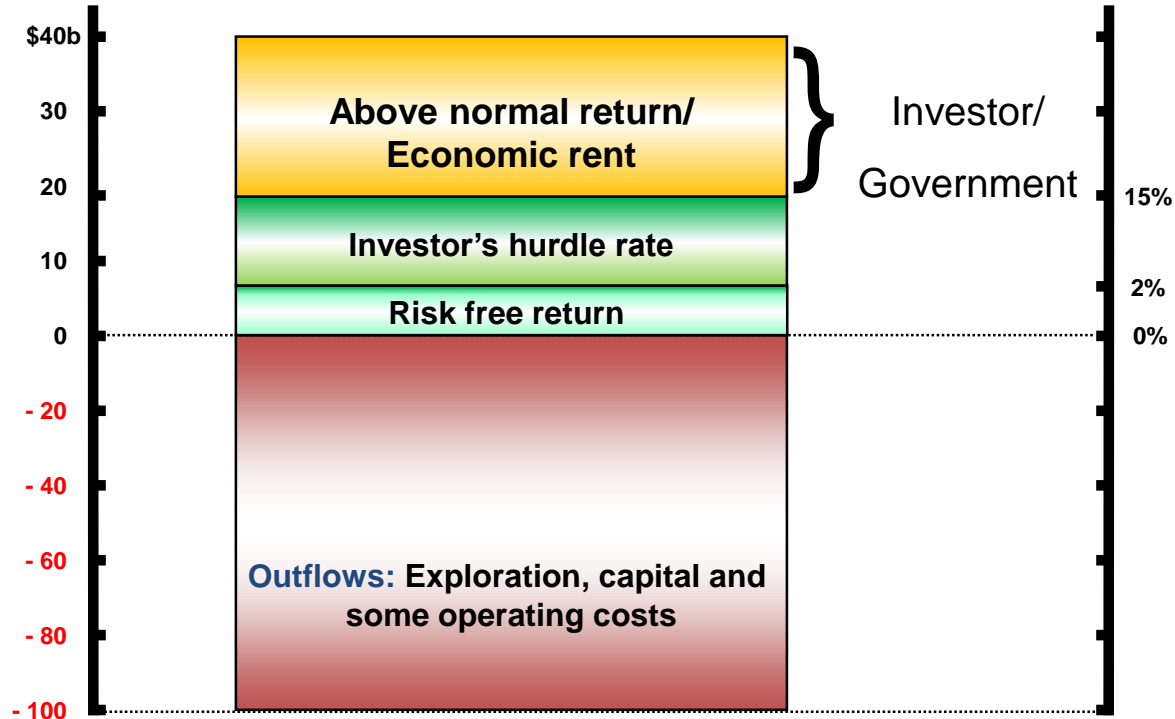
Petroleum tax revenue: PRRT, CIT, royalty, w/h tax



Resource rent tax: based on cash flow tax

Net Cash Flows \$billion

Discounted Rate of Return %

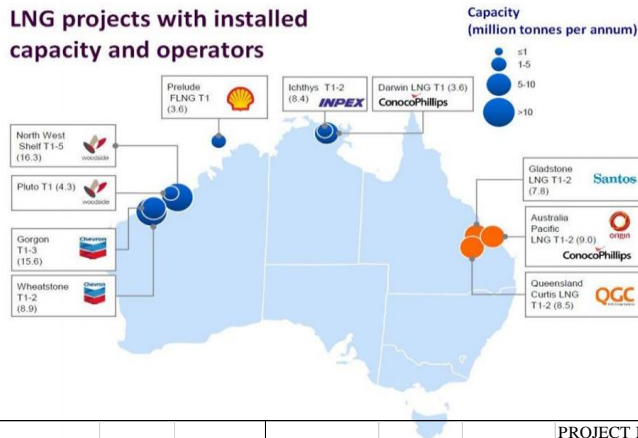


1980s Petroleum tax reform

- Jabiru project



Australia: Future petroleum tax reform? - processing of natural gas to LNG



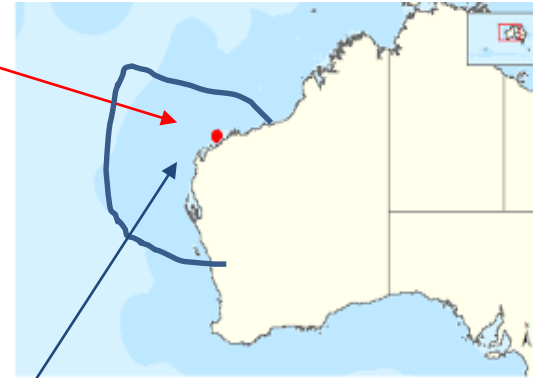
			PROJECT NAME							
			Prelude (under construction)*	Darwin LNG ^b	Ichthys (start-up late 2017)*	Pluto LNG*	Wheatstone (start-up 2017)*	Gorgon*	North West Shelf	East coast: three coal seam gas projects +
Company Tax			yes	yes	yes	yes	yes	yes	yes	yes
Petroleum Resource Rent Tax (Commonwealth)			yes		yes	yes	yes	yes	yes	yes
State royalties										yes
Commonwealth royalties									yes	
Commonwealth excise**									yes	yes
		MTPA [#]	3.6	3.6	8.4	4.3	8.9	15.6	16.3	25.3

Source: Santos Ltd

Australia: Future tax reform?

-Petroleum:

onshore processing of natural gas to LNG



Carnarvon Basin.

Gorgon project, operated by Chevron

Gorgon Case Study: Summary of Results, 2016 - 2030

	PRRT only, Commonwealth waters	PRRT & Commonwealth royalties	PRRT, no uplift, Commonwealth waters	Commonwealth Royalty
	US\$m cons	US\$m cons	US\$m cons	US\$m cons
<u>Secnario</u>	1	2	3	4
Royalty	-	4,847	-	4,847
PRRT	-	-	12,692	-
Company Income Tax	10,963	9,762	7,747	9,762
Dividend Withholding Tax	4,823	4,293	3,405	4,293
Total government revenue	15,786	18,901	23,844	18,901

Recommendations for PRRT Reform: integrated gas projects in Commonwealth waters

- **Recommendation 1:** To determine the effect of differing uplift rates on expenditure, more sensitivity PRRT modelling needed.
- **Recommendation 2:** Transferability of exploration expenses between projects should be modelled for a fairer outcome from community resources.
- **Recommendation 3:** Reverse order of deductions for the PRRT should be modelled. Eg. high uplift deductions should be deducted first.

Recommendations for PRRT Reform: integrated gas projects in Commonwealth waters

- **Recommendation 4:** Focus on natural gas projects. Current PRRT regime for gas shows minimal resource tax.
- **Recommendation 5:** Current Gas Transfer Price method is flawed. Try alternatives: 'mid-stream breakeven price' method, or the 'Net Back' method.
- **Recommendation 6:** Royalties should be re-introduced and PRRT retained.