

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Australian Taxation Office

Question No: 141

Topic: PRRT - LNG Audits

Reference: Written

Senator: Hanson, Pauline

Question:

1. Has any PRRT been paid in respect of LNG?
2. What is the quantum of PRRT credits in respect of LNG?
3. What is the ATO doing about tax evasion in respect of under reporting of Royalty obligations identified in the ANAO Report (No 28, 2016-17. Collection of Royalties from the NW Shelf)?
4. How many audits are done on PRRT Returns due in July each year?

Answer:

1. Due to the design of the regime, Liquefied Natural Gas (LNG) projects are unlikely to pay Petroleum Resource Rent Tax (PRRT) until a number of years after the start of production due to the significant deductible expenditure that is incurred in developing the LNG project. PRRT is only payable once cumulative assessable receipts exceed uplifted deductible expenditure. Refer to Section 2 of the ATO's submission to the Review of the Petroleum Resource Rent Tax for further information on the operation of the PRRT.
2. In 2015–2016, PRRT entities with interests in LNG producing facilities have approximately \$177 billion of carried forward expenditure.
3. The ATO does not administer the North West Shelf Royalty regime. This is administered by the Department of Industry, Innovation and Science.
4. Audits are the most in-depth form of examination of a taxpayer's affairs. The ATO has no fixed number of audits that are conducted in relation to PRRT returns each year.

The ATO generally conducts a number of risk reviews of PRRT returns lodged. Risk reviews determine if there are any compliance issues requiring more in-depth investigation. Risk reviews have resulted in around ten audits over the past 5 years.

Refer to Section 5 of the ATO's submission to the Review of the Petroleum Resource Rent Tax for further information on the ATO's administration of the PRRT.