AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY

TOPIC: Tax incentives on exploration

REFERENCE: Question on Notice (Hansard, 23 October 2014, page 118)

QUESTION No.: SI-57

Senator CONROY: Could you tell us the history of any previous tax incentives on exploration?
Mr Hoffman: There has been a long history, going back decades.
Senator CONROY: Why were they removed?
Mr Hoffman: As I said, there is a long history of tax policy in this area. I will take the specific question of why the most recent previous one of this nature was removed. I will take that on notice for you.
Senator CONROY: Okay. I get a sense from the questions that, even within the same level of integrity measures, perhaps they were not particularly successful.
Mr Hoffman: I am not aware of that being the case, so I would not necessarily agree with that assertion.
Senator CONROY: I look forward to your answer. When were they removed? Will you take that on notice?
Mr Hoffman: Yes.

ANSWER

In Australia, a flow through share (FTS) scheme, or variants, has operated for the resources sector over the periods 1958 to 1973 and 1978 to 1985. The scheme operating in the period 1958 to 1973 was based on providing tax deductions on funds invested in petroleum and mining companies for the purposes of exploration. As indicated in the Second Reading speech for the Income Tax Assessment Bill (no. 2) 1973, this scheme was abolished in 1973 because it was used for tax avoidance and inquiries found it contributed little towards mineral exploration.

The FTS scheme operating in the period 1978 to 1985 was based on providing a rebate of 27 cents in the dollar of share capital subscribed to a petroleum or mining company. The concession applied initially to offshore exploration and was later extended to onshore exploration. It was abolished in 1985, reflecting a policy preference to remove taxation concessions and broaden the income tax base.