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Petroleum Resource Rent Tax Assessment Amendment Bill 2006

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Contents

Petroleum Resource Rent Tax Assessment Bill 2006

Date introduced: 25 May 2006

House: House of Representatives

Portfolio: Treasury

Commencement: Various dates as set out in the table in clause 2. In most cases, the commencement date is 1 July 2006.

Purpose

To amend the *Petroleum Resource Rent Tax Assessment Act 1987* (PRRT Act) to:

- allow deductibility of transferable exploration expenditure when calculating quarterly petroleum resource rent tax (PRRT) instalment payments
- allow deductibility of fringe benefits tax for PRRT purposes
- include PRRT in the self-assessment regime
- introduce roll-over relief for taxpayers undergoing internal corporate restructuring
- allow deductibility of project closing-down costs when converting a production licence to an infrastructure licence
- extend the lodgement period for annual PRRT returns from 42 days to 60 days, and
- introduce a transfer notice requirement for vendors disposing of an interest in a petroleum project.

Background

Petroleum resource rent tax

The PRRT is a federal tax on 'economic rent'. Rent is a payment to a factor of production, such as labour, that exceeds the amount necessary to keep that factor in its current occupation. For example, if a person receives a salary of $50 000 but would earn $40 000 in the next best alternative employment, the person receives rent of $10 000.

The Department of Industry, Tourism and Resources describes the PRRT as follows:

> PRRT is a profit-based tax, which is applied to a project. Each entity with an interest in a PRRT liable project will be liable for that PRRT. A ‘project’ consists of facilities in the project title area, and any facilities outside that area necessary for the production and initial storage of marketable petroleum commodities (MPCs), such as

stabilised crude oil, condensate, natural gas, liquefied petroleum gas, and ethane. Value added products, such as LNG, are excluded.[1] The PRRT provides the community—the ultimate owners of Australia's petroleum resources—with a share of the returns from the exploitation of scarce and non-renewable resources.

The PRRT applies to:

> … all projects seawards of the outer limits of the territorial sea. The exceptions to this coverage are for those production licences drawn from the North West Shelf project area (Exploration Permits WA-1-P and WA-28-P) where Commonwealth excise and royalty applies (including Australia's only liquefied natural gas export operation), and certain areas within the Timor Gap.[2]

Features of the PRRT include:

· it is assessed on a project basis

· liability to pay PRRT is on a producer/company basis

· PRRT is levied before company tax

· PRRT payments are deductible for company tax purposes

· PRRT is assessed at the rate of 40 per cent

· liability for the PRRT is incurred when all allowable expenditures, including compounding (see next dot point), have been deducted from assessable receipts (Division 3 of Part V of the PRRT Act deals with deductible expenditure)

· any excess of expenditure over receipts can be compounded forward (augmented) for deduction against future receipts from the project

· the rates at which undeducted expenditures are compounded forward depend on the nature of those expenditures and when they were incurred before the granting of a production licence

· deductions include capital and operating costs that directly relate to the petroleum project, and are deductible in the year they are incurred. Deductible expenditures include exploration, development, operating and closing activities

· expenditures which are not deductible include financing costs, indirect administration costs, income tax, fringe benefits tax, and cash bidding payments

· undeducted *exploration* expenditure incurred on or after 1 July 1990 can be transferred to other projects subject to conditions, and

· assessable receipts include the amounts received from the sale of all petroleum (or a marketable petroleum commodity) (Division 2 of Part V).[3]

Projects incurring the PRRT are not subject to crude oil excise or royalties. Being a tax on profits, the PRRT does not affect petrol pump prices. About 24 companies pay the PRRT.[4] In 2004-05, revenue from the PRRT was $1.465 billion.[5]

Basis of policy commitment

On 10 May 2005, the Government announced, in the context of the 2005–06 Budget, that it proposed to amend the PRRT Act to:

- allow the deduction of transferable exploration expenditure when calculating quarterly instalments, and of fringe benefits tax for PRRT purposes
- allow the deduction of closing-down costs when moving from a production licence to an infrastructure licence
- include the PRRT in the self-assessment regime
- provide roll-over relief for internal corporate restructuring
- introduce a transfer notice requirement for vendors disposing of an interest in a petroleum project, and
- extend the lodgement period for PRRT annual returns from 42 days to 60 days.

The changes would take effect from 1 July 2006.[6]

Position of significant interest groups

On 25 May 2005, the Australian Petroleum Production and Exploration Association Limited (APPEA) issued a press release welcoming the proposed changes.[7]

Any consequences of failure to pass

The main effect would be to encourage companies to close down facilities when one or more petroleum production licences expire, and so not extend the facilities' economic lives under infrastructure licences.

Financial implications

Schedule 1 to the Bill amends the PRRT Act to require PRRT taxpayers to transfer and deduct transferable exploration expenditure when calculating their PRRT quarterly tax instalment for each instalment period. The estimated financial consequences are shown in the following table ($ million).

2005-06	2006-07	2007-08	2008-09
0	-45	27	5

Source: Explanatory Memorandum, p. 3.

Schedule 2 to the Bill amends the PRRT Act to allow restructuring within company groups while preserving the ability to transfer exploration expenditure among petroleum projects of group companies. The estimated financial consequences are shown in the following table ($ million).

2005-06	2006-07	2007-08	2008-09
0	0	-1	0

Source: Explanatory Memorandum, p. 4.

Schedule 5 amends the PRRT Act to:

- allow the deductibility of fringe benefits tax for PRRT purposes
- introduce a transfer notice requirement for vendors disposing of an interest in a petroleum project
- extend the lodgement period for PRRT annual returns from 42 days to 60 days, and
- introduce a number of unrelated minor technical amendments.[8]

The estimated financial consequences are shown in the following table ($ million).

	2005-06	2006-07	2007-08	2008-09
Fringe benefits tax	0	0	-5	-4

Source: Explanatory Memorandum, p. 6.

Main provisions

Schedule 1—Deducting transferable exploration expenditure from tax instalments

Part 1 —Amendments

PRRT is payable in quarterly instalments (the amount paid quarterly is the 'notional tax amount'). Undeducted exploration expenditure incurred on a petroleum project can be transferred to another petroleum project. However, taxpayers can transfer and deduct exploration expenditure only at the end of the year. Consequently, the amounts that taxpayers claim as deductions in their quarterly returns are understated, so taxpayers overpay PRRT during the year. In effect, taxpayers provide interest-free 'loans' to the Australian Taxation Office. While the overpayments are adjusted at the end of the tax year, taxpayers are not compensated for the loans.

The ability to transfer undeducted expenditure from one project to another depends, among other things, on the common ownership rule. The Explanatory Memorandum notes:

> The common ownership rule tests the continuity of common ownership between the source project incurring the exploration expenditure (ie, the non-PRRT paying project) and the receiving project (ie, the PRRT paying project).[9]

Division 3A of Part V and the Schedule to the PRRT Act deal with transfers of exploration expenditure incurred on or after 1 July 1990.

The objective of allowing deductibility of transferable exploration expenditure when calculating quarterly PRRT instalment payments is effected through **Schedule 1** of the Petroleum Resource Rent Tax Assessment Amendment Bill 2006 (the Bill) and primarily through proposed **new section 45E Instalment transfers and annual transfers** in **item 7**. **Subsection 45E(1):**

> …obliges PRRT taxpayers to transfer transferable exploration expenditure in an instalment period in a way that is consistent with the way end-of-year transfers are made under rules governing transferability … Consequently, instalment transfers must be made so far as they can be and so far as the expenditure can be used against what would otherwise be taxable profit. There is an offence if instalment transfers are not made in that way.[10]

Deductions that relate directly to a project are deductible in the year transferable exploration expenditure is incurred. **Paragraph 45E(3)(a)** extends this principle to quarterly expenditure by providing that a quarterly instalment period is taken to be a financial year. The Explanatory Memorandum states:

> As a result, transferable exploration expenditure incurred in an instalment period in a year of tax is immediately deductible in the instalment period the transferable exploration expenditure is actually incurred.[11]

Any excess of deductible expenditure over assessable receipts can be carried forward for deduction against future receipts. Hence:

> … all prior year general expenditure and exploration expenditure incurred before 1 July 1990 is taken account of in working out an instalment of tax for an instalment period.[12]

For the purpose of calculating instalments, deductible expenditures incurred *before* 1 July 1990—including compounded expenditures—are deductible in percentages: 25 per cent in the first instalment period, 50 per cent in the second instalment period and 75 per cent in the third instalment period [**paragraph 45E(3)(b)**]. The instalment periods are 1 July to 30 September, 1 July to 31 December, and 1 July to 31 March respectively.[13]

In the case of transferable exploration expenditures—that is, those incurred *on or after* 1 July 1990—**paragraph 45E(3)(c)** provides that unused (that is, not yet deducted) expenditures are also allocated using the same percentages.

The ability to transfer exploration expenditure from one project to another is subject to a common ownership rule. Breaches of the rule could give rise to situations where taxpayers claim amounts that exceed those they can legally claim. The resulting 'excess transfer' reduces the amount of PRRT paid below the amount that is payable. In effect, the Australian Taxation Office provides an interest-free loan to the taxpayer. To counter this, the:

> … Bill introduces a new interest charge, called the instalment transfer interest charge. The instalment transfer interest charge is not a penalty. Rather, it recoups (approximately) the time value of money associated with excess transfers of exploration expenditure.[14]

Item 10 inserts **new section 98A** to effect the interest charge. **Subsection 98A(1)** contains the circumstances under which a liability to pay an instalment transfer interest charge arises. They are:

- where the transfer has been made in accordance with sections 45A or 45B—which deal with the transfer of expenditure—[**paragraph 98A(1)(a)**], and
- an annual transfer cannot be made because of a violation of the ownership rule [**paragraph 98A(1)(b)**].

Subsections 98A(2) and **98A(3)** deal with offsets to instalment transfer excesses. Offsets arise in two circumstances:

> The first circumstance deals with scenarios relating to the particular transferable exploration expenditure relating to the instalment transfer that has been reversed. This transferable exploration expenditure may be subsequently applied or transferred in the same year of tax as the original instalment transfer occurred, and so much of the expenditure as is so applied or transferred will offset the instalment transfer excess [Schedule 1, item 12, paragraph 98A(2)(a)]. The second circumstance deals with the possibility of alternative annual transfers offsetting the instalment transfer excess [Schedule 1, item 12, paragraph 98A(2)(b)].[15]

The first circumstance is discussed in paragraphs 1.28 to 1.31 of the Explanatory Memorandum, and the second circumstance in paragraph 1.32.

Schedule 2—Group company transferable exploration expenditure continuity of interest rule

Part 1—Amendments

The Government's proposals to introduce roll-over relief for taxpayers undergoing internal corporate restructuring are contained in Schedule 2. As noted, undeducted exploration expenditure incurred on or after 1 July 1990 can be transferred to other projects:

> This regime allows and requires exploration expenditure actually incurred on a particular petroleum project which is not absorbed against assessable receipts from this project (ie, a project not generating a PRRT liability) to be transferred to the extent it can be offset against assessable receipts of another petroleum project (ie, a project generating a PRRT liability). The ability to transfer exploration expenditure between projects in this way is dependent on meeting the common ownership test.[16]

The PRRT Act requires a company that has unused transferable expenditure—the loss company—to transfer this expenditure to another company—the profit company—if both companies are members of the same group of companies, that is, an intra-group transfer. This requirement is subject to the condition that there must be continuity of ownership of both companies. Clause 31 of the Schedule to the PRRT Act contains the continuity of ownership test. However:

> An effect of clause 31 is to prevent transfers of exploration expenditure where the company with an interest in either the transferring or receiving project has changed since the exploration expenditure was incurred, even if both the interests have remained at all times within a common company group. That is, it does not allow internal corporate restructures to occur without losing the ability to transfer exploration expenditure sometime in the future.[17]

According to the Minister's second reading speech:

> This taxation distortion results in company groups maintaining inactive companies, merely to protect their future ability to transfer unused exploration expenditure.

The purpose of the amendments in the Bill is:

> … to allow internal corporate restructuring of a wholly-owned group to occur without losing the ability to transfer unused exploration expenditure.[18]

Item 2 repeals clause 31 of the Schedule and inserts a **new clause 31 Rule—continuity of interest within company group**. The main rule is in **subclause 31(1)**. This provides:

- the company that received the transfer (the receiving interest company) and the company that held the loss that was transferred to the receiving company, must belong to the same company group

- both companies must be group members for the entire period from the start of the financial year in which the expenditure was incurred until the end of the year in which the transfer was effected, and
- it was the loss company that actually incurred the expenditure.

Schedule 3—Deducting closing-down costs for conversion of production licence to infrastructure licence

One of the Government's proposals was to allow deductibility of project closing-down costs when converting a production licence to an infrastructure licence. The Explanatory Memorandum contains the following background on infrastructure licences:

> Infrastructure licences were introduced through an amendment to the Petroleum (Submerged Lands) Act 1967 in 2000. Infrastructure licences are granted to allow the use of petroleum infrastructure facilities in Commonwealth (offshore) waters for specified activities. A typical example is where the petroleum reserves for a project have been exhausted and rather than close down the project infrastructure related to this reserve, an infrastructure licence is granted to process petroleum piped in from an alternative source located nearby. The owners of the infrastructure would receive a fee for providing this service to a third party. [19]

The effect of infrastructure licences is to extend the economic life of offshore petroleum project facilities.

The taxation treatment of the cost of closing down facilities differs depending on whether the project is closed down under a petroleum production project licence or under an infrastructure licence:

> Petroleum projects are likely to have substantial expenditures on closing down the project, including associated environmental restoration costs. These costs are part of deductible expenditure for Petroleum Resource Rent Tax (PRRT) purposes. However, some project facilities may go on to non-project use under an infrastructure licence. When project facilities stop being used for the project, but remain in use, any later costs of closing down their use under the infrastructure licence are currently not recognised (either directly or indirectly) for PRRT purposes.[20]

The reason for this treatment is:

> …closing down expenditures are currently not included in closing down expenditure for the particular petroleum project because they relate to closing down the activities under the infrastructure licence rather than under the production licence.[21]

The Bill proposes treating closing-down costs incurred under infrastructure licences as deductible expenditure for PRRT purposes:

> Schedule 3 to this Bill amends the Petroleum Resource Rent Tax Assessment Act 1987 (PRRT Act) to allow the present value of expected future expenditures associated with closing down petroleum project assets that continue to be used under an infrastructure licence to be deductible against the PRRT receipts of this project. This change is made so far as these costs are currently not recognised for PRRT purposes.[22]

Part 1—Amendments

Item 5 inserts a **new section 2D Future closing-down expenditure**. Section 2D defines the circumstances under which a taxpayer is considered to have future closing-down expenditure. They are:

- the project ceases to be a petroleum project because one or more of its production licences have expired [**paragraph 2D(1)(a)**], and
- an infrastructure licence has comes into effect, which allows the continued use of the facilities [**paragraph 2D(1)(b)**], and
- had the facilities not been used under an infrastructure licence, the taxpayer would have incurred closing-down costs [**paragraph 2D(1)(c)**].

New subsection 2D(2), among other things, defines 'future closing-down costs'. They are the payments—whether of a capital or revenue nature—that the taxpayer—or another person who is responsible for closing down the facilities—would expect to incur in closing the facilities. The definition specifically includes environmental restoration.

Net present value is a way of converting future costs into today's dollars. Discounting is the technique used to make the conversion. Discounting recognises that a dollar today is not the same thing as a dollar in the future because today's dollar can be invested. Subsection 2D(2) contains the formula used to obtain the net present value of future closing-down expenditure. The discount rate is 1.02 plus the long-term bond rate. Because the latter fluctuates, subsection 2D(2) defines the long-term bond rate as the rate in relation to the financial year when the project ceases. Presumably this means an average of the rate over the period in the financial year before the day when the project ceases.

Section 39 of the PRRT Act deals with closing-down expenditure. **Item 8** inserts three **new subsections**: **subsection 39(2)**, **subsection 39(3)** and **subsection 39(4)**. Subsection 39(2) deals with situations where the taxpayer disposes of the petroleum project facility at the end of the project (and had incurred deductible expenditure on the project), makes a payment to the new owner which relates to future closing-down expenditure, then that payment is considered to be part of the closing down costs the taxpayer incurred. Subsection 39(2) is further explained in paragraph 3.17 of the Explanatory Memorandum (including an example).

Subsection 39(4) prevents 'double counting' by providing that where a taxpayer has future closing-down expenditure, that expenditure is reduced by any actual closing-down expenditure.

Schedule 4—Self-assessment

Part 1—Amendments

As noted, on 10 May 2005, the Government announced that it proposed to include the PRRT in the self-assessment regime. Self-assessment is through the mechanism of a deemed assessment.[23] A deemed assessment arises when the taxpayer lodges a return and the Commissioner is deemed to have made an assessment of the tax in the return. This does not, of course, prevent the Commissioner from reviewing the return. If, on review, the Commissioner determines that the taxpayer has paid less tax than was legally payable, in addition to paying the shortfall, the taxpayer has to pay interest on the shortfall—the shortfall interest charge.[24]

The Explanatory Memorandum contains the following comparison of the key features of the proposed new law and the current law.

New law	***Current law***
At the time a PRRT taxpayer lodges a return, the Commissioner is deemed to have made an assessment.	PRRT taxpayers lodge an annual return and the Commissioner makes an assessment of how much tax is payable. The Commissioner then issues a notice and taxpayers have 21 days to pay any tax due.
The standard four-year period of amendment of a PRRT assessment is introduced. The unlimited amendment period in the case of fraud or evasion and other limited circumstances remains.	The Commissioner has three years to amend an assessment if there is avoidance of tax but full and true disclosure of all material facts necessary for an assessment. The amendment period is extended to six years if the taxpayer fails to make a full and true disclosure of all material facts necessary for an assessment. There is no time limit on amending assessments in the case of fraud or evasion and other limited circumstances.
The shortfall interest charge will apply to shortfalls of PRRT. The general interest charge will apply to amounts not paid by the due date.	The general interest charge applies where the amendment of assessment results in an increased PRRT liability.
PRRT taxpayers will have access to the same rulings regime as income taxpayers. In the case of PRRT taxpayers, the Commissioner may provide advice in the form of a public and private ruling.	The Commissioner cannot provide private rulings on PRRT matters. The Commissioner can provide administratively binding rulings, but is not legally bound to provide this advice when making an assessment of PRRT payable.

Source: Explanatory Memorandum, p. 50.

To effect the change to self assessment, **item 10** repeals Division 2 of Part VI of the PRRT Act and substitutes a **new Division 2**. **New section 62** provides that where a person has lodged a return with the Commissioner and the Commissioner has not previously issued an assessment to the taxpayer [**subsection 62(1)**], the Commissioner is deemed to have made an assessment of the amount of the person's taxable profit (including that the person does not have to pay tax) [**subsection 62(2)**]. **Subsection 62(3)** provides that the assessment is deemed to have been made on the day when the return is given to the Commissioner. **Subsection 62(4)** provides that on the day and after the day the Commissioner is deemed to have made an assessment, the return is taken to be a notice of the assessment.

Item 10 also inserts **new section 67 Amendment of assessment**. **Subsection 67(1)** provides that the Commissioner may amend an assessment within four years after the day on which the notice of assessment was given to the taxpayer.

With respect to rulings:

> Currently, PRRT taxpayers can receive administratively binding advice from the Commissioner. However, they do not currently have access to the legally binding public or private rulings system, and have no access to the system of appeal and review in relation to legally binding rulings.[25]

The Bill proposes that:

> … PRRT taxpayers will be provided access to the provisions dealing with ATO advice in the same way as these provisions apply in the income tax context.[26]

Item 37 amends the *Taxation Administration Act 1953* (TAA 1953) by inserting **new subparagraph (fa)** after paragraph 357-55(f) in Schedule 1. This amendment:

> … also enables PRRT taxpayers to obtain binding rulings from the Commissioner in exactly the same way as income taxpayers. This is done by adding PRRT to the list of taxes the rulings provisions in the TAA 1953 apply to.[27]

Schedule 5—Other amendments

Part 1—Amendments

As noted, the Government undertook to allow deductibility of fringe benefits tax for PRRT purposes. Another proposal was to introduce a transfer notice requirement for vendors disposing of an interest in a petroleum project.

Paragraph 5.11 of the Explanatory Memorandum hints at the reason for the decision to allow deductibility of fringe benefits tax. The PRRT Act excludes indirect expenditure from deductible expenditure. What constitutes direct and indirect expenditure is now subject to dispute with the Australian Taxation Office.[28]

Section 48 of the PRRT Act deals with the transfer of an entire entitlement to assessable receipts, while section 48A deals with the transfer, on or after 1 July 1993, of part of an entitlement to assessable receipts. The Explanatory Memorandum elaborates:

> Sections 48 and 48A of the PRRT Act contain rules on the treatment of parties when there is a transfer of an interest in a petroleum project from one party (the vendor) to another (the purchaser). The effect of these two sections is to place the purchaser in the same position in relation to the petroleum project as the vendor (though not in the same position in relation to wider deductibility of past project expenditure). It treats the purchaser as if they had derived assessable receipts, incurred deductible expenditure and paid tax instalments of the vendor in relation to that interest in the petroleum project up to the time of the transaction, and treats the vendor as not having done so.[29]

The reasons for introducing the transfer notice are as follows:

> There is currently no requirement under the PRRT Act which requires the vendor, when selling their interest in a petroleum project, to provide a transfer notice containing information about assessable receipts derived or expenditure incurred, or other relevant information, in relation to the project. In particular, there is a concern that the purchaser may not be aware of the amount of deductible expenditure incurred by the vendor up to the time of the transaction. To the extent that such expenditure may have been transferred to other projects, or to other taxpayers, under the wider deductibility provisions, the purchaser is especially likely to depend in practice on information from the vendor even where some of the information may otherwise be able to be inferred, such as from records of a wider joint venture.[30]

The Explanatory Memorandum contains a comparison of the key features of the new law and the current law.

New law	***Current law***
Payments of fringe benefits tax are not included in the list of excluded expenditures for PRRT purposes. As a result, such payments may be deductible for PRRT purposes subject to other requirements specified in the PRRT Act.	Payments of fringe benefits tax are excluded expenditure (ie, non-deductible) for PRRT purposes.
The vendor must provide written notice in the approved form to the purchaser within 60 days after entering into the transaction, or within 60 days after the purchasers give consideration for entitlement and property, whichever is the latest.	There is no requirement for a written notice from the vendor disposing of an interest in a project.
The time period to lodge a PRRT annual return is 60 days.	The time period to lodge a PRRT annual return is 42 days.

Source: Explanatory Memorandum, p. 63.

Section 44 of the PRRT Act deals with 'excluded expenditure', that is, expenditure excluded for the purposes of determining what constitutes deductible expenditure. Subsection 44(h) excludes payments of tax under the *Fringe Benefits Tax Assessment Act 1986*. **Item 8** amends paragraph 44(h) by omitting 'the *Income Tax Assessment Act 1997* or the *Fringe Benefits Tax Assessment Act 1986'* and substituting 'or the *Income Tax Assessment Act 1997'*.

Item 13 amends section 48 by adding **new subsection 48(3**), which requires the vendor to give written notice of the transaction, in the approved form, to each purchaser within 60 days after entering into the transaction, or within 60 days after the purchaser gives consideration for entitlement and property, whichever is the later.

Concluding comments

The Bill gives effect to all the Government's proposals with respect to the PRRT regime. The proposal to allow the present value of expected future closing-down expenditures to be deductible against the PRRT where project facilities subject to infrastructure licences are closed down, seeks to address the apparent inconsistency in existing law under which closing-down costs are a deductible expense for PRRT purposes when part of a petroleum project licence but not when the facilities are subsequently operated under an infrastructure licence. A question that arises is how future closing-down costs will be estimated.

The concept of being able to claim future expenses for taxation purposes differs from the usual principle that the taxpayer must have actually incurred expenditure to be able to claim a deduction. The use of estimated expenses is, however, not new to taxation law. Depreciation costs allowed as a deduction in any one year are, in effect, estimated costs. However, in this case, when assets are sold, there are provisions that take account of underestimation or overestimation of depreciation over the asset's life, and the costs of disposal are deductible. The possibility of over-claiming future closing-down costs may be covered by the anti-avoidance provisions of Division 6 of the PRRT Act.

It could be argued the current taxation treatment whereby closing-down costs under an infrastructure licence are not a deduction for PRRT purposes should stand precisely because they relate to the infrastructure licence and not the production licence. In other words, once an infrastructure licence has been issued, the facilities are no longer part of the petroleum licence project. On the other hand, it could be argued that since the facilities were constructed first and foremost as part of a petroleum project—and only secondarily for other purposes under an infrastructure licence—excluding closing-down costs under an infrastructure licence gives rise to an anomaly.

Finally, it is important to distinguish between any discussion about what the appropriate taxation treatment should be and the likelihood that the Bill's proposal will provide an incentive to extend the effective life of production facilities as infrastructure facilities.

Endnotes

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1. Department of Industry, Tourism and Resources website at http://www.industry.gov.au/content/itrinternet/cmscontent.cfm?objectid=4A1DE71A-BF9F-4DED-B1667CC766651FA7&searchID=120780.
2. Australian Petroleum Production and Exploration Association Limited web site at http://www.appea.com.au/IndustryInformation/TaxAndCommercial/Background/#prrt. Accessed 29 May 2006.
3. Adapted from ibid.
4. Elizabeth Kazi, 'ATO faces challenge over PRRT' *Australian Financial Review*, 16 December 2005.
5. Final Budget Outcome 2004-05, p. 3.
6. Hon. Peter Costello (Treasurer) and Hon. Ian MacFarlane (Minister for Industry, Tourism and Resources), *Policy modifications to the petroleum resource rent tax and the proposed gas transfer price regulations*, joint press release no. 054, 10 May 2005, at http://www.treasurer.gov.au/tsr/content/pressreleases/2005/054.asp. Accessed 29 May 2005.
7. Australian Petroleum Production and Exploration Association Limited, *petroleum Resource Rent tax changes welcomed by upstream oil & gas industry*, media release, 25 May 2006 at http://www.appea.com.au/Download.asp?Filename=PRRT+Press+Release+25+May+06.pdf&ID=643. Accessed 29 May 2006.
8. Explanatory Memorandum, p. 6.
9. Explanatory Memorandum, paragraph 1.5, p. 10.
10. Explanatory Memorandum, paragraph 1.13, p. 13.
11. Explanatory Memorandum, paragraph 1.14, p. 13.
12. Explanatory Memorandum, paragraph 1.23, p. 15.
13. ibid.
14. Explanatory Memorandum, paragraph 1.5, p. 10.
15. Explanatory Memorandum, paragraph 1.27, p. 16.
16. Explanatory Memorandum, paragraph 2.3, p. 25.
17. Explanatory Memorandum, paragraph 2.7, p. 27.
18. Explanatory Memorandum, paragraph 2.9, p. 28.
19. Explanatory Memorandum, paragraph 3.21, p. 42.

20. Explanatory Memorandum, paragraph 3.1, p. 35.
21. Explanatory Memorandum, paragraph 3.8, p. 37.
22. Explanatory Memorandum, paragraph 3.2, p. 35.
23. Explanatory Memorandum, paragraph 4.18, p. 52.
24. Explanatory Memorandum, paragraph 4.8, p. 48.
25. Explanatory Memorandum, paragraph 4.5, p. 48.
26. Explanatory Memorandum, paragraph 4.12, p. 49.
27. Explanatory Memorandum, paragraph 4.51, p. 59.
28. Elizabeth Kazi, op. cit.
29. Explanatory Memorandum, paragraph 5.5, p. 62.
30. Explanatory Memorandum, paragraph 5.6, p. 62.

Members, Senators and Parliamentary staff can obtain further information from the Parliamentary Library on (02) 6277 2464.

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