

APPEA TAX CONFERENCE
2017

THE PRRT REVIEW – LEARNINGS AND
IMPLICATIONS FOR RESOURCE
TAXATION

MIKE CALLAGHAN AM PSM

PRRT REVIEW

SUMMARY OF LESSONS AND IMPLICATIONS

1. THE OBJECTIVE OF THE TAX REGIME SHOULD BE UNDERSTOOD AND RECOGNISED BY ALL PARTIES – IS THE CONCERN OVER THE LAW OR THE OBJECTIVE OF THE LAW?
2. THE BASIS FOR THE DESIGN FEATURES OF THE TAX SHOULD BE RECOGNISED AND UNDERSTOOD BY ALL – AVOID AMBIGUITY.
3. THE EXPLANATORY MEMORANDUM/SECOND READING SPEECH SHOULD CLEARLY OUTLINE THE OBJECTIVE OF THE LAW AND BASIS FOR ITS DESIGN

PRRT REVIEW

SUMMARY OF LESSONS AND IMPLICATIONS

4. FOR A RESOURCE TAX TO BE SUSTAINABLE IT NOT ONLY HAS TO BE 'FAIR', IT HAS TO BE SEEN TO BE 'FAIR'.
5. THERE IS NO ABSOLUTELY 'RIGHT' OR 'WRONG' APPROACH TO RESOURCE TAXATION – THERE ARE TRADE-OFFS AND WHAT MATTERS IS THE WEIGHT THE COMMUNITY PLACES ON THOSE TRADE-OFFS.
6. CHANGES TO THE LAW WILL NOT BE SUSTAINABLE UNLESS THERE IS A CLEAR CONCEPTUAL REASON FOR THE CHANGE

PRRT REVIEW

SUMMARY OF LESSONS AND IMPLICATIONS

7. THE TAX REGIME SHOULD BE REGULARLY REVIEWED TO ENSURE THAT IT REMAINS APPROPRIATE GIVEN INDUSTRY DEVELOPMENTS.
8. MANY FACTORS INFLUENCE THE COMPETITIVENESS OF INVESTING IN AUSTRALIA, INCLUDING THE TAX SYSTEM, BUT FISCAL CERTAINTY AND STABILITY IS IMPORTANT.

IN THE CASE OF THE PRRT -

- MANY CRITICS DID NOT UNDERSTAND THE OBJECTIVE OF THE PRRT ALTHOUGH MANY SUPPORTERS DID NOT UNDERSTAND THE REASON FOR ITS DESIGN FEATURES.
- IT IS NOT POSSIBLE TO IDENTIFY FROM PUBLISHED MATERIAL WHY ASPECTS OF THE PRRT WERE DESIGNED THE WAY THEY WERE OR REASONS FOR SUBSEQUENT CHANGES.
- THE PRRT HAS NOT KEPT UP WITH CHANGES IN THE INDUSTRY.
- MANY IN THE COMMUNITY ARE NOT CONVINCED THE PRRT IS 'FAIR' AND PROVIDES AN EQUITABLE RETURN TO THE COMMUNITY.

REVIEW: 'WAS THE PRRT OPERATING AS INTENDED'

PRRT INTENT: 'TO PROVIDE AN EQUITABLE RETURN TO THE AUSTRALIAN COMMUNITY FROM THE RECOVERY OF PETROLEUM RESOURCES WITHOUT DISCOURAGING INVESTMENT IN EXPLORATION AND DEVELOPMENT'.

BUT EMPHASIS CAN VARY

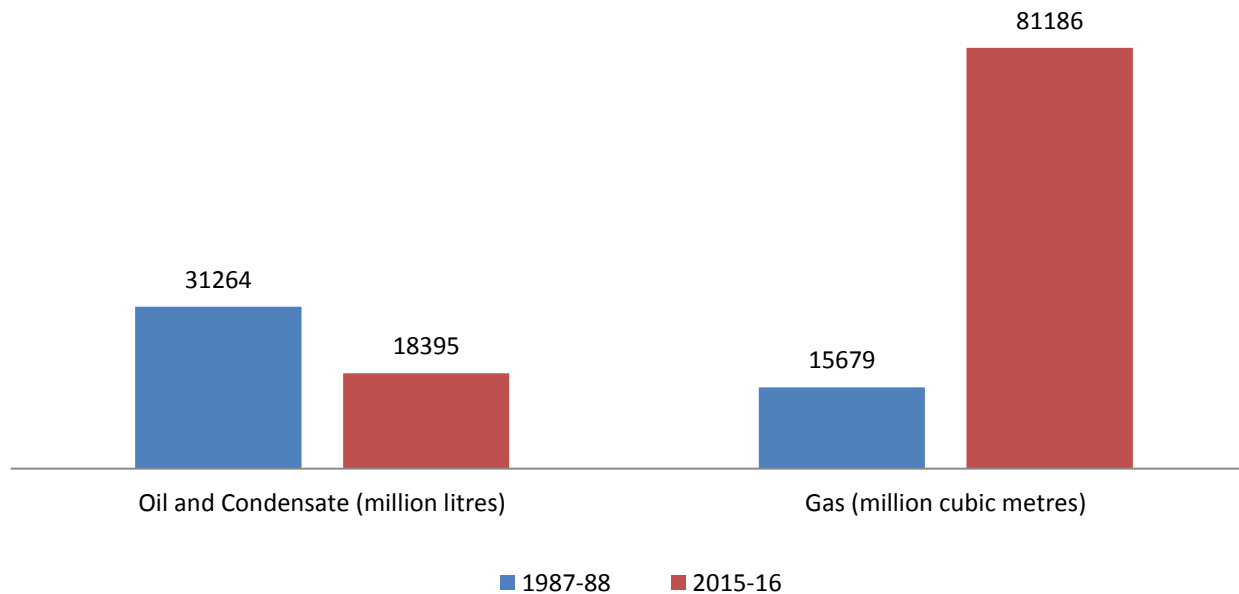
COMMUNITY GROUPS – FOCUS ON 'EQUITABLE RETURN'.

INDUSTRY – FOCUS ON 'WITHOUT DISCOURAGING INVESTMENT'.

CHANGES IN AUSTRALIA OIL AND GAS PRODUCTION SINCE INTRODUCTION OF PRRT

PRRT DESIGNED IN AGE OF OIL

IS IT APPROPRIATE IN AN AGE OF GAS?



A SUSTAINABLE APPROACH TO RESOURCE TAXATION

- THE TAX REGIME SHOULD BE REGULARLY REVISED TO ENSURE IT REMAINS FIT FOR PURPOSE.
- THE OBJECTIVE OF THE REGIME SHOULD BE CLEARLY ESTABLISHED, ALONG WITH THE RATIONALE FOR ITS DESIGN.
- THERE IS A CONCEPTUAL UNDERPINNING FOR ANY CHANGE IN THE LAW AND IT IS CLEARLY EXPLAINED.