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# PRRT Treatment of Social Infrastructure

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# Purpose of presentation

Raise awareness of:

- APPEA and ATO consultation process
- gap between ATO and industry view
- practical considerations
- potential issues



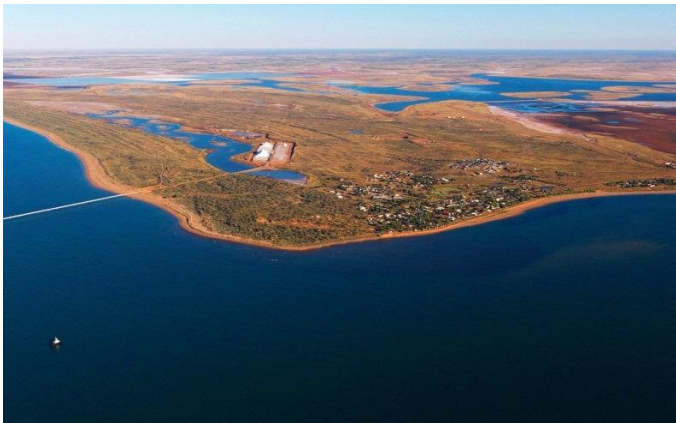


# What is social infrastructure?



## Other examples:

- Water
- Waste
- Power
- Medical emergency
- Recreation
- Housing
- Law and order
- General Health



# What is social infrastructure?

<b>Infrastructure</b>	<ul style="list-style-type: none"><li>• Law and order</li><li>• Education</li><li>• Healthcare</li><li>• Culture</li><li>• Recreation</li><li>• Housing communications</li><li>• Irrigation</li><li>• Power</li><li>• Transport</li><li>• Sanitation</li><li>• Water supply</li></ul>
<b>Programmes</b>	Local skills programs, weed quarantine programs, environmental monitoring, medical evacuation, training programs
<b>Contractual and Other Arrangements</b>	<ul style="list-style-type: none"><li>• Safety/other regulations</li><li>• State Development Agreements</li><li>• Conditions to a lease or land access agreement</li><li>• As otherwise agreed with Government bodies or community stakeholders</li><li>• Social license</li><li>• Voluntary</li></ul>





# Relevant PRRT background

Press Release “Resource Rent Tax on ‘Greenfields’ Offshore Petroleum Projects” jointly issued on 27 June 1984 by the Federal Treasurer and the Federal Minister for Resources and Energy:

- *“The scope of project expenditure and income to be taken into account will encompass certain infrastructure where this is integral to the production of a ‘marketable’ product, including **social infrastructure** (eg housing and associated facilities of this kind ...) provided principally for employees of the project and their dependants”*



# Key Issues

## 1. Project Nexus

### Section 38 general project deduction:

- “in carrying on or providing the operations, facilities and other things comprising the project”;

Or

- “in carrying on or providing operations and facilities preparatory” to the project.

→ close or quite direct relationship between the payments and the operations, facilities and other things comprising a project.



### Project definition - s 19(4):

those operations, facilities and other things include:

- recovery of petroleum ,
- services or facilities for the provision of services,
- employee amenities; and
- for an environmental purpose in connection with a project.

### Employee amenities - s 2:

- “housing, health, educational, recreational, welfare or other similar facilities and services for, or facilities and services involved in the supply of meals to, employees or dependents of employees, not being facilities and services conducted for the purpose of profit-making”

## 2. Apportionment

- s38 “ reference to payments.....to the extent that they are made in carrying on...”
- upstream/downstream
- use by others



# Project Nexus Example 1

## Facts:

- Remote area 200km from any town
- No existing population
- Build medical/health facilities, recreational facilities, police station, water, power, waster facilities, roads, airports etc
- Located at the project
- No general community to use the facilities

Key point:  
Project nexus



# Project Nexus

## Example 2



### Facts:

- Remote area but with a small population of retirees mainly fisherman
- Small existing population with some infrastructure
- Upgrade medical/health facilities, recreational facilities, police station, water, power, waste facilities, roads, airports etc

### Key point:

- Why is this different to scenario 1?



# Example 3

## Facts:

- Build LNG plant near large city such as Perth
- Perth already has hospitals, medical, health, police stations, power, water, waste facilities
- No need to upgrade
- No social infrastructure investment necessary

## Key point:

- Projects only spend on social infrastructure if project requires spend i.e. for the benefit of the project





## 2. Apportionment

### Background

- Pre 2012 – s38 did not include words “to the extent that”
- Amendment to s38 post Esso decision

### Practical Issues

- Why apportion for community use? If apportion for community use how to do this practically?
- What if community use occurs years after spend? Or changes profile years after spend?
- What if no community use when initial spend occurs and then some community use years later?
- How to apportion an airstrip/road between project and community use?
- Upstream/downstream apportionment?





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