



human energy®

GST and Joint Ventures

A case for red tape reduction

Geoff Webb
Chevron Australia



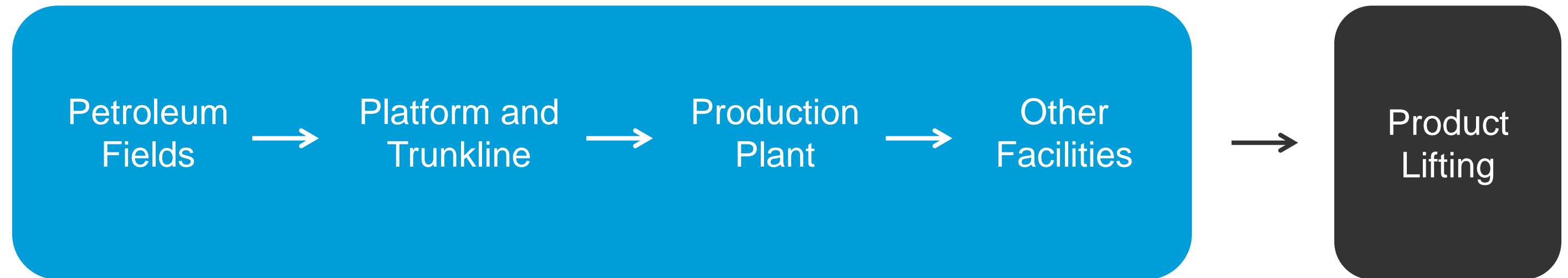
Background

- High cost and technical complexity of developing oil and gas projects has led to projects being undertaken by multiple parties within joint venture (JV) structures
- Due to increased focus on cost efficiency, JVs and business practices around them have changed :
 - Larger and more complex projects
 - Multiple JVs used within the same project
 - JV operators acting as the operator of numerous JVs
 - Greater cooperation and 'sharing' between JV's
- These factors have created GST inefficiencies and cost for industry

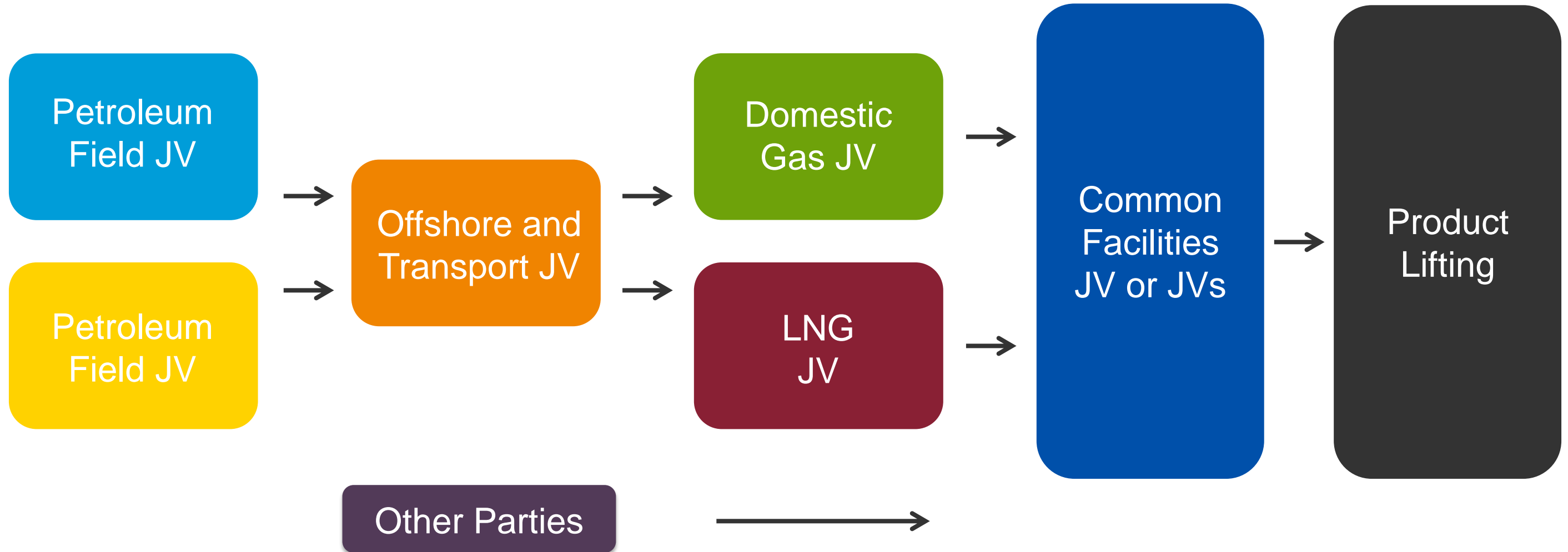


Simple Oil and Gas Joint Venture

Single Joint Venture



Multiple Joint Venture



JV and GST Background

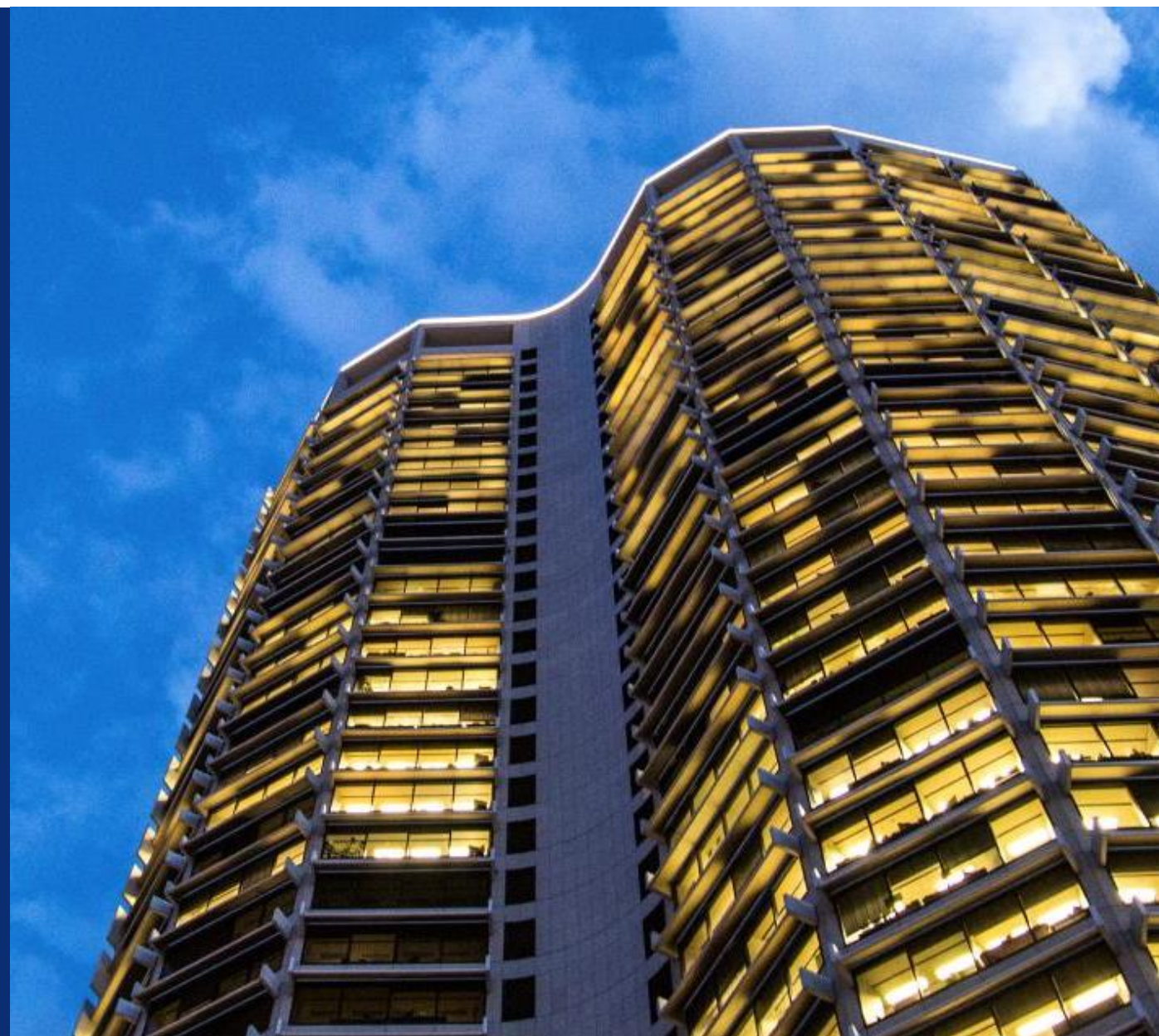
- JVs and their legal essentials not well understood
- Specific provisions within GST law:
 - Specific definitions
 - Division 51 – GST Joint Ventures
 - Specific GST regulation
- Explanatory Memorandum states that one of the purposes of Division 51 is concessional
- Contrast ATO's 'subterranean view' prior to PCG 2016 / 7



GST JV Concessions

Limited and broadly fall into five main areas:

1. GST is payable by JV operator (JVO) on taxable supplies and importations made on behalf of JV participants (JVPs) in the course of the JVs activities (Section 51-30(1));
2. Input tax credits are claimable by JVO for creditable acquisitions and importations made on behalf of JVPs in the course of the JVs activities (Section 51-35);
3. Supplies by JVO to JVPs are not taxable if JVP acquired the supply for consumption, use or supply in course of activities JV entered into (Section 51-30(2));
4. JVO lodges GST return (BAS) for each JV they operate (Section 51-50); and
5. JVO of multiple JVs can elect to consolidate all of its individual JV GST returns into a single GST (BAS) return (Sections 51-50 and 51-52).



Red Tape

- Special GST JV provisions don't go far enough and don't disregard:
 - Transactions between commonly operated JVs
 - Supplies by JVPs to the JVO if the JVO acquired the supply for consumption, use or supply in course of activities JV entered into
 - Transactions between JVPs in the course of the JVs activities
- Consequences include:
 - Unnecessary and costly administration
 - Increase risk and exposure to base GST, penalties and interest
- Consequences and risks escalate as projects become larger and more complex



Proposed Solution

Commonly Operated JVs with a Consolidated BAS

Issue

While returns are consolidated into a single BAS, transactions that go into the BAS are still subject to normal GST rules and all GST administration needs to be undertaken

Proposed Solution

Expand Division 51 or Division 48 (GST groups) to allow commonly operated JVs to form a single 'group' and effectively treat all supplies between them as not taxable

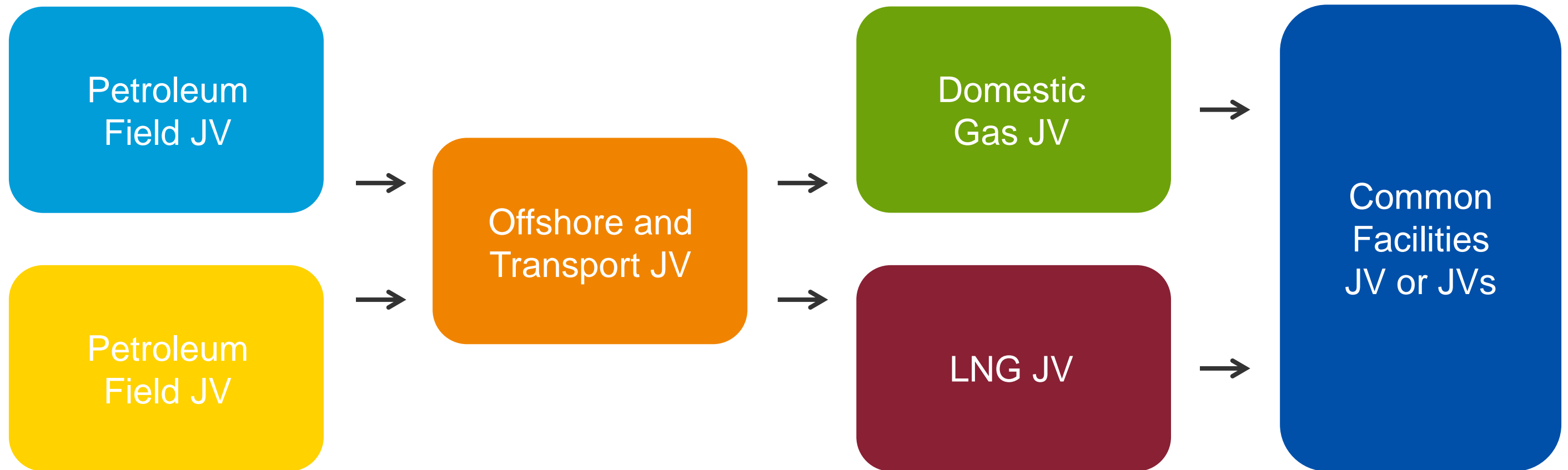
Outcome

- Red tape reduction
- Taxpayer certainty (eliminates risk / exposure to tax, penalties and interest)
- Maintains integrity of GST system
- Cost to Revenue – nil
(transactions are already revenue neutral)



Solution

Commonly Operated JVs with a Consolidated BAS



Action to Date



- Issues and solutions raised with:
 - Office of The Federal Treasurer
 - Office of The Assistant Treasurer
 - Senior members of the ATO
- Principles and background included in APPEA submission to the Tax White Paper Task Force
- Support from The Board of Taxation - registered on Sounding Board
- Engagement / dialogue progressing with Treasury

Way Forward



- Ongoing engagement with Treasury
 - More real life examples and savings detail
 - Technical work to avoid any unintended consequences
 - Prove benefits across Industry
- Engage with State and Territory Treasury's as key stakeholders
- Further engagement with The Board of Taxation
 - Vote on the Sounding Board

Support is needed to
advance this opportunity

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