



Australian Council of Social Service

21 February 2017

Michael Callaghan
Review of the PRRT,
The Treasury,
Canberra

Dear Michael,

Re: Review of the Petroleum Resource Rent Tax

We appreciate the opportunity to make this brief submission to the PRRT Review.

As you are aware, the Federal Budget is under pressure from the winding down of the mining boom and growth in expenditures especially for essential services such as health, aged care and the NDIS. Under these conditions it is vital that every tax 'pulls its weight'.

As a general principle, business income taxes should be designed to minimise harmful distortion of investment decisions. This was the motive for the introduction of a resource rent tax in lieu of royalty payments for offshore oil and gas mining: that it would raise substantial revenue in return for exploitation of non-renewable resources, without discouraging investment. However, experience with the Mineral Resources Rent Tax (MRRT) shows that unless carefully designed, they may fail to fulfil their most basic purpose: to raise public revenue.

In recent years the PRRT has failed as a tax. It is extraordinary that multi-billion dollar private revenues from offshore gas fields are likely to yield little or no public revenue from the PRRT for many years, notwithstanding the inevitable 'delays' in revenue yields from a profits-based tax. The reasons appear to include excessively generous 'uplift factors' for deductible expenses; lack of transparency in gas pricing; international profit-shifting; and the system of self-assessment.



These and other problems with the PRRT should be resolved. Further, given the wider challenges in taxing resource rents we support the Tax Justice Network's proposal for a 10% royalty to all current and future offshore oil and gas projects that are only subject to PRRT. This should be implemented in the 2017 Budget along with reforms to the PRRT. The Network's preliminary estimate is that this could raise \$4 to \$6 billion over the forward estimates. This could, for example, fund basic dental health care services for people with low incomes so that there is no longer any need for 63,000 people to be hospitalised for preventable and treatable oral conditions ¹.

Experience with the MRRT shows that it is vital that decisions on reform in this area are made in an open and transparent way - not as a 'quick fix' negotiated in private with taxpayers - and that relevant data are publicly released in a timely fashion. The Review is a good first step and we look forward to the release of your report in advance of the announcement of policy decisions by Government.

Should you require further input from ACOSS, our Senior Advisor Peter Davidson can be reached at this address. We trust that the Review will lead to positive reform in this area.

Yours sincerely,

Dr Cassandra Goldie
Chief Executive Officer, ACOSS

¹ <http://www.medianet.com.au/releases/121689/>