Community and Public Sector Union

Michael Tull ♦ Assistant National Secretary

10 February 2017

Mr. Michael Callaghan
PRRT Review
The Treasury
Langston Crescent
PARKES ACT 2600

By email: PRRTReview@treasury.gov.au

Review of the Petroleum Resource Rent Tax

Dear Mr Callaghan

As the primary union representing Australian Public Service employees, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates. Decisions around the tax system are central to our members' interests since it raises the revenue required to fund public services.

Australia is a low-taxing jurisdiction with a smaller proportion of public expenditure as a percentage of Gross Domestic Product (GDP) than comparable countries. Data from the Organisation of Economic Co-operation and Development (OECD) continually shows that Australia has one of the lowest tax to GDP ratios in the developed world. This continues to be the case.[1] The most recent MYEFO figures show that taxation revenue as a proportion of GDP in 2016-17 will continue to be below pre-Global Financial Crisis levels.[2]

Australia has a revenue problem and the public strongly supports tackling corporate tax avoidance and closing loopholes to raise the additional revenue needed to pay for quality public services. At a time of increased scrutiny of taxation arrangements and continuing pressure to ensure revenue is collected effectively, it is essential that tax regimes such as the Petroleum Resource Rent Tax do not benefit multinational corporations at the expense of the Australian people. There is a growing and widespread acceptance that Australia did not receive the full benefit it should have from the recent mining boom and this mistake should not be repeated.[3] The CPSU notes modelling that shows if Australia

[1] Organisation of Economic Co-operation and Development (2016, 30 November). *OECD Revenue Statistics 2015*. Retrieved from https://www.oecd.org/tax/revenue-statistics-australia.pdf
[2] Australian Government (2016, December). *2016-17 Mid-Year Economic and Fiscal Outlook*. Retrieved from http://www.budget.gov.au/2016-17/content/myefo/html/
[3] James Fernyhough (2015, 15 January). How Australia squandered the mining boom. *The New Daily*. Retrieved from http://thenewdaily.com.au/money/finance-news/2015/01/15/australia-squandered-mining-boom/

had used the windfall from the mining boom to create a sovereign wealth fund, it would now have a $290 billion dollar fund.[4]

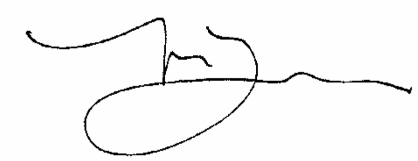
The CPSU supports the Tax Justice Network (TJN) Australia's submission to the Petroleum Resource Rent Tax Review. The TJN Australia submission highlights current problems with the Petroleum Rent Resource Tax (PRRT) including its lack of transparency and reliance on self-reporting and voluntary compliance. Furthermore, the generous uplift rates for exploration expenses have resulted in PRRT credits that are likely to prevent any significant new PRRT payments for many years to come. The CPSU supports the TJN Australia's call for much more public transparency and government scrutiny of what project expenses are entitled to uplifts.

A well resourced public service is needed to ensure greater government scrutiny which will improve compliance and deliver more accurate revenue collection. Despite increased expectations from the community that tax avoidance should be combatted, Australian Taxation Office (ATO) ongoing staffing levels have declined. Between 2013-14 and 2015-16, Average Staffing Levels at the ATO fell by over 4,000 or by nearly a quarter. The audit team, responsible for enforcing the tax compliance of multinational companies, was hit particularly hard by these cuts. While there was an increase in the 2016-17 Budget, it has not reversed the significant cuts experienced over the last few years. The ATO is not the only agency that has been under resourced, affecting revenue collection. The CPSU notes the recent ANAO audit of North West Shelf royalty revenue that found the Department of Industry only had a single person doing the royalty collection function, reporting to a supervisor, both of whom had other responsibilities within the Uranium and R&E International Branch of the Department's Resources Division.[5] These examples highlight the need for more resources for the Australian Public Service.

The CPSU endorses the TJN Australia's call for reasonable and fair reforms to the tax regimes that cover oil and gas exploration. The CPSU supports the TJN Australia's recommendations that refunds for decommissioning costs under the PRRT should be eliminated and that the Government should immediately introduce at, a minimum rate of 10%, a Commonwealth royalty on all current and future offshore oil and gas projects that are currently only subject to the PRRT. The CPSU notes that such a new royal scheme where the oil and gas industry compete on a level playing field is estimated to generate at least $4 to $6 billion over the forward estimates, a significant amount that would help address to Australia's revenue problems.

For further information, please contact Osmond Chiu, Research Officer via email Osmond.chiu@cpsu.org.au or on 0424 159 463.

Yours sincerely



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ASSISTANT NATIONAL SECRETARY

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[4] Jessica Irvine (2013, 14 April). Australian governments have blown mining boom cash, say economists. News.com.au. Retrieved from http://www.news.com.au/national/australian-governments-have-blown-mining-boom-cash-say-economists/news-story/1aeb7d4a118260593506df0b43d82e8e

[5] Australian National Audit Office (2016, 28 November). Collection of North West Shelf Royalty Revenue. Retrieved from https://www.anao.gov.au/work/performance-audit/collection-north-west-shelf-royalty-revenue