

## PRRT Changes To 'Lower Compliance Costs, Remove Inconsistencies'

Federal Resources Minister Ian Macfarlane has announced three policy changes to the petroleum resources rent tax (PRRT), directed at lowering compliance costs for PRRT taxpayers and removing inconsistencies, effective from 1 July 2008.

Macfarlane said the first change introduces a functional currency rule into the PRRT, similar to the functional currency rule in income tax. He said this will allow oil and gas producers to elect to work out their PRRT position in a foreign currency and is designed to reduce compliance costs for PRRT taxpayers.

"The second change introduces a 'look-back' rule for exploration expenditure relating to production licences derived from exploration permits and retention leases", he said. "In particular, this measure will ensure that all exploration expenditure is deductible for PRRT purposes where a production licence is derived from a retention lease on or after 1 July 2008."

"The third change refines the external petroleum provisions so they address the circumstance where two petroleum projects overlap with each other, removing an inconsistency in the PRRT. This will ensure that in all cases where a petroleum project processes petroleum sourced from another petroleum project for a tolling fee, the tolling fee received is treated as a PRRT receipt and the expenses incurred to process the petroleum are treated as a PRRT deduction."

Macfarlane said these changes are consistent with the government's track record of simplifying Australia's taxation system and will make it increasingly internationally competitive. "The government will undertake a consultation process in preparing legislation to implement these changes", he said. ■