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Oil and gas companies paying their fair share

Predictable claims today that companies in Australia's oil and gas industry are not paying their 'fair share' of tax are wrong and ignore the facts.

Over the last decade, the level of tax paid (both company tax and resource taxes) has averaged around 50 per cent of the industry's pre-tax profit. This is far higher than most other industries in Australia.

Since the 1970s the industry has paid, in today's dollars, an estimated \$250 billion in taxes and resource charges to governments across Australia.

The industry is subject to numerous taxes and resource imposts, many of which are not included in the information released today in the Australian Taxation Office's corporate tax transparency report.

As indicated in the supporting material released by the ATO, there are many factors that affect how much and when tax is paid by companies.

This is particularly important for the oil and gas industry in recent years. The industry has made unprecedented upfront investments in new capacity. The combination of major costs and very low commodity prices naturally reduces profits and therefore tax payments.

When there are no profits to tax – such as during a project's construction or early production phases - no tax is owed. Projects with significant investment costs will take many years before all of these costs are recovered and the first profits are made.

Some media reports about the petroleum resource rent tax completely miss the point that it is NOT the primary resource charge for many projects. For these projects, the main resource charges are State and Commonwealth royalties and production excise. These charges are NOT included in the ATO report.

The contribution of the oil and gas industry is more than just the taxes paid from year to year. With more than \$200 billion in new gas export projects underway, Australia will reap enduring benefits for generations to come.

More details on the level of tax paid by the industry and how key taxes operate can be found at
<http://www.appea.com.au/industry-in-depth/policy/tax-and-commercial/>

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