



Australian
Shareholders'
Association

Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

25 March 2019

The Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

TREASURY LAWS AMENDMENT (2019 PETROLEUM RESOURCE RENT TAX REFORMS NO. 1) BILL 2019

Dear Madam/Sir

The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. ASA is an independent not-for-profit organisation funded by and operating in the interests of its members, primarily individual and retail investors and self-managed superannuation fund (SMSF) trustees. ASA also represents those investors and shareholders who are not members, but follow ASA through various means, as our relevance extends to the broader investor community.

We refer to the exposure draft Treasury Laws Amendment (Petroleum Resource Rent Tax (PRRT) Reforms No. 1) Bill 2019 (exposure draft).

We are supportive of the intention for the PRRT and these reforms to achieve a fair return to the community without discouraging investment in exploration and development. However we are concerned that the reforms as proposed will to some degree be applied retrospectively, with specific reference to the differential treatment between companies that have committed exploration expenditure to onshore and offshore projects. Taxation shouldn't drive exploration and investment decisions, but expected levels of after-tax cashflows are a vital input to evaluating whether or not to commit the funds, both in terms of the companies making the exploration investment decision and shareholders of those companies deciding whether to invest in the shares of those companies. Since 2012 the PRRT has been a factor in assessing the potential after tax cashflows to projects. We would be supportive of an amendment to the PRRT legislation to grandfather provisions relating to transferability of eligible undeducted onshore exploration expenditure, with a sunset period.

For larger and longer term capital projects, associated country risk is lower in jurisdictions with clear policies and where any changes are staged or well-flagged, resulting in a lower project risk when compared with jurisdictions which retrospectively change the rules.

Please do not hesitate to contact me should you have any queries.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Fox', with a long horizontal stroke extending to the right from the top of the 'F'.

Judith Fox
Chief Executive Officer