



Resources taxation

In Australia, the Commonwealth and state and territory governments generally own, on behalf of the community, mineral and petroleum resources and impose charges on minerals extraction and petroleum production to ensure that the community receives a benefit from their development.

Charges on the extraction of resources in Australia include specific Australian and state and territory government taxes. [Government responsibilities for resources taxation](#) are divided between the Australian Government and the states/territories.

On 1 July 2012, new resource taxation arrangements came into effect. These included:

- the Minerals Resource Rent Tax - to apply to the mining of iron ore and coal in Australia
- the Petroleum Resource Rent Tax- to be extended to all Australian onshore and offshore oil and gas projects, including the North West Shelf and coal seam gas projects.

Australia's petroleum taxation

Australia's petroleum taxation arrangements are aimed at encouraging production from Australia's oil and gas reserves while providing an adequate return to the Australian community on the exploitation of their resources. Australia's arrangements are among the more competitive petroleum taxation regimes applied worldwide.

Tax	Description
Petroleum resource rent tax (PRRT)	From 1 July 2012, the Petroleum Resource Rent Tax (PRRT) will apply to all Australian onshore and offshore oil and gas projects, including the North West Shelf and coal seam gas projects. The PRRT was originally introduced by the Australian Government in 1987 to replace royalties and crude oil excise in most areas of Commonwealth waters. The PRRT is a profit based tax levied at 40 percent of net revenues (sales receipts less eligible expenditures) from a project.
	Offshore petroleum royalties currently apply to the North West Shelf (NWS) production area and state and territory waters. Royalties do not overlap with the Resource Rent

Offshore petroleum royalties	<u>Royalty</u> regime. Onshore, royalties are levied on petroleum production and are collected by the <u>states and territories</u>. The rate is generally set at approximately 10 per cent of net wellhead value of production.
Crude Oil Excise	The Australian Government applies <u>Crude Oil Excise</u> to eligible crude oil and condensate production from coastal waters, onshore areas, and the North West Shelf project area in Australian waters. The rate of excise applied depends on the annual rate of production of crude oil and condensate, the date of discovery of the petroleum reservoir and the date on which production commenced. The first 30 million barrels are excise exempt, and variable excise rates apply to annual production at different levels.
Production Sharing Contracts	Petroleum produced within the Joint Petroleum Development Area (JPDA) is subject to fiscal terms outlined in a Production Sharing Contract (PSC). PSCs are agreements between the parties to a petroleum extraction facility and the Australian and East Timorese governments regarding the percentage of production each party will receive after the participating parties have recovered a specified amount of costs and expenses.
Resources Rent Royalty (RRR)	The Australian Government excise is waived where a state introduces a <u>Resource Rent Royalty (RRR)</u> on a petroleum development within its jurisdiction and where a revenue sharing agreement is negotiated with the Australian Government. The profits based RRR regime is similar to the PRRT.

Australian Government Petroleum Revenues

The Australian Government Petroleum Revenues document ([see Related documents](#)) contains information on the amount the Australian Government has received annually from petroleum revenues.

Australia's minerals taxation

Both onshore and offshore mineral extraction is subject to mineral taxation regimes.

Tax	Description
	From 1 July 2012, the Mineral Resource Rent Tax (MRRT) will apply to the mining of iron ore and coal in Australia. Key features include:

Minerals Resource Rent Tax (MRRT)	■ The rate of the MRRT will be 30 per cent on profits made from the exploitation of Australia's iron ore and coal resources. ■ While the MRRT will apply to iron ore and coal extraction, the MRRT is a profits-based tax and only companies with profits above \$75 million will incur an MRRT liability. ■ Under the MRRT, investment and undeducted expenditure will be uplifted at the long term bond rate (LTBR) plus 7 per cent. ■ Undeducted expenditure will be transferable to other projects in Australia that produce the same commodity. ■ There will be an extraction allowance of 25 per cent before the MRRT is applied. ■ Miners may elect to use the book or market value as the starting base for project assets, which will be subject to different depreciation rates. ■ All Commonwealth and state and territory royalties will be creditable under the MRRT. ■ Unused royalty credits will be carried forwarded and uplifted by LTBR plus 7 per cent.
Onshore minerals	Onshore minerals royalties are collected by the states and territories. The royalties raised under these multiple regimes average out at 3.5 per cent of the gross value of mineral production. There is no common royalty regime in place across the states and territories. For more information about the various state and territory mineral royalty regimes see State/territory resource rent changes.
Offshore minerals	The Offshore Minerals (Royalty) Act 1981 (The Royalty Act) provides the Joint Authority, consisting of the Australian Government Minister for Resources and the relevant state/territory Minister, with the power to determine the type and rate of royalties on minerals, other than petroleum, recovered beyond the outer limits of the states' and Northern Territory's coastal waters. Pending the introduction by the states and Northern Territory of complementary royalties legislation, the various state and Northern Territory onshore mineral royalty legislatures apply to the coastal waters. Coastal waters are the first three nautical miles from the baseline for the territorial sea. In 1992, a common hybrid offshore minerals royalty system was agreed with the states and Northern Territory, consisting of an 'ad valorem' royalty of 2.5 per cent and a net income royalty of 15 per cent for all offshore minerals production in all jurisdictions. Revenue from offshore minerals royalty is, in principle, shared 60:40 in favour of the states. At this stage, there is no offshore mineral production.

Company taxation

All incorporated entities are subject to company tax. The Company Income Tax and Other Taxes document (see Related documents) presents information on the main provisions of Australia's Company Tax as it applies to the resources industry.

For more information about resources taxation see [State/territory rent changes](#), or go to the [Australian Taxation Office](#) or the [Department of The Treasury](#) websites.

Related documents

-  [Australian Government Petroleum Revenues \(PDF 125KB\)](#)
-  [Company Income Tax and Other Taxes \(PDF 40KB\)](#)