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POLITICS FEDERAL COMPANY TAX

'Staggering': $90 billion lost in resources tax

By Eryk Bagshaw
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An Oxford University expert says Australia would be $90 billion better off if it adopted European-style resource tax policies and argues the Turnbull government has given up on collecting a meaningful amount of revenue from some of its most valuable resources.

In one of a suite of new submissions to a Senate inquiry, Oxford Institute for Energy Studies academic Juan Carlos Boué warned unless Australia "radically overhauled its fiscal regime" it would have the second lowest share of government revenue from oil and gas in the world.

Australia is on track to eclipse Qatar as the largest exporter of gas by 2020, but is expected to only earn $600 million in 2018 - the same amount of revenue the government earns in beer tax every year - compared to Qatar's $26.6 billion.

Fairfax resources writer Peter Ker breaks down what's behind BHP Billiton's enormous $8.3 billion profit loss.

Calling the result "a silver medal finish that no Australian should desire," Mr Carlos Boué, a former industry consultant, found Australia had an effective tax ratio of 21 per cent on gas resources, falling below the 35 per cent or more taken by the North Sea nations of Denmark, the Netherlands, Norway and Germany.

The 30-year-old petroleum resource rent tax has been criticised for its generous uplift concessions that let companies offset the cost of exploration and claim tax credits for decommissioning plants in the future.

It has come under increasing pressure as energy prices climb by six times the average pay rise for east-coast consumers while multinationals extract record levels of liquefied natural gas for export to overseas markets.

Despite calls for reform to the tax deductions system from former Treasury secretary Ken Henry, the Tax Justice Network, Labor leaning think tank the McKell Institute and economist Ross Garnaut, Australia has been reluctant to consider an alternative royalty model of 10 per cent of all exports, on the basis that it would discourage marginal projects from getting underway.

A worker at an Exxon Mobil project. MICHELE MOSSOP

Mr Carlos Boué singled out Australia and the UK for having an alarming downward trend in petroleum and gas revenues.

Combined with the surge in petroleum and gas prices since 2000, the contrast between the tax-take of the two countries and others with large gas and oil fields "reached staggering proportions," he said.

"The belief, in the face of statistical evidence derived from official government figures, that the Australian and UK fiscal regimes are not somehow aberrant seems akin to the drunken driver's conviction that it is actually everybody else who is going the wrong way down the motorway."

Revenue from multinationals has also been hit by corporations legally transferring profits to countries with lower tax environments as research and development credits.

The inquiry will hear allegations US multinational Exxon Mobil deliberately misled the Senate by not revealing its Dutch parent company had based some of its operations in the tax havens of the Bahamas.

Exxon, which is responsible for 19 per cent of east-coast LNG demand, has denied the allegations.

"Irrespective of the domicile for any parent company of an Australian entity, it in no way impacts on the taxes paid in Australia," it said in its submission.

Tax Justice Network spokesman Jason Ward said the company earned $7.2 billion in revenue in 2016 but only a recorded an operating profit after tax of $38 million after paying interest and finance charges to related parties in unknown locations.

"Exxon, and other multinationals, particularly in the resources sector, must be required to be dramatically increase transparency and disclosure of their operations," Mr Ward said.

Resource company Shell responded to questions about its foreign operations by clearly stating it had business operations based in the tax haven of Bermuda.

Exxon said it paid over $2 billion in corporate income tax since 2000 and anticipated it would once again be a significant taxpayer once capital depreciation decreased and revenue started growing again.

Eryk Bagshaw

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