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Outdated tax ‘gives LNG away for free’ to multinationals

By **PATRICK COMMINS**, ECONOMICS CORRESPONDENT
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A failure to modify outdated gas royalty tax rules means Australia is “giving away for free” the world’s largest supply of liquefied natural gas to multinational corporate giants such as Chevron and Exxon, an expert says.

Australia has been transformed into the world’s largest exporter of LNG, with industry revenues passing $50bn a year.

Despite this boom, the government’s tax take from the industry is set to fall $450m over the four-year budget estimates, from $1.4bn annually today.

The Australian has reported the government is looking at ways to lift taxes on the gas industry as it seeks to shore up its commitment to a budget surplus in this and future years.

Josh Frydenberg at the weekend pushed back against “speculation” he was looking at making changes to the 40-year-old tax, noting his department’s review into the PRRT would not be -finalised before the May budget.

Nationals MP Matt Canavan said: “I don’t think the government would seek to increase taxes on our resources industry because higher taxes are not what our economy needs now.”

Labor resources spokesman Joel Fitzgibbon said talk of changes to the PRRT showed the government had “a secret plan for the sector and (on Friday) it was sprung”.

“Labor has a proud record of dealing with tax change proposals on merit and we’ll continue to do so, but we won’t support measures if proper consultation has not been held and they look more like industry-killing tax grabs than good policy,” he said.

Centre for International Corporate Tax Accountability and Research principal analyst Jason Ward said changing the rules around how companies were able to price the value of their gas assets was a "no-brainer".

The integrated nature of the gas industry means producers are able to apply very little value to the raw gas resource, which is targeted by the PRRT, and claim the vast bulk of the value is in the liquefaction process.

Australia recently overtook Qatar to become the largest exporter of LNG in the world. The vast majority of this LNG comes from new offshore projects off northwestern Australia, "for which Australia generates zero in PRRT", Mr Ward said.

"The PRRT was put into place a long time ago based on oil and now we have a gas industry — it's not fit for purpose. We are giving away the largest supply of LNG for free to the likes of Chevron, Exxon and Shell."

The government's Callaghan review of the PRRT, released in 2017, estimated changing transfer pricing rules in the gas industry would generate $90bn in extra tax revenue over a decade.

Santos chief executive Kevin Gallagher pointed to the Treasurer's comments that the government did not plan to hike the PRRT. He said any potential changes should be applied only to future projects.

A spokeswoman for Woodside Petroleum declined to comment.

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Patrick Commins is The Australian's economics correspondent, based in Canberra. Before joining the newspaper he worked for more than a decade at The Australian Financial Review, where he was a columnist and sen... Read more