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The petroleum resource rent tax (PRRT) and the economics of an oil and gas project

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Abstract

When thinking about the key drivers of project value, the PRRT profile of a petroleum project may not be top of mind for non-tax teams. As a 40% tax on the upstream activities of a petroleum project, however, the PRRT can significantly impact on project NPV and non-tax teams can play an important role in optimising the PRRT profile of a project. For finance and legal teams, this may be as part of the due diligence, modelling and contract negotiation phase of acquiring or disposing of an interest in a project. Operational and technical teams can play an important role in helping tax teams to understand a project so that they can apply tax technical concepts; for example, in determining the characterisation of expenditure. Properly substantiating PRRT expenditure is also of critical importance; finance, IT, commercial and operational teams should be involved in developing systems that capture the information tax teams require to be able to quantify and evidence PRRT deductions. This extended abstract focuses on the practical ways in which non-tax teams can help



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his extended abstract focuses on the practical ways in which non-tax teams can help optimise the PRRT profile and, in turn, the NPV of a petroleum project.



Carlo Franchina is the national tax lead partner for Energy and Natural Resources at KPMG. Carlo has 25 years' corporate tax experience in Australia and the UK. Carlo has extensive experience in advising on income tax, capital gains tax, and resource tax matters affecting the energy and natural resources industry in Australia. Carlo has specialist experience in advising foreign companies investing in oil and gas projects in Australia, including the provision of international tax structuring advice. Carlo has a Bachelor of Commerce from the University of Western Australia, and is a fellow of the ICA and TIA.



Ben is a tax partner with KPMG's Perth office and has over 16 years of tax and corporate advisory experience across a variety of industries, including the upstream oil and gas sector, property, funds management, and mining. Ben is also the leader of KPMG Perth's Japanese Business Practice and works with many Japanese companies based in Perth, as well as providing support to KPMG Tokyo in relation to its clients. Ben has a Bachelor of Laws and Bachelor of Commerce from the University of Western Australia. Member: ICA and TIA.

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TR 2013/D4 Petroleum resource rent tax: what does 'involved in or in connection with exploration for petroleum' mean?

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[Publishing Charges](#)

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