

1986

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

OIL COMPANIES (STOCK LOSS REIMBURSEMENT) BILL 1986

EXPLANATORY MEMORANDUM

(Circulated by authority of
the Minister representing
the Minister for Resources and Energy,
the Honourable Barry O. Jones MP)

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OUTLINE

The purpose of this Bill is to partially reimburse domestic oil companies, participating in the crude oil allocation scheme, for inventory losses arising from the sudden fall in oil prices.

The basis of the reimbursement is the stock losses (flowing from the 1 March IPP adjustment) incurred by refiners in respect of their liftings of indigenous crude oil during the month of February, which were not otherwise recouped by product sales in the period in March prior to the Prices Surveillance Authority determination of new maximum wholesale prices for petroleum products.

The crude oil allocation scheme, introduced in its original form in the late 1960's, is an arrangement between the Government, domestic crude oil producers and oil refiners which provides an assured market for indigenous crude oil. Under the present arrangements refiners are required to purchase 350,000 barrels a day of Bass Strait production together with the total production from all other oilfields. Bass Strait production in excess of 350,000 barrels a day can be sold outside the scheme, either on the domestic market or overseas.

The amount reimbursed will not be subject to income tax. However, allowable deductions for taxation purposes will be reduced by an amount equal to the amount of payment. The payment will be distributed to companies on the basis of their share of crude oil lifted under the crude oil allocation scheme.

The total amount payable is \$124,827,921.

NOTES ON CLAUSES

Clauses 1 and 2

1. The first two clauses of the Bill provide for the short title and commencement of the legislation. The Act is to come into effect on the day on which it receives Royal Assent.

Clause 3: Payments to Oil Companies

2. The payment to companies is to partially reimburse them for their inventory losses arising from the sudden fall in oil prices since the middle of January and is based on their liftings in February 1986 of indigenous crude oil under the crude oil allocation scheme. The payment takes into consideration recoupments from sales made during the period between the 1 March adjustment to crude oil prices and the Prices Surveillance Authority determination of maximum wholesale petroleum product prices on 14 March 1986.

3. The total amount payable is calculated by multiplying the total volume of indigenous crude oil lifted during February by the change in the import parity price between 1 January 1986 and 1 March 1986 and subtracting from that the value of sales made during the first two weeks of March. The payment is to be distributed to oil companies according to their market shares used for the purposes of the crude oil allocation scheme during February 1986.

Clause 4: Appropriation

4. The reimbursement will be paid out of the Consolidated Revenue Fund.

Clause 5: Application of Income Tax Assessment Act

5. The reimbursement payments to companies are deemed not to be assessable income or exempt income for the purposes of the Income Tax Assessment Act 1936.

6. Clause 5(1)(b) reduces allowable taxation deductions by an amount equal to the amount of the reimbursement thus ensuring that there will be no further taxation benefits to be derived by the recipient companies for that part of the inventory loss for which reimbursement has been paid by the Commonwealth.

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1911-12