



FACT SHEET

RESOURCE EXPLORATION REBATE

Measure description

The measure will provide a refundable tax offset at the company level, set at the prevailing company tax rate, for exploration expenditure carried out in Australia.

It will be available for exploration expenditure incurred on or after 1 July 2011. As part of this measure, the definition of exploration expenditure will be expanded to include expenditure incurred in exploring for geothermal energy.

All companies will be able to access the Resource Exploration Rebate, to avoid the complexity of defining the concept of an 'Australian small listed exploration company' in the tax law.

Rationale

In comparison to the existing deductions for exploration expenditure, a refundable tax offset provides a stronger incentive to carry out exploration.

- Expenditure incurred in exploring or prospecting for minerals, petroleum or quarry minerals can be immediately deducted, subject to the taxpayer passing certain tests. Expenditure on depreciating assets that are first used for exploration can also be written off immediately.
- For companies with little or no taxable income, the existing deductions simply add to tax losses that are carried forward and offset against future income. This timing difference erodes the net present value of the tax deduction, and in some cases the loss may not be able to be used.

This will deliver on the Government's election commitment to implement better support for resource exploration companies.

- The Resource Exploration Rebate is a simpler and more effective means of fulfilling the Government's election commitment to support the development of Australia's resource sector than a traditional flow-through shares scheme.

Key facts

There are around 4,300 companies in the resources sector who all stand to benefit from the new refundable tax offset.

Including exploration for geothermal energy is important given Geoscience Australia's preliminary analysis that suggests Australia's potential geothermal energy is roughly 1.2 billion Petajoules (equivalent to 20,000 years of Australia's primary energy use in 2005).

Indicative timeline

The Resource Exploration Rebate will be available for expenditure incurred on or after 1 July 2011.

The Government will consult on the exposure draft legislation to give effect to the rebate.