Australian Government

The Treasury

# EXPLORATION DEVELOPMENT INCENTIVE

## SUMMARY OF CONSULTATION PROCESS

The Government announced on 13 May 2014 that it would deliver its election commitment to introduce an Exploration Development Incentive to encourage investment in small exploration companies undertaking greenfields mineral exploration in Australia. The incentive will be available for three years with a review of the scheme in 2016. The cost of the incentive is capped at $100 million over the three years.

This measure was included in Tax and Superannuation Laws Amendment (2014 Measures No. 7) Bill 2014 and Excess Exploration Credit Tax Bill 2014, which were introduced into Parliament on 3 December 2014.

### Consultation process

Consultation on the policy design was conducted between 13 March 2014 and 4 April 2014. Twenty-nine submissions were received. One of these was confidential. The Government released operational details of the design in early July 2014.

Consultation on the draft legislation was conducted between 10 October 2014 and 24 October 2014. Seven submissions were received. One of these was confidential.

Submissions can be viewed on the Treasury website.

### Summary of key issues

Most submissions were strongly in favour of the Government introducing an exploration development incentive.

Some stakeholders favoured companies only providing exploration credits to new shareholders, while others argued companies should provide exploration credits to all shareholders. The Government decided that companies would be able to choose whether to provide the incentive to all shareholders or only new shareholders.

Stakeholders had a variety of views on which companies should be allowed to participate. The Government decided to confine the scheme to disclosing entities to minimise the compliance burden of the scheme without compromising its integrity.

There were also a range of views on which exploration activities the incentive should apply to, as well as whether the incentive should apply to exploration for quarry materials or petroleum. The Government decided the incentive would only apply to a narrow class of exploration activities and to exclude exploration for petroleum or quarry materials to tightly target the incentive to mineral exploration.

Most stakeholders preferred an ex-post modulation approach. Modulation involves rationing the exploration credits available under the capped scheme on the basis of the amount of exploration undertaken by each company. Ex-post modulation involves rationing the exploration credits available after the relevant exploration has taken place. The Government supported this approach in order to minimise compliance costs.

The Government accommodated concerns regarding the timing of the modulation process and brought forward publication of the limits placed on exploration credits.

Some stakeholders suggested that there should be a cap on the exploration credits each company could provide. However, the purpose of the incentive is to encourage additional greenfields mineral exploration, and the incentive effectively targets this.

Other stakeholders were concerned that the incentive would encourage further exploration on farm land, particularly in relation to exploration for coal seam gas, which may negatively impact landholders. However, the incentive does not apply to petroleum and gas (including coal seam gas). Access to land for exploration is the responsibility of the states and territories.

A number of stakeholders were concerned about the potential tax treatment of the offsets received by shareholders. The Government decided not to impose tax consequences on the receipt of exploration credits in order to simplify the incentive.

Some stakeholders also raised concerns about the size of the cap, arguing it was too small.

**Feedback**

Feedback on the consultation process for this measure can be forwarded to consultation@treasury.gov.au . Alternatively, you can contact Antony Pietsch on 02 6263 3674.

Thank you to all participants in the consultation process.