

# 2006 NEW ZEALAND PETROLEUM CONFERENCE : Putting Energy Into Exploration

Day 3 : Doing Business in  
New Zealand



# PETROLEUM INDUSTRY

- Petroleum industry desk – our role
- Compliance issues

GST

Income Tax

PAYE

# PETROLEUM INDUSTRY

## DESK : Our role

- Initiate and maintain an excellent relationship with the Petroleum Exploration and Production Association of New Zealand Inc. (PEPANZ)
- Initiate and maintain an excellent relationship with the Crown Minerals group of the Ministry of Economic Development (MED)
- Develop and maintain expertise in relation to the petroleum industry

# Our role continued...

- In consultation with PEPANZ set operational policy in relation to the industry to ensure clear, consistent and widely understood treatment
- Prepare and maintain an industry wide guide on what new entrants to the industry would like from Inland Revenue
- Identify industry taxation risk and coordinate compliance strategies to promote voluntary compliance

# Our role continued...

- Interface with Policy Advice at IRD in relation to policy and legislative issues
- Undertake proactive advisory visits in relation to all major exploration and production operations.
- Provide timely educational material to Non Resident Contractors working in the upstream activities, including links to the NRCWT web page

# Our role continued...

- Monitor and co-ordinate Service Delivery activity, especially audit activity
- Resourcing within Inland Revenue

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# **OPERATIONAL VIEWPOINTS FROM THE PERSPECTIVE OF THE INLAND REVENUE**

## **Tax Compliance Issues Facing Participants Involved in the Upstream Oil and Gas Industry**

# Compliance Issues

- GST
- Income Tax
- PAYE

## GST

- Disposal of permit interest
- Registration
- Invalid tax invoice
- GST accounted in incorrect period
- GST must be recorded in NZ\$
- Transfers between taxpayers



# Income Tax

- Income tax returns
- Location of financial records
- Some Deductibility issues
  - Interest
  - Guarantee fees
  - Sale to related parties
- Change in parent company shareholding
- Reconciliation of expenditure

# Income Tax continued...

- Exploratory well used for commercial production
- Timing for claiming deferred development expenditure
- Sale of permits/petroleum mining assets
- Distinction between off-shore and on-shore developments
- Abandonment expenditure
- Some non petroleum related issues

# Transfer Pricing (“TP”) Trends

- Increasing centralisation of services.
- Pooling of resources to regional hubs.
- Global lines of business.

# TP – Our Main Concerns

- MNEs returning losses (particularly if dealing with profitable associates).
- MNEs with parents or associates in low tax jurisdictions.
- Extraction of profits from NZ by way of excess charges.
- Our goal is to maintain our fair share.

# PAYE

- Registration of employees
- Accounting for PAYE
- Payments into an off shore bank account



# IRD Staff

- Experienced staff
- Timely responses
- Provide assistance

