

# Dwyer Lawyers

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Petroleum Resource Rent Tax Review Secretariat  
Treasury Building, Langton Crescent,  
PARKES ACT 2600

(Att: Miss Savina Radosavljevic)

Dear Sirs

## COLLECTING THE CROWN'S RENTS

I offer the following brief observations.

1. All land and natural resources are the property of the Crown.
2. To take a rent is not to impose a tax, as Governor Gipps retorted to William Charles Wentworth.
3. The object should not be to tax but to collect rent. William the Conqueror and his successors funded the English State by demanding their barons pay rent as tenants of the Crown.
4. This avoided the need to impose taxes (and all their ill effects) upon labour and industry.
5. The same principle, modernized, should be applied to petroleum and gas tenements as with any other resources held from the Crown, be they land titles, mineral tenements or spectrum or fisheries licences.
6. If that is done, Australia with its urban land values and per capita resource endowments could easily become a tax haven as it was in the 19<sup>th</sup> century when the infant colonies made their greatest progress.
7. The question of how to collect a rent from depletable resources in a neutral way has been studied by Gaffney and others. I dealt with it in a chapter of my Harvard PhD thesis on the neutrality of land value rating as applied to mineral tenements. That thesis has recently been published as *Taxation: The Lost History* and I would be

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pleased to supply the Treasury with a copy. Australian taxpayers helped fund my PhD at Harvard and I believe they deserve an occasional dividend.

8. It is not necessary for the Crown to try to work out the rent due from its resources. Treasury and Tax Office officials are not miners nor oil and gas drillers. The value of the Crown's resources can be best worked out by those who hold title to the Crown's resources as its tenants and are exploiting them.

Accordingly, I urge that –

9. The Petroleum Resource Rent Tax be abolished.
10. Each tenement or lease holder be required to declare the unimproved value of their assets. All such valuations should be placed on a public cadastral map so that all persons, including market competitors, can see them.
11. The leaseholders should then be required to remit to the Treasury a rent charge equal to 5% of the grossed up pre-tax value of that private value (a mathematical issue dealt with in my thesis) plus an annual depletion charge equal to a lump sum equivalent charge on value of the resource depreciation caused in that year by extraction (this would normally be small in a long lived field and rise as the field neared its end).
12. The Crown should have the right to purchase the tenement and improvements for the declared unimproved value plus compensation at the tax-depreciated value of structures affixed to or sunk in or on the lease or tenement. If there is any under-valuation, you may be sure someone in the market will approach the Crown as the ultimate owner to offer it a better return.
13. Such a provision would not offend the Constitutional requirement of just terms on acquisition and ensure an honest and fair rent was collected for the use of the Crown while leaving entrepreneurial profits untaxed and not discouraging productive enterprise.
14. Such a method of charging a resource rent would lead to more stable revenues to the Crown, much as land value rate is much more stable than stamp duties.

Yours faithfully

Terence Dwyer