

Mr David Boymal
Chairman
Australian Accounting Standards Board
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By email: standard@asb.com.au

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Dear David

PROPOSED INTERPRETATION 10XX AUSTRALIAN PETROLEUM RESOURCE RENT TAX

Grant Thornton Association Inc (“Grant Thornton Australia”) is pleased to comment on the Australian Accounting Standard Board's (AASB's) Proposed Interpretation 10XX Australian Petroleum Resource Rent Tax. Our response reflects our position as business advisers both to listed companies and privately held businesses, some of whom are subject to Australian Petroleum Resource Rent Tax (PRRT).

This submission has benefited from input from our clients, Grant Thornton International, and discussions with key constituents. We apologise for the delayed response which in part was due to on-going discussion with our various constituents.

We do not support the release of Proposed Interpretation 10XX

Grant Thornton Australia is not persuaded that the AASB has clearly explained why Australian PRRT should be accounted for as ‘income tax’ under AASB 112, and we have concerns that the Proposed Interpretation may continue to result in divergent practice by resource companies globally.

In particular, we note that the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) was unable to reach a consensus on whether Australian PRRT is income tax within IAS 12 (AASB 112) and instead stated that “...there is a need for judgment in determining whether some taxes are income taxes”.

Paragraph BC 10 of the Proposed Interpretation states that the AASB itself “...noted that AASB 112 does not clearly define the boundaries of what is considered to be ‘taxable profit’ and therefore ‘income tax’”.

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Paragraphs BC 12 and BC 14 acknowledge that Australian PRRT has different characteristics to 'income tax' in AASB 112, and paragraph BC 15 notes that the relationship between Australian PPRT and the income tax model in AASB 112 "...might not be easily explained". On that basis we do not believe that a persuasive case has been made out, contrary to the assertion in paragraph BC 15 that "...this does not provide sufficient supporting evidence to suggest that Australian PPRT is not an income tax."

Grant Thornton Australian is of the view that if the AASB wishes to issue an Interpretation on AASB 112 Income Tax, then it needs to fully examine the implications of all taxes levied on Australian companies. It is contrary to the AASB's own due process to issue a limited Interpretation when it acknowledges in BC 17 that..."The Board has not considered whether other tax or royalty regimes, that exist in Australia or internationally, are income taxes." Instead the AASB should carefully consider its own statement in paragraph BC 17 that "...AASB 108 must be consulted when determining whether other taxes or royalties are income taxes".

Given the AASB's own reasoning in paragraph BC 17, Grant Thornton is of the view that the Proposed Interpretation is inconsistent with the principles based framework of IFRS, and therefore we do not support the issue of the Proposed Interpretation. Instead we believe that the current disclosures made by Australian resource companies where the accounting policy adopted and the financial impact of that policy is disclosed, is sufficient to endure that there is no confusion for readers of the financial statements, and hence in this instance, diversity in practice is not an issue in a principles based accounting framework.

If you require any further information or explanations, please contact me.

Yours sincerely
GRANT THORNTON ASSOCIATION INC



KEITH REILLY
National Head of Professional Standards