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## **GST Joint Ventures in the energy and resource industry**

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### **Relying on this Guideline**

This Practical Compliance Guideline outlines a practical administration approach to assist taxpayers in complying with relevant taxation laws. Provided you follow this guideline in good faith, the Commissioner will administer the law in accordance with this approach.

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### **What this Guideline is about**

1. This Guideline provides a practical compliance approach to the GST treatment of supplies made between two GST joint ventures with common participants, as well as supplies made involving a GST joint venture where the supplier is a participant in that GST joint venture. This Guideline is intended to provide greater certainty and compliance cost savings for those who choose to follow it in the circumstances outlined. It has been developed with the assistance of relevant industry stakeholders.

### **Date of effect**

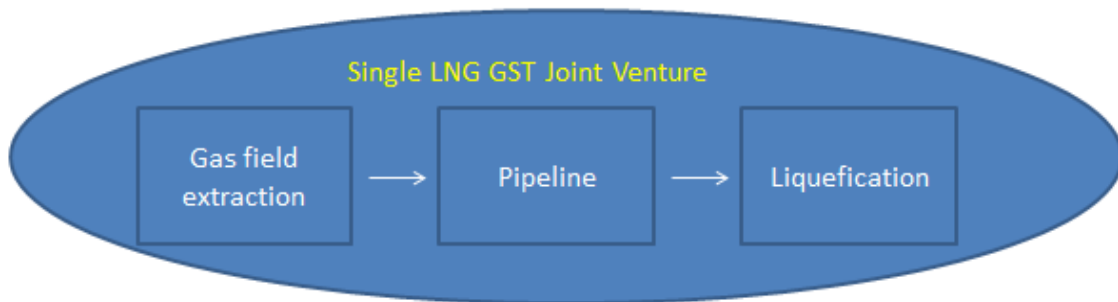
2. This Guideline may be relied on either before or after its publication.
3. This Guideline will be reviewed in accordance with the ATO's standard review process to ensure the currency and relevance of the content, and that the content maintains alignment with Australian GST requirements and industry practice.
4. It is envisaged that the approach in this Guideline will be incorporated into the ATO's GST energy and resource industry compliance strategy.

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## GST Joint Venture arrangements

5. Large Liquefied Natural Gas (LNG) projects are generally undertaken using a joint venture structure, where one entity (that may or may not also be a participant) is appointed as joint venture operator (operator) of the joint venture on behalf of the participants. Typically the operator conducts all phases of the project, as shown in Diagram 1.

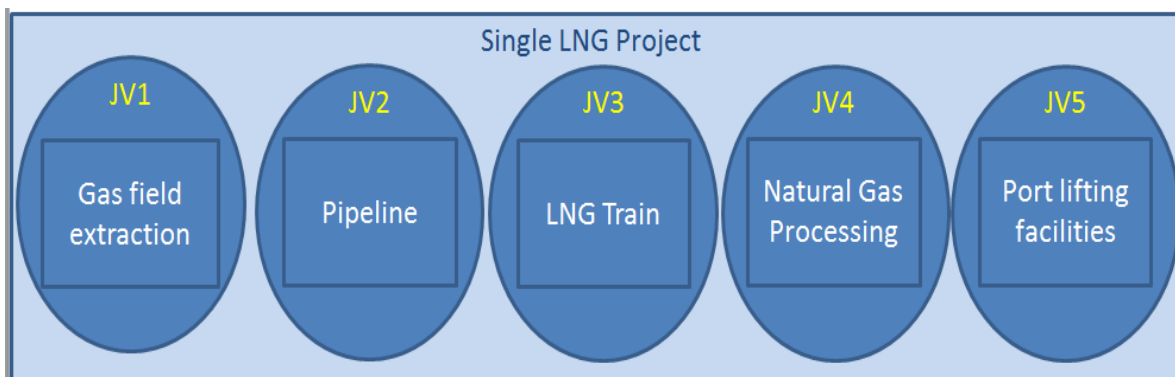
**Diagram 1: An example of a common LNG joint venture structure**



*An example of a common LNG joint venture structure in which an operator conducts all phases – examples provided are gas field extraction to pipeline and liquefaction.*

6. In recent years, models adopted for LNG projects world-wide often include a 'hub' structure involving multiple joint ventures. The operators and participants are commonly involved in more than one joint venture. Unlike the structure shown in Diagram 1, each joint venture in the hub structure typically conducts a different phase of the project (see Diagram 2).

**Diagram 2: An example of an LNG project adopting a hub structure**



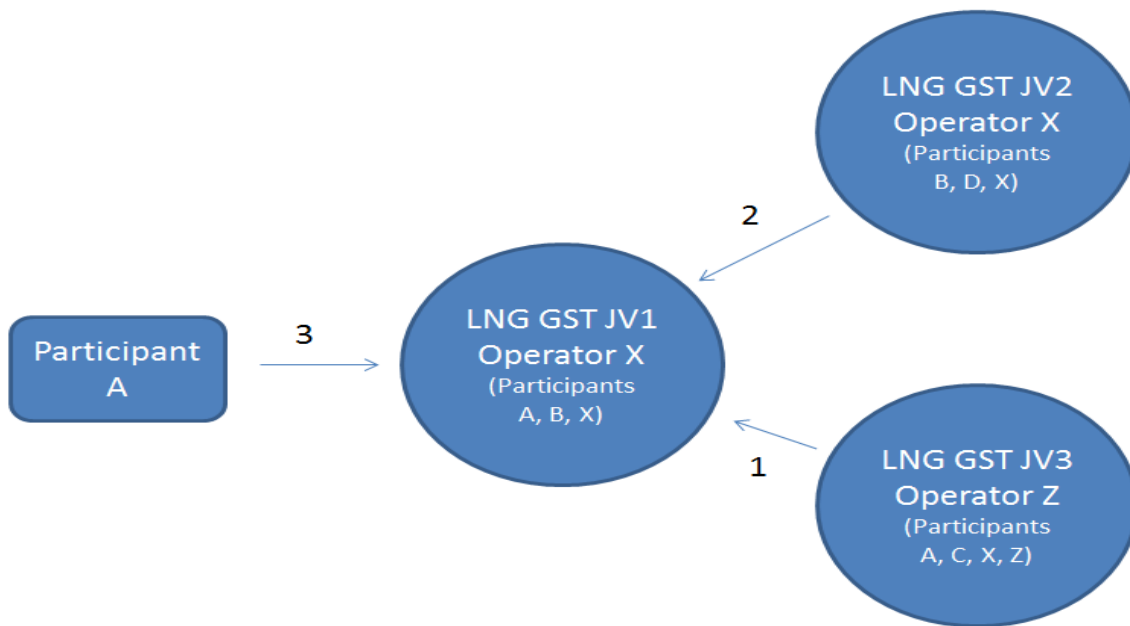
*An example of an LNG project which has adopted a hub structure, where a separate joint venture conducts each of five phases – gas field extraction, pipeline, LNG train, natural gas processing and port lifting facilities.*

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## Practical compliance approach

7. The practical approaches set out below relate to the example arrangements and transactions shown in Diagram 3.

**Diagram 3: Example arrangements**



*An example arrangement in which taxable goods or services are supplied from LNG GST JV3 (which has participants A, C, X and Z and is operated by Operator Z), LNG GST JV2 (which has participants B, D and X and is operated by Operator X) and LNG GST JV1 (which has participants A, B and X and is operated by Operator X).*

### Scenario 1 – two participants each hold interests in two GST joint ventures

8. Participants A and X each hold interests in two GST joint ventures (LNG GST JV1 and LNG GST JV3). Business activity may result in one of these GST joint ventures supplying taxable goods or services to the other GST joint venture.
9. The supplies made between LNG GST JV1 and LNG GST JV3 may be treated as fully taxable despite the fact that Participants A and X hold interests in both joint ventures. That is, the GST liability of the operator is not reduced to reflect the interests that Participants A and X hold in both joint ventures.
10. Therefore, if LNG GST JV3 makes a taxable supply to LNG GST JV1, then Operator Z may treat the supply as fully taxable.
11. If Operator Z adopts this treatment, then Operator X, as the operator of LNG GST JV1, is entitled to claim a full input tax credit provided that tax invoice requirements are met.

### Scenario 2 – two GST joint ventures have the same operator

12. Operator X is the operator for two separate GST joint ventures (LNG GST JV1 and LNG GST JV2). Each GST joint venture may make a supply of taxable goods or services to the other GST joint venture.
13. For example, LNG GST JV2 may make a supply to LNG GST JV1, where there are some participants common to both GST joint ventures.

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14. Operator X, as the operator for LNG GST JV2, may treat the supply from LNG GST JV2 to LNG GST JV1 as fully taxable, even though there are participants (B and X) with interests in both GST joint ventures and even though both GST joint ventures have the same operator. Even if the participants and their interests in LNG GST JV1 and LNG GST JV2 are identical, the supply may still be treated as fully taxable.

15. If the supply is treated as fully taxable, then Operator X, as the operator for LNG GST JV1, will be entitled to claim a full input tax credit provided that tax invoice requirements are met.

16. Where Operator X elects to consolidate the GST joint venture returns for the two GST joint ventures, both the GST liability and the input tax credit entitlement related to the taxable supply must be accounted for in the same return.

### **Scenario 3 – the supplier is also a participant in a GST joint venture**

17. Participant A holds an interest in a GST joint venture (LNG GST JV1). Business activity may result in Participant A making a supply of taxable goods or services to an operator of the joint venture in which it holds an interest as a participant.

18. For example, Participant A, in its capacity as an individual entity, makes a taxable supply to LNG GST JV1. The operator of LNG GST JV1 is Operator X.

19. The taxable supply made by Participant A may be treated as fully taxable despite the interest that Participant A holds in LNG GST JV1.

20. If Participant A treats the supply as fully taxable, Operator X is entitled to claim a full input tax credit, provided that tax invoice requirements are met.

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**Commissioner of Taxation**

5 May 2016

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### **References**

ATOlaw topic(s)	Goods and services tax ~~ Other GST topics (A to M) ~~ Joint ventures ~~ Other Goods and services tax ~~ Other GST topics (A to M) ~~ Mining and energy
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