Underlifts/overlifts within a GST Joint venture -

Mining and Energy Industry Partnership

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Underlifts/overlifts within a GST joint venture

Background

1. Typically, the participants in a GST joint venture produce and share product (for example, iron ore, petroleum) in accordance with an agreed equity ratio.

2. As an example, petroleum that is produced within a GST joint venture is marketed individually by the joint venture participants.

'Lifts'

3. To facilitate a normal commercial sale, it is necessary for individual participants to 'lift' a saleable quantity of petroleum. This quantity may range from a relatively small amount (a number of thousand barrels via a road tanker) to a large amount (many hundreds of thousands of barrels by ship). For any single period, it may be commercially impractical for each party to 'lift' their share of petroleum as specified in the joint venture arrangement.

Are 'lifts' taxable supplies

4. Provided that, over the longer term, the 'lifts' of each party to the GST joint venture equate to their share as specified in the Joint venture agreement, our view is that unequal individual product 'lifts' do not constitute supplies for GST purposes.

5. This is because we consider that, over the longer period, these unequal product 'lifts' are simply a means of allowing the product of the GST joint venture to be shared in the proportions set out in the agreement.