



Timor Sea Treaty - Joint Petroleum Development Area instructions 2018

- <https://www.ato.gov.au/Forms/Timor-Sea-Treaty---Joint-Petroleum-Development-Area-instructions-2018/>
- Last modified: 31 May 2018
- QC 55257

Timor Sea Treaty – Joint Petroleum Development Area instructions 2018

Who should use these instructions?

Use these instructions if you have earned income for performing work or services in the Joint Petroleum Development Area (JPDA) as defined in the Timor Sea Treaty (the treaty).

To ensure you fill in your tax return correctly, either use these instructions yourself or give them to your registered tax agent.

Background

The treaty was signed on 20 May 2002 and applies from that date.

The treaty is an agreement between Australia and Timor-Leste (formerly East Timor) which creates the JPDA. It provides the framework for how the petroleum resources within the JPDA are to be shared. The treaty grants 90% of the petroleum resources to Timor-Leste and 10% to Australia.

Source of income

The treaty specifies that for the purposes of the tax laws of Australia and Timor-Leste, the JPDA is deemed to be part of Australia and Timor-Leste. Therefore, income derived from working in the JPDA is sourced in both Australia and Timor-Leste.

The effect of the treaty is that:

- Australian residents are taxed on their total JPDA income at resident rates of tax, with a foreign income tax offset allowed for the lesser of the
 - Australian tax payable on the net assessable JPDA income (see note), and
 - tax paid to Timor-Leste
- residents of Timor-Leste are taxed on 10% of their net assessable JPDA income (see note) at foreign resident rates of tax
- residents of countries other than Australia and Timor-Leste are taxed on their total JPDA income at foreign resident rates of tax, with a tax offset allowed equal to 90% of the Australian tax payable on their net assessable JPDA income (see note).

Note: Net assessable JPDA income is assessable JPDA income less allowable deductions relating to that income.

Residency status

Residency status is determined by the laws of each country.

Generally, we consider you to be an Australian resident for tax purposes if you have:

- always lived in Australia or you have come to Australia and live here permanently, or
- been in Australia for more than six months during the income year (unless your usual home is overseas and you do not intend to live in Australia).

The standards we use to determine residency status are not the same as those used by the Department of Immigration and Border Protection.

In limited circumstances you may be considered to be a resident of both Australia and Timor-Leste. The treaty contains rules to determine the country in which you are a resident solely for the purposes of the treaty.

If you are not sure of your residency status, see [Work out your residency status for tax purposes](#) or phone 13 28 61.

Zone tax offset

The JPDA does not qualify as a remote or isolated area of Australia for purposes of the zone tax offset.

Completing your Australian tax return

- <https://www.ato.gov.au/Forms/Timor-Sea-Treaty---Joint-Petroleum-Development-Area-instructions-2018/?page=2>

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Complete your tax return by following these instructions.

Step 1	Complete the Schedule of additional information – item 20 Joint Petroleum Development Area .
Step 2	If you are completing a paper tax return you will need to refer to Individual tax return instructions 2018 and Individual tax return instructions supplement 2018 , and attach your completed schedule to page 3 of your tax return. Print X in the Yes box at Taxpayer’s declaration question 2 on page 10 of your tax return.
Step 3	<p>Read the instructions below and go to the parts that apply to you:</p> <p>If you printed X in the A box on the schedule of additional information, go to Part 1 – Australian Resident.</p> <p>If you printed X in the B box on the schedule of additional information, go to Part 2 – Resident of Timor-Leste.</p> <p>If you printed X in the C box on the schedule of additional information, go to Part 3 – Resident of another country.</p> <p>If you printed X in the D box on the schedule of additional information you may need to apportion your JPDA income and complete more than one part. You will need to follow the instructions in:</p> <p>Part 1 for the period that you were an Australian resident</p> <p>Part 2 for the period that you were a resident of Timor-Leste</p> <p>Part 3 for the period that you were a resident of another country.</p>

Part 1 – Australian Resident

Use this part if you were an Australian resident for tax purposes during 2017–18.

What you need

- You will need details of your JPDA income and any foreign tax paid from your *PAYG payment summary – foreign employment* for 2017–18, or a letter from your employer.
- If you are completing a paper tax return, you will need [Individual tax return instructions 2018](#) and [Individual tax return instructions supplement 2018](#). To find out how to get copies, see [More information](#).

You need to know

You are taxed on your net assessable JPDA income at resident rates of tax with a foreign income tax offset allowed for the lesser of the:

- Australian tax payable on your net assessable JPDA income
- tax paid to Timor-Leste.

What you need to do

Use worksheets 1 and 2 to complete the following items on your tax return:

- item 1 Salary or wages, for income
- items D1 to D5, for deductions for work-related expenses
- U Net foreign employment income and O Foreign income tax offset item 20 (in the supplementary section), for foreign source income and foreign assets or property.

Follow these steps to complete your tax return.

Step 1	If you have a <i>payment summary</i> that includes JPDA income, complete worksheet 1 . This shows you how to deal with your JPDA income and deductions.
Step 2	Complete all parts of your tax return except: <ul style="list-style-type: none"> • item 20 (supplementary section) • Total supplement tax offsets (supplementary section) • item T (Tax return for individuals) • Total tax offsets (Tax return for individuals).
Step 3	Complete worksheet 2 . This shows you how to work out your foreign income tax offset for your net assessable JPDA income. In the course of completing worksheet 2, you will complete O item 20 on your tax return (supplementary section).
Step 4	Complete the remainder of your tax return.

Example 1 will help you fill in worksheets 1 and 2.

Example 1

Jose, a driller, lived in Darwin (zone A) when he was not at a drilling site. For 8 months of the income year he worked in the JPDA. Jose received a *PAYG payment summary – individual non-business* which showed \$74,000 gross salary and wages and Australian PAYG tax withheld of \$26,260. He received a separate *PAYG payment summary – foreign employment* that showed gross salary and wages of \$96,000 relating to his period in the JPDA and that, in addition to the \$12,152 Australian tax withheld, \$17,280 tax had been withheld and paid to Timor-Leste. The amount paid to Timor-Leste was shown on the payment summary at the 'foreign tax paid' label.

Jose had work-related expenses of \$700 of which \$500 related to his work while in the JPDA. He had no other income or deductions. Jose's taxable income is therefore \$169,300. Jose had no dependants. He had appropriate hospital cover for the whole year and was not liable to pay Medicare levy surcharge. He is entitled to a zone offset of \$338 as he lived in Darwin for more than 183 days.

Worksheet 1 – Jose

Row	Calculation elements	Amount
a	Total gross JPDA income included on PAYG payment summaries Include this amount at item 1 on the tax return.	\$96,000
b	Total work-related expenses directly related to JPDA income (see note) Include this amount at the appropriate items in D1 to D5 on the tax return.	\$500
c	Take row b away from row a. Include the amount at row c at U item 20. This is the amount of net assessable JPDA income.	\$95,500

Worksheet 2 – Jose

Row	Calculation elements	Amount
a	Taxable income as shown on tax return	\$169,300
b	Tax (see note) on taxable income using our rates and calculators	\$53,659
c	Net assessable JPDA income (the amount at (c) in worksheet 1 shown at U item 20).	\$95,500
d	Take row c away from row a.	\$73,800
e	Tax (see note) on row d.	\$17,008
f	Take row e away from row b.	\$36,651
g	Tax paid to Timor-Leste on JPDA income as advised by payer	\$17,280

Note: This includes any Medicare levy and Medicare levy surcharge payable

Jose's foreign income tax offset is:

- if the amount at row g does not exceed \$1,000, the amount at row g
- if the amount at row f is greater than or equal to the amount at row g, the amount at row g

- if the amount at row f is less than the amount at row g, the amount at row f.

Jose includes his foreign income tax offset at O item 20 on his tax return (supplementary section).

Jose will receive a refund of \$2,371.

This is \$53,659 (tax and Medicare levy payable)

minus \$338 (zone tax offset)

minus \$17,280 (foreign income tax offset)

minus \$38,412 (\$26,260 + \$12,152 Australian tax withheld).

If Jose had worked in Australia for the full year and had the same income and deductions, he would have completed the tax return differently and had a different PAYG Australian tax withheld amount, but his refund would have been the same.

Calculations are based on monthly payments.

Worksheet 1: Net assessable JPDA income subject to tax in Australia and Timor-Leste

If you have more than one *PAYG payment summary – foreign employment* or *PAYG payment summary – individual non-business* showing JPDA income, you should add them together to obtain a total gross JPDA income figure.

Worksheet 1

Row	Calculation elements	Amount
a	Total gross JPDA income included on your PAYG payment summaries Include this amount at item 1 on your tax return.	\$
b	Total work-related expenses directly related to your JPDA income (see note) Include this amount at the appropriate items in D1 to D5 on your tax return.	\$
c	Take row b away from row a. Include the amount at row c at U item 20. This is the amount of your net assessable JPDA income.	\$

Note: Work-related expenses are explained at questions D1 to D5 in [Individual tax return instructions 2018](#).

Did you have work-related expenses?

If you had work-related expenses relating to your JPDA income (that is, you showed an amount at b in [worksheet 1](#)), then complete items D1 to D5 on your tax return.

These items deal with deductions for work-related expenses as follows:

- D1 car
- D2 travel
- D3 clothing
- D4 self-education
- D5 others.

Completing worksheet 2

You cannot use worksheet 2 if you have:

- exempt foreign employment income
- other foreign income
- unapplied foreign losses from prior years
- other foreign income tax offsets available.

If any of the above apply, read [Guide to foreign income tax offset rules 2018](#).

Worksheet 2: Foreign income tax offset calculation

Worksheet 2

Row	Calculation elements	Amount
a	Your taxable income as shown on your tax return	\$
b	Tax (see note) on your taxable income using our rates and calculators	\$
c	Your net assessable JPDA income (the amount at row c in worksheet 1 shown at U item 20)	\$
d	Take row c away from row a.	\$
e	Tax (see note) on row d	\$
f	Take row e away from row b.	\$
g	Tax paid to Timor-Leste on your JPDA income as advised by your payer	\$

Note: This includes any Medicare levy and Medicare levy surcharge payable

Your foreign income tax offset is:

- if the amount at row g does not exceed \$1,000, the amount at row g
- if the amount at row f is greater than or equal to the amount at row g, the amount at row g
- if the amount at row f is less than the amount at row g, the amount at row f.

Include your foreign income tax offset at O item 20 on your tax return (supplementary section).

If you printed X in the D box on the Schedule of additional information, go to [Part 2 – Resident of Timor-Leste](#). Otherwise, go to [Check that you have...](#)

Part 2 – Resident of Timor-Leste

Use this part if you were a resident of Timor-Leste for tax purposes during 2017–18. Otherwise, go to [Part 3 – Resident of another country](#).

What you need

- You will need details of your JPDA income from your *PAYG payment summary – foreign employment*
- If you are completing a paper tax return, you will need [Individual tax return instructions 2018](#) and [Individual tax return instructions supplement 2018](#). To find out how to get copies, see [More information](#).

You need to know

A proportion of 10% of your income earned for work or services performed in the JPDA is taxed in Australia. Your payer should have deducted Australian tax at the minimum rate of 32.5% on 10% of your JPDA income.

When completing items D1 to D5, you show only 10% of your expenses relating to your work in the JPDA.

What you need to do

Before you start on item 1 on your tax return, complete worksheet 3. First, add up the gross amounts shown on all your payment summaries that are JPDA income. Example 2 below has been provided to help you fill in worksheet 3.

Example 2

Peter, a labourer, was a resident of Timor-Leste for the whole year. His *PAYG payment summary – foreign employment* shows a gross payment of \$200,000 and Australian PAYG tax withheld of \$6,500. His sole source of income was from the JPDA. Peter had work-related expenses of \$200.

Peter will claim \$20 (that is, 10% of \$200) as his work-related expenses at D5 Other work-related expenses on his tax return.

Peter's taxable income is \$19,980. His Australian tax payable is \$6,493.50. Therefore, he will receive a tax refund of \$6.50, that is, \$6,493.50 (tax

payable) minus \$6,500 (tax withheld).

Peter uses worksheet 3.

Worksheet 3 – Peter

Row	Calculation elements	Amount
a	Total gross JPDA income included on your payment summary	\$200,000
b	Divide a by 10.	\$20,000

Worksheet 3: assessable JPDA income for resident of Timor-Leste

Worksheet 3

Row	Calculation elements	Amount
a	Total gross JPDA income included on your payment summary	\$
b	Divide a by 10.	\$

Include the amount at row b at item 1 on your tax return.

Include 10% of any work-related expenses that relate to your JPDA income at items D1 to D5.

If you printed X in the D box on the schedule of additional information, go to [Part 3 – Resident of another country](#). Otherwise, go to [Check that you have...](#)

Part 3 – Resident of another country

Use this part if you were a resident of a country other than Australia or Timor-Leste for tax purposes during 2017–18.

What you need

- You will need details of your JPDA income from your *PAYG payment summary – foreign employment*
- If you are completing a paper tax return, you will need [Individual tax return instructions 2018](#) and [Individual tax return instructions supplement 2018](#). To find out how to get copies, see [More information](#).

You need to know

Your net income earned in the JPDA is taxed in Australia. You can claim a tax offset of 90% of Australian tax payable on that income. Your payer should have withheld 10% of the applicable Australian tax on your JPDA income.

What you need to do

Show all your Australian income (including all JPDA income) and deductions as instructed by [Individual tax return instructions 2018](#). Use [worksheet 4](#) or [worksheet 5](#) to calculate your tax offset.

Use worksheet 4 if the only Australian income you had was JPDA income; otherwise, use worksheet 5. If you are using worksheet 5, [example 3](#) will assist you.

Worksheet 4: JPDA tax offset for foreign residents whose only Australian income is JPDA income

Worksheet 4

Row	Calculation elements	Amount
a	Your taxable income as shown on your tax return	\$
b	Calculate your tax using the rates and calculators .	\$
c	Multiply row b by 90.	\$
d	Divide row c by 100.	\$

The amount at row d is your JPDA tax offset. Include this amount at C item T10 Other non-refundable tax offsets on your tax return (supplementary section).

Example 3

Gavin, a chef, was a resident of Malaysia for the whole year. His Australian assessable income was \$80,000, of which \$70,000 was JPDA income. He paid \$100 for work-related expenses related to earning his JPDA income but had no other allowable deductions. He had no other amount to show at item T10. Gavin uses worksheet 5 below to calculate his JPDA tax offset.

Worksheet 5 – Gavin

Row	Calculation elements	Amount
a	Your taxable income as shown on your tax return	\$79,900

b	Calculate your tax using the rates and calculators	\$25,967.50
c	Divide row b by row a (round to 3 decimal places).	0.325
d	Net JPDA income (after any allowable deductions relating to JPDA income)	\$69,900
e	Multiply row c by row d.	\$22,717.50
f	Multiply row e by 90.	\$2,044,575.00
g	Divide row f by 100.	\$20,445.75

Gavin's JPDA tax offset is \$20,445. He transfers this amount to C item T10 on his tax return (supplementary section) and prints H in the CLAIM TYPE box at the right of C.

Worksheet 5: JPDA tax offset for foreign residents who have JPDA income and other Australian income

Worksheet 5

Row	Calculation elements	Amount
a	Your taxable income as shown on your tax return	\$
b	Calculate your tax using the rates and calculators .	\$
c	Divide row b by row a (round to 3 decimal places).	
d	Net JPDA income (after any allowable deductions relating to JPDA income)	\$
e	Multiply row c by row d.	\$
f	Multiply row e by 90.	\$
g	Divide row f by 100.	\$

The amount at row g is your JPDA offset. Include this amount at C item T10 Other non-refundable tax offsets on your tax return (supplementary section).

Check that you have...

- <https://www.ato.gov.au/Forms/Timor-Sea-Treaty---Joint-Petroleum-Development-Area-instructions-2018/?page=3>
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- completed the items on your tax return as shown in the relevant parts
- attached your completed *Schedule of additional information: Item 20 Joint Petroleum Development Area* to page 3 of your tax return
- printed X in the Yes box at Taxpayer's declaration question 2 on page 10 of your tax return.

More information

- <https://www.ato.gov.au/Forms/Timor-Sea-Treaty---Joint-Petroleum-Development-Area-instructions-2018/?page=4>
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Publications

- [Guide to foreign income tax offset rules 2018](#)
- [Individual tax return instructions 2018](#)
- [Individual tax return instructions supplement 2018](#)
- [Private ruling application form](#)
- [Schedule 10 – Tax table for Joint Petroleum Development Area](#) (NAT 7288).
This explains how your employer calculates the tax to be withheld and paid to Australia.

To get copies of publications referred to in this guide:

- go to ato.gov.au/publications
- phone 1300 720 092.

Phone

- 13 28 61
Individual income tax and general personal tax enquiries

Completing the schedule

- <https://www.ato.gov.au/Forms/Timor-Sea-Treaty---Joint-Petroleum-Development-Area-instructions-2018/?page=5>

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1. Determine your residency for tax purposes (see [Residency status](#)) for the periods during 2017–18 when you were in the JPDA, then complete this schedule.
 2. Print and complete this schedule.
 3. Attach the completed schedule to page 3 of your tax return.
 4. Print X in the Yes box at Taxpayer’s declaration question 2 on page 10 of your tax return.

Schedule of additional information: Item 20 Joint Petroleum Development Area
 I declare that I worked in the Joint Petroleum Development Area.

Name: _____

Tax file number: _____

Choose from the following:

1. I was an Australian resident for the whole year 2017–18.
2. I was a resident of Timor-Leste for the whole year 2017–18.
3. I was a resident of a country other than Australia or Timor-Leste for the whole year 2017–18.
4. I changed my country of residence during 2017–18.
 (Provide the dates that cover the period in each country.)

Dates (day, month, year)	Country
01 / 07 / 2017 to ____ / ____ / 20____	_____
____ / ____ / 20____ to ____ / ____ / 20____	_____
____ / ____ / 20____ to ____ / ____ / 20____	_____
____ / ____ / 20____ to ____ / ____ / 20____	_____

Signed: _____

How self-assessment affects you

- <https://www.ato.gov.au/Forms/Timor-Sea-Treaty---Joint-Petroleum-Development-Area-instructions-2018/?page=6>
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Self-assessment means we use the information you give on your tax return and any related schedules and forms to work out your refund or tax liability. We do not take any responsibility for checking the accuracy of the details you provide, although our system automatically checks the arithmetic.

Although we do not check the accuracy of your tax return at the time of processing, at a later date we may examine the details more thoroughly by reviewing specific

parts, or by conducting an audit of your tax affairs. We also have a number of audit programs that are designed to continually check for missing, inaccurate or incomplete information.

What are your responsibilities?

It is your responsibility to lodge a tax return that is signed, complete and correct. Even if someone else, including a tax agent, helps you to prepare your tax return and any related schedules, you are still legally responsible for the accuracy of your information.

What if you lodge an incorrect tax return?

If you become aware that your tax return is incorrect, you must contact us straight away.

Initiatives to complement self-assessment

There are a number of systems and entitlements that complement self-assessment, including:

- the private ruling system
- the amendment system (if you find you have left something out of your tax return)
- your entitlement to interest on early payment or over-payment of a tax debt.

Do you need to ask for a private ruling?

If you are uncertain about how a tax law applies to your personal tax affairs, you can ask for a private ruling. To do this, complete a [Private ruling application form](#), or contact us.

Lodge your tax return by the due date, even if you are waiting for a response to your application. You may need to request an amendment to your tax return once you have received the private ruling.

We publish all private rulings at ato.gov.au/rba

Before we publish them we edit the text to remove any information that would identify you.

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to

you, contact us or seek professional advice.

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