

Discovered Small fields

Indian Taxation Regime for E&P sector

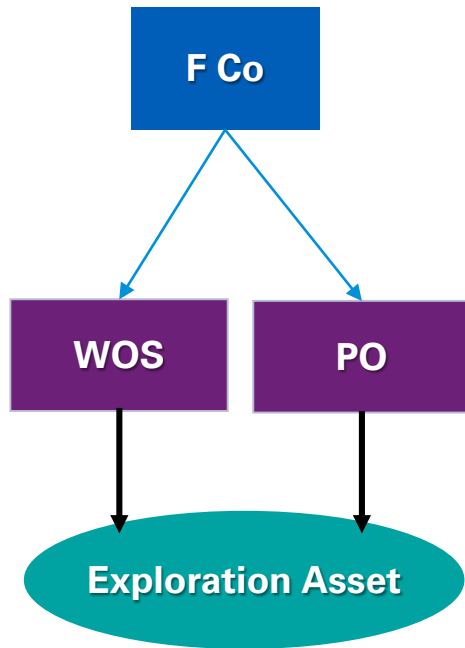
26 April 2017



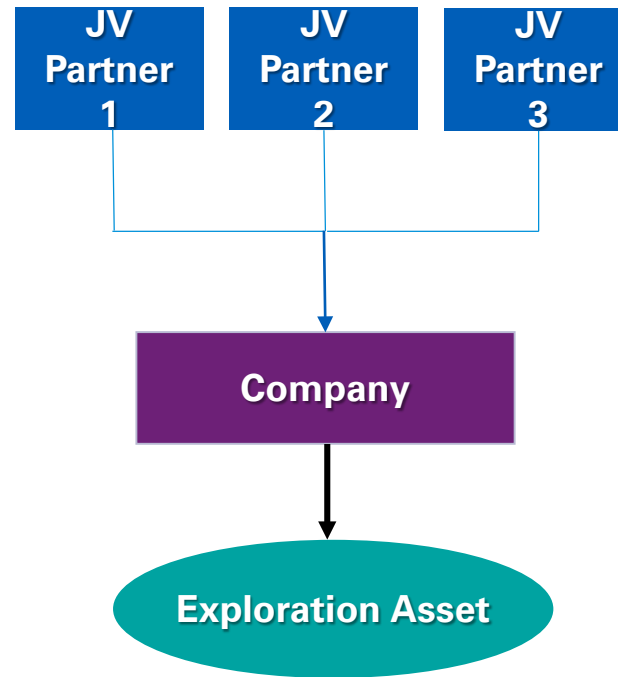
Direct Tax & Regulatory framework

Operating Structure Analysis

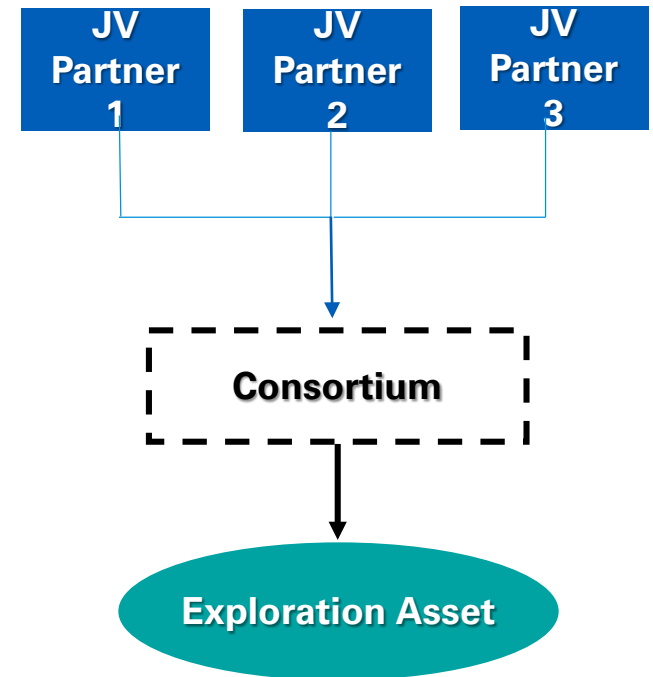
Investment through Wholly owned subsidiary or Project office



Incorporated Joint Venture



Unincorporated Joint Venture



Taxability of Operating Structures

1. Taxability of Indian companies / Indian joint venture

Company	Income- tax on net profits	MAT on book profits	Tax on profit distribution
Indian company / Indian joint venture	34.61%*	21.34%*	20.36%

2. Taxability of foreign companies

Company	Income- tax on net profits	MAT on book profits	Tax on profit distribution
Foreign company having a PE in India	43.26%*	20.01%*	NIL

- Foreign company can claim tax treaty benefits, including credit for taxes paid

3. Tax on unincorporated joint venture

- Section 293A of the Income-tax Act, 1961 – Each JV member to be taxed on its own share of income
- Each member to maintain separate books to account for their share of revenue

*Maximum rate including surcharge and cess

Tax Deductions

- **Exploratory & Drilling Expenditure 100% deductible (applicable for Indian and foreign companies) incurred before / after commercial production, including:**
 - Abortive or Infructuous expenditure for area surrendered
 - Developmental drilling eligible
 - Expenditure incurred for acquisition / use of facilities for exploration
 - Capital expenditure in relation to above also eligible
- **Depreciation allowed**
 - at prescribed rates on assets owned by the Company
 - additional depreciation in respect of any new machinery and plant* - @20% / 35%** of actual cost under section 32(1)(iia) of the Income-tax Act, 1961
 - Oil well – Depreciation at 15% - Notification No. 13 of 2016
- Contributions to Specified Bank account towards **Site Restoration Costs** eligible for 100% tax deduction upto maximum of 20% of profits
- **Weighted deduction** equal to one and half times[#] the expenditure incurred in respect of expenditure incurred on in-house research and development facility as approved by prescribed authority under section 35(2AB) of the Income-tax Act, 1961
- No tax holiday available section 80 of the Income-tax Act, 1961

* Other than Ships and aircraft, office appliances, computer, vehicle etc.

**In case investment made in notified backward areas in the States of West Bengal, Andhra Pradesh, Bihar and Telangana

100% from FY 2020-21

Other relevant provisions

Taxation of foreign service providers:

- **Presumptive taxation @ 4.326%* of gross receipts** for Non-Residents engaged in business of:
 - Providing services / facilities; or;
 - Supplying plant & machinery on hire for prospecting / extraction / production of Mineral Oils.

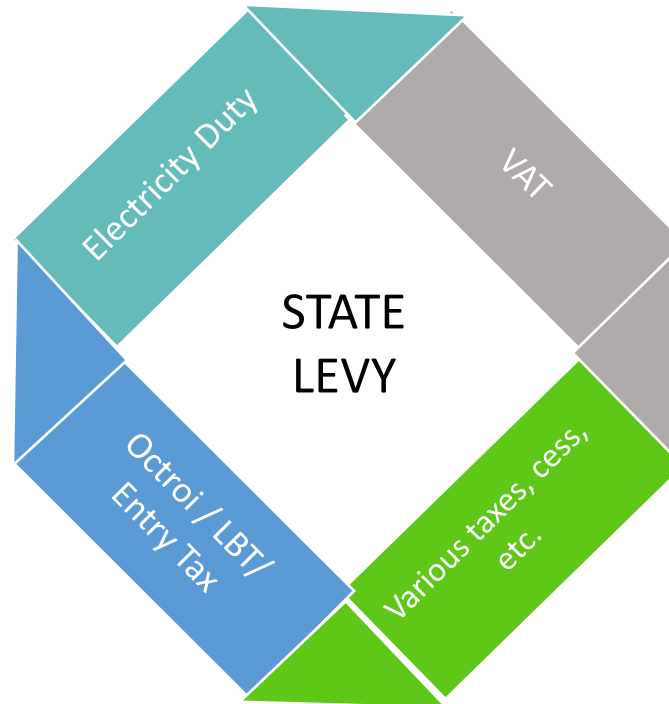
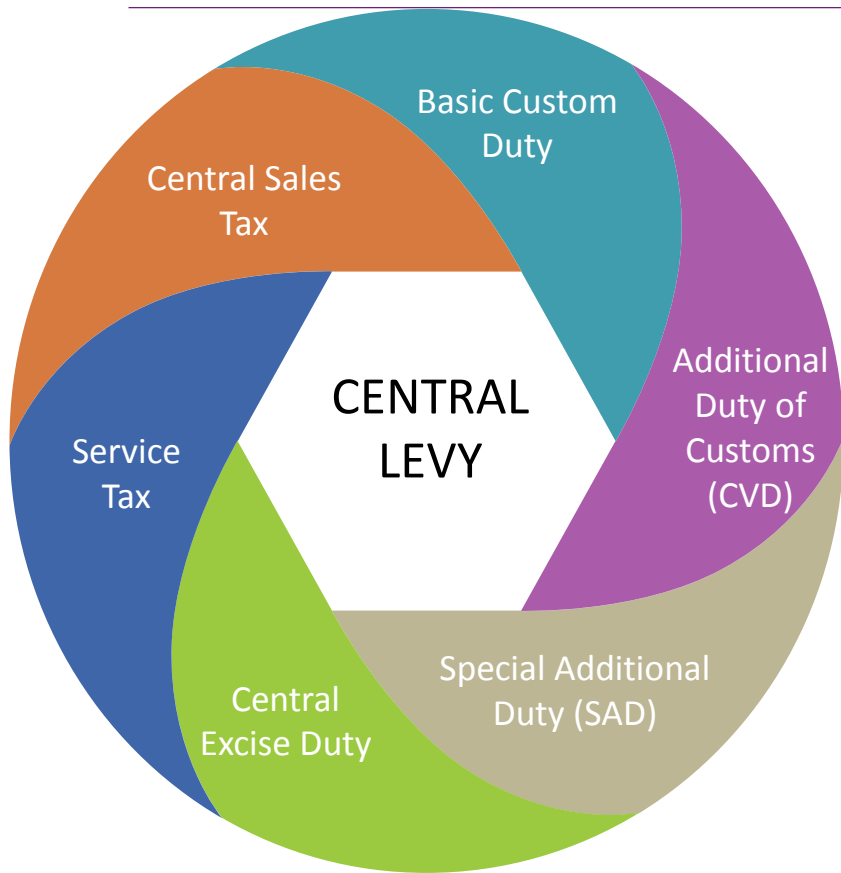
Option to claim lower profit on maintenance of books of account, if profit is lower than 10%

- Sub-contractor payments in the nature of Fees for technical services / Royalty may be taxed at 10% on gross basis – Advisable to file application for withholding tax order

*Maximum rate including surcharge and cess

Indirect Taxation

Indirect Taxes in India



Indirect Tax – Current Regime	
<i>BCD</i>	10%
<i>CVD</i>	12.50 %**
<i>SAD</i>	4%**
<i>Excise Duty</i>	12.50%**
<i>Service Tax</i>	15%
<i>Central Sales tax</i>	2 % – 15%
<i>Value Added tax</i>	5%-15%*
<i>Entry Tax / Octroi/ LBT</i>	1% – 15% or fixed rate per unit***

Cost
 Pass through

* 22-30% for Oil & Petroleum products

** Excise duty, CVD and SAD credit available to manufacturer, while SAD refund available only to trader

*** Rate depends on the State / Municipality where the goods are consigned

Current benefits to E & P Companies

E & P Companies:

- **Customs Duty exempt*** on import of goods such as seismic survey equipment, rigs, marine vessels, etc. required for petroleum operations (list attached as annexure)
- **Excise Duty exempt** on goods supplied against 'International Competitive Bidding' where such goods are exempt from customs duty

Others:

- **Customs duty exempt*** on parts and raw materials used for manufacture of goods to be supplied in connection with offshore oil exploration or exploitation

*subject to prescribed conditions

Annexure -List of goods exempt from customs duty

Land Seismic Survey Equipment and accessories	Helicopters including assemblies/parts
All types of Drilling rigs, jackup rigs, submersible rigs, ROV, etc.	All types of casing pipes, drill pipes, production tubing, etc.
All types of oil field chemicals including synthetic products	Specialized antenna system, simplex telex over radio terminals, etc.
All types of Marine vessels including work boats, barges	Common depth point (CDP) cable, logging cable, connectors, etc.
All types of Equipment/units for specialized services like diving, cementing, logging, etc.	Single buoy mooring systems, mooring ropes, fittings like chains, shackles, etc.
Technical drawings, maps, literature, Data tapes, Operational and Maintenance Manuals	All types of fully equipped vessels and other units/equipment required for pollution control, fire prevention, etc.
All types of drilling bits, including nozzles, breakers and related tools	Mobile and skid mounted pipe laying, pipe testing and pipe inspection equipment
All types of valves including high pressure valves	Communication equipment
Non-directional radio beacons, intrinsically safe walkie-talkies, directional finders, etc.	Line pipes for flow lines and trunk pipelines including weight- coating and wrapping
X-band radar transponders, area surveillance system	Cathodic Protection Systems including anodes
Wellhead and christmas trees, including valves, chokes, heads spools, etc.	Derrick barges, Mobile and stationary cranes, trenchers, pipelay barges, etc.
Process, production and well platforms for oil, gas and water injection including items forming part of the platforms and equipment	Sub-assemblies, tools, accessories, stores, spares, materials, supplies, consumables for running, repairing or maintenance of the goods specified above

Thank you

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