DSF Financial Matters

Workshop with DSF Operators

26.04.17
Bank Guarantee

- Each company to submit a Bank Guarantee within ‘30 days’ of ‘Effective Date’ proportionate to PI

<table>
<thead>
<tr>
<th>Block</th>
<th>Amount for <em>Every well</em> in Bid Work Programme</th>
<th>Minimum Amount</th>
<th>Validity Period</th>
<th>Claim Period</th>
<th>Applicable Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-land</td>
<td>1 USD MM</td>
<td>Rs 1 Crore</td>
<td>3 Years</td>
<td>90 days</td>
<td>Format E</td>
</tr>
<tr>
<td>Shallow Water</td>
<td>3 USD MM</td>
<td>Rs 1.5 Crore</td>
<td>4 Years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deep Water</td>
<td>6 USD MM</td>
<td>Rs 2 Crore</td>
<td>6 Years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Bank Guarantee will be returned on completion of Bid Work Program
Financial & Performance Guarantee

• Each company to submit financial & performance guarantee within 30 days of ‘Effective Date’

  ➢ Obtained from Parent Company in form at Appendix D-1,

  OR

  ➢ if no Parent Company exists, from itself in form at Appendix D-2
Revenue Sharing

- Revenue is all amount accruing to the Contractor, net of taxes on sales (i.e. Petroleum Produced and Saved from Contract Area) less Royalty
- Monthly Government’s share is payable by end of following month
- Interest on late payment @ LIBOR plus 2%
- Government share% (to be rounded off to 4 decimal points)

\[ x + \left( Y - X \right) \times \left( R - 0.01 \right) / 0.99 \]
Royalty payable under Oil Fields (Regulation and Development) Act to the State for on-land production and to MoP&NG for offshore production

- Current statutory Royalty rates indicated in Article 16.3
  - 12.5% on on-land crude oil / condensate
  - AND
  - 10% in all other cases
- 5% in Offshore areas (beyond 400 meter isobath) for First-seven years
- Royalty payable by end of following month
- Interest charges for late payment as per Act: 2% + SBI PLR
Submission of Financial Statements

- Annual Audited Reports to be submitted within two months of closing of Financial Years.
- Submit Monthly statements of Production, Revenue, Computation of Royalty & Government's share of Revenue within 7 days of following month.

Online Financial DATA submission:

- Revenue Management System - Monthly basis
- Account Management System - Yearly and Quarterly basis
- Non-Tax Remittance Management System - as & when payment made to State and Central Government.
Provisions of Income Tax Act

- Under Section 42 of IT Act, expenditures stated in Contract is allowed as deduction for computing taxable profit
- Article 16.2 of RSC: “All expenditures incurred by the Contractor in respect of Petroleum Operations on Exploration, Development and Production Operations.... Shall be allowed as deductions u/s 42 of Income Tax Act”
Site Restoration Fund – Article 14.8

- Account needs to be opened SBI’s Site Restoration Fund Scheme 1999
- To be opened not later than in the year of commencement of production
- Annual contribution to be deposited
- Methodology of computation of annual contribution – ‘Unit of Production Method
  
  Total fund required = Production in the year
  Total recoverable reserve

- Annual contribution is deductible as expenditure under Income Tax Act.
Other tax exemptions

- Exemption from import duty on material imported for petroleum operations.
  - Essentaility Certificate to be obtained from DGH and submitted to Customs authorities on landing of material

- Exemption from Oil Cess

- Further detail is available in Petroleum Tax Guide
Thank you