

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

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

- 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)

$$= x + [(Y - X) * (R - 0.01) / 0.99]$$

Royalty

- 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

$$\text{Total fund required} = \frac{\text{Production in the year}}{\text{Total recoverable reserve}}$$

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

Other tax exemptions

- Exemption from import duty on material imported for petroleum operations.
 - Essentiality 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