



Recommendation Paper 2
on
Review of design of Tax Aspects
of future PSC

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Petroleum Federation of India

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1 General comments

Tax and levies form an important part of the fiscal aspects of Production-Sharing Contracts (“PSCs”). They have a direct impact on the split of ‘take’ between the PSC participants (Contractor) and the Government of India (“GoI”) (assuming that all other aspects remain unchanged).

However, during the implementation of earlier rounds of the New Exploration Licensing Policy (“NELP”), it was observed that the tax controversies in respect to the availability of some important benefits have led to litigation. There have been instances where changes to laws have been effected to provide for retrospective amendments/clarification to restrict/limit the tax benefits otherwise available to Exploration and Production (“E&P”) activities, and new levies have also been introduced on PSC service providers.

In order to boost investment in domestic E&P activities, PSC participants should be provided with a clear and stable tax regime, and should also be incentivized to undertake exploration risk. Tax incentives play a very important role in achieving this objective.

Keeping in view the above objective, PetroFed has outlined below the key tax issues and made recommendations in Article 17 of the PSC and also corresponding amendments/clarifications required in Direct & Indirect tax laws (wherever applicable).

The information contained in the Recommendation Paper is not intended to address the circumstances of any particular individual or identity/organization. The recommendations are based on current practice and interpretation of the provisions of the applicable laws and regulations as at the date of comments.

2 Executive Summary

Issue	Recommendation
Direct Tax	
Change in Law	<ul style="list-style-type: none"> • Necessary amendments should be made in the fiscal stability clause (clause 17.10) of the PSC to stipulate that any change in or to any Indian laws, rules or regulations dealing with income tax or other corporate tax; export / import tax; excise; custom duty or any other levies; duties or taxes imposed on petroleum or dependent upon the value of petroleum after the date of bidding the Contract shall not impact the PSC Participant. This should be independent of any impact on expected economic benefits arising out of increases in prices, etc. However, PSC participants will be benefited from any reduction in rates or any other amendment beneficial in nature. • Fiscal stability clause should also protect PSC participant from any new levy introduced after the bidding of the contract • A corresponding amendment/clarification/enabling provision shall be made to the respective laws in consultation with the Ministry of Finance (“MoF”).

Issue	Recommendation
<p>Tax holiday / Weighted deduction</p>	<ul style="list-style-type: none"> • MPSC shall stipulate that profit-nonprofit linked incentives be made available during the tenure of PSC as per the law applicable at the time of bidding for the PSC, and not subject to any further amendment. The MoF may periodically review the extension of these incentives for prospective PSCs. • Profit-linked incentives <ul style="list-style-type: none"> - The tax holiday provision should be extended to future PSCs - For the purpose of claiming tax holidays the concept of Well or “cluster of wells” in a Field or a” Field” shall be regarded as undertaking - Definition of ‘petroleum’ as per PSC to be considered for the purpose of providing Tax holiday
	<ul style="list-style-type: none"> • Non-profit linked incentives (Alternatively) <ul style="list-style-type: none"> - Weighted deduction to be available to E&P Participants for the capital & revenue expenditure incurred (during exploration, Development and Production phase) and no time limit for carry forward of losses. Further, there should not be any ring fencing - Such deductions should be capped at the total taxable income of the respective financial year. - Recommendations for the quantum and period for which weighted deductions should be made available may be based on industry projections.

Issue	Recommendation
Exemption from Minimum Alternate Tax (“MAT”)	<ul style="list-style-type: none"> • A MAT exemption clause should be provided in the PSC for the duration of any profitability -based incentives. • In order to make the PSC provisions legally possible, corresponding amendments should be made to the Income Tax (“IT”) Act in consultation with the MoF wherein: <ul style="list-style-type: none"> - Where profit-linked incentives are available - MAT exemptions should be available to PSC participants/E&P companies for the duration of the tax holiday. - Where non-profit linked incentives are available - Such weighted deduction should be considered for computation of book profits and carry forward losses should be adjusted in full against profits of future years
Deposit of Site Restoration Fund in foreign currency	<ul style="list-style-type: none"> • The Ministry of Petroleum and Natural Gas (“MoPNG”) should made necessary amendments to the Site Restoration Fund Scheme 1999, to provide PSC Participants with the option to maintain the Site Restoration Deposit in foreign currency.
Laying of PSC on the Table of each House of the Parliament	<ul style="list-style-type: none"> • Currently, it is necessary to lay the PSC before each house of Parliament in order to reap the benefits available under section 42 of the Act and PSC Since the NELP and MPSC have been approved by parliament, and furthermore that the President of India, acting through the MoPNG, signs the PSC, the requirement to table the PSC before Parliament needs to be deleted. • Furthermore, to extend the benefit to existing PSCs, this amendment/clarification may be made with retrospective effect.

Issue	Recommendation
Unincorporated Joint ventures	<ul style="list-style-type: none"> • The provisions for taxing PSC participants and its service providers in their individual capacity should be prescribed in PSC without referring to the provisions of the IT Act. • The necessary notifications should also be issued by the Central Board of Direct Taxes under section 293A to protect service providers from constituting an Association of Persons (“AOP”) and ensure that they are taxed in their individual capacity. • Further, similar provisions may be considered in the Direct Taxes Code (“DTC”).
Taxation of oil & gas service providers	<ul style="list-style-type: none"> • The PSC should specify that the presumptive tax regime under the IT Act/DTC will be available to Oil-Field Service Providers (“OFSPs”). To provide further clarity, non-exhaustive illustrative lists of services which will be covered under the presumptive tax regime and not treated as fees for technical services under the IT Act or DTC may be specified. • Section 44BB of the IT Act should be amended to state that the provisions of PSC to the extent applicable OFSPs of that PSC are to be given effect.
Taxation of expatriate employees	<ul style="list-style-type: none"> • Short stay exemption should be made available to employees of PSC participants, its affiliates and its service providers where his total stay in India does not exceed in the aggregate a period of 90 days in the previous year • The above provision should be stated in the PSC to provide for Salaries/Remuneration received by or due to non-resident employees for the services rendered both offshore & onshore in connection with his employment for direct or indirect benefit of petroleum operations in India undertaken by his employer • Further, this should not be subject to any further conditions.

Issue	Recommendation
Indirect taxes	
<p>Indirect taxes applicable on procurement of goods and services should also form part of Article 17.10 of the MPSC</p>	<ul style="list-style-type: none"> • Article 17.10 of the MPSC is only applicable to the direct tax and output activities of E&P Companies and does not take into account the indirect taxes applicable to much of the spending of E&P Companies. • Recently, Finance Act, 2012 introduced the concept of Negative List for levy of service tax. Under new regime, the Legislature has not only widened the coverage of Service Tax Law but also the compliance on the part of recipient of service by way of a drastic change in existing reverse charge mechanism. • While announcing NELP, the Govt. of India expressed their commitment to exempt from taxation the exploration and production (E&P) of hydrocarbon activities to ensure that the entire expenditure incurred by the E&P Companies goes towards exploration and production and not towards Govt. taxes. Hence exemptions available under SL No 356, 357, 358, 359 & 360 of Notification 12/2012-Cus dtd 17th March, 2012 should be continued. • Further, the taxable services procured for E&P activities should be exempted from levy of service tax. • Hence, changes to indirect taxes on procurement of goods and services are not covered under the MPSC. • The respective indirect taxes applicable on production of goods, services or any other activities pertaining to exploration and production of oil should also be brought into the ambit of Article 17.10 of the MPSC.

Issue	Recommendation
The MPSC should provide fiscal stability from indirect tax law in line with the direct taxes	<ul style="list-style-type: none"> • Necessary amendments should be made to the fiscal stability clause (clause 17.10) of the PSC to stipulate that any change in or to any Indian law, rules or regulations dealing with income tax or other corporate tax, export / import tax; excise; custom duty or any other levies; duties or taxes imposed on Petroleum or dependent upon the value of petroleum after the date of bidding the Contract shall not impact the PSC Participant. This should be independent of any impact on expected economic benefits arising from increases in prices, etc. • A corresponding amendment/clarification/enabling provision should be made under the respective laws, in consultation with the MoF.
Inclusion of all tax benefits under MPSC	<ul style="list-style-type: none"> • Currently, MPSC does not cover the excise duty benefit available to goods supplied to E&P Companies. • The MPSC should be made to cover all the existing indirect tax benefit available to E&P Companies
Levy of service tax on services provided to E&P companies	<ul style="list-style-type: none"> • Goods supplied to E&P companies are exempt from customs duty and excise duty in line with the objectives of PSC. • The levy of service tax on all services provided to E&P Companies drastically erodes the funds available to E&P Companies. • The MPSC should provide the equivalent benefit on account of the service tax paid on input services, or Service tax law should be amended to provide the relief from the service tax paid on input services in a suitable manner.

Issue	Recommendation
<p>Exemption from Central Sales Tax (“CST”) on goods supplied to E&P companies for petroleum operations</p>	<ul style="list-style-type: none"> • Levy of VAT / CST on goods supplied by domestic suppliers puts the domestic supplier at a competitive disadvantage, as import of such goods from outside India is not subject to these taxes. • In the interest of developing indigenous industry, the MPSC should provide the benefit on account of VAT / CST paid on procurement of goods, or CST law should be amended in a suitable manner to provide exemption from the levy of Central Sales Tax on goods supplied to E&P Companies.
<p>Unincorporated Joint Ventures</p>	<ul style="list-style-type: none"> • For execution of PSC, normally one of participants is designated as operator and other participants provide resources to the operator for carrying out the petroleum operations. In this case the transactions amongst the participants (including the Operator) should not be considered as service for the purpose of levy of service tax. • Explanation 3 to Section 65B(44) of Finance Act, 1994 provides that, an unincorporated association or a body of persons, as the case may be, and a member thereof shall be treated as distinct persons. This provision should not be applicable for Petroleum Operation under PSC. • The benefit provided under the direct tax law should also be extended to indirect tax law, and further clarity should be provided in terms of the applicability of the above provision to the supplier / services provider or any other person providing goods or services to E&P Companies.

Issue	Recommendation
Exemption to onshore & offshore E&P activities to continue	<ul style="list-style-type: none"> • The specific benefits of the MPSC extended to onshore and offshore petroleum operations to continue. • Sl. No. 358 & 359 of Notification No. 12/2012-Cus dated 17th March, 2012 provides exemption for E&P activities carried out in onshore & offshore both..
Extending the list of duty-free items that can be imported by the E&P sector	<ul style="list-style-type: none"> • Currently, only specified goods imported for E&P operations are exempt from customs duties. • To undertake E&P activities, operators need to import various goods and accordingly, the existing list of exempt goods should be suitably amended to include all goods required for carrying out petroleum operations.

3 Recommendations on Direct Tax Provisions

3.1 Change in Law & Fiscal Stability

Section 42 of the IT Act is a special provision to give effect to the agreement entered into with Central Government for E&P activities, and allows for a deeming provision stating that the IT Act will be deemed to be modified to the extent necessary to give effect to the terms of the agreement.

With the objective of providing a clear & stable tax regime, Article 17 of PSC of the NELP states that PSC participants; their employees; service providers providing any materials, supplies, services or facilities or supplying any ship, aircraft, machinery, equipment or plant (whether by way of sale or hire) to the PSC participants in connection with Petroleum Operations; and the employees of such persons shall be subject to all fiscal legislation in India except where, pursuant to any authority granted under any applicable law, they are exempted wholly or partly from the application of the provisions of a particular law or as otherwise provided in the PSC or in any double taxation avoidance agreement entered into by the GoI under section 90 of the IT Act.

Further, the PSC also provides that in the case of any change in any Indian law, rule or regulation dealing with direct tax, indirect tax or any other levies, duties or taxes imposed on petroleum or dependent upon the value of petroleum which results in a material change to the expected economic benefits accruing either to the contractor or to the government, PSC Participants are permitted to consult in good faith to make necessary revisions and adjustments in order to maintain such expected economic benefits.

The above understanding is also supported by judicial precedent (Supreme Court) wherein it was held that the PSC recognizes that the IT Act is to be applied and section 42 is to be the controlling provision in regard to the allowance of expenditure. The PSC is to be considered as a separate code in itself and as regards the computation of the income and expenditure of the assessee, only such expenditures as are permitted in the PSC are allowable. The PSC is regarded as an independent regime which includes tax treatment of costs, expenses, income and profit etc.

The lack of certainty and stability in the fiscal regime has a direct impact on the fair share of “take” as envisaged at the time of entering into a PSC (assuming that all other aspects remain the same).

Recommendation

Fiscal stability should be honored in letter and spirit by GoI. In this regard, necessary amendments should be made to the fiscal stability clause (clause 17.10) of the PSC wherein it should be clearly specified in the clause that any change in or to any Indian law, rules or regulations dealing with income tax or other corporate tax, export / import tax, excise, custom duty or any other levies, duties or revised rates taxes imposed on petroleum or dependent upon the value of petroleum after the date of bidding the PSC shall not adversely impact the PSC Participant, their employees, service providers providing any materials, supplies, services or facilities or supplying any ship, aircraft, machinery, equipment or plant (whether by way of sale or hire) to the PSC participants in connection with petroleum operations or the employees of such persons.

It is also recommended that a corresponding amendment be made under the laws (including IT Act) mentioned above, wherein it should be clearly specified that law prevalent on the date of bidding the PSC shall prevail for the duration of the PSC. Further, with regard to the IT Act it is important to highlight that section 293A of the IT Act empowers the Central Government to make these exemptions in relation to E&P business. Thus, the provision of fiscal stability for the purposes of direct taxes can be achieved under the IT Act by way of issuing notifications under section 293A of the IT Act, in consultation with the MoF.

Further, in the event of dispute it is recommended that timeline for settlement should be stipulated (for instance 180 days from the time matter initiated by contractor). Though, the decision of the management committee could be challenged under Arbitration and Conciliation Act, 1996 (“A&C Act, 1996”) by a three arbitrator panel and decision of the Arbitration should be binding on both parties and not for further challenge.

Rationale

In order to ensure fiscal stability to PSC Participants, it is imperative that the law applicable at the time of bidding should be clear and stable for the entire duration of the PSC. By implication, any subsequent amendment /modification in the law and change in levies from the date of bidding would not be applicable to the PSC participants, service providers or their employees. This will ensure stability and certainty of tax matters as applicable to petroleum operations undertaken u PSC.

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3.2 Tax holiday/ Weighted deduction availability under the PSC

The MPSC provides that Companies shall be eligible for benefits available under section 80IB of the IT Act, as applicable from time to time.

Section 80IB (9) of the IT Act provides for a deduction of 100% of the profits when calculating total income for any undertaking which begins commercial production of mineral oil. The deduction is available for a period of seven consecutive years, including the initial assessment year. Under the Finance Act 2011, the GoI has already restricted the availability of tax holidays to contracts awarded after March 31, 2011.

In the last 2-3 years, the following amendments have been made to section 80IB of the Act, which have raised lot of controversies and debates pertaining to the availability of tax holiday to PSCs:

- The concept of an entire PSC being an “undertaking” has been introduced with retrospective effect from April 1, 2000;
- The tax holiday for “natural gas” is available only for contracts licensed under NELP VIII
- Tax holidays will not be available for blocks licensed under contracts awarded after 31 March 2011

Furthermore, unlike the IT Act, the DTC does not propose to provide profit-based incentives to the entities engaged in the business of mineral oil or natural gas.

Recommendation

In order to boost investment in domestic E&P activities, PSC participants should be incentivized to undertake exploration risk.

Tax incentives play a very important role in achieving this objective.

Accordingly, the MPSC should provide for profitability-linked incentives to be available under the IT Act, and to be made applicable as per the laws existing at the time of bidding for PSC and with any further amendments applying only to future PSCs entered into.

The above recommendation will help PSC Participants to achieve certainty in determining their fiscal cost in the project. Furthermore, in line with the above recommendation, we have also outlined below the issues which may be addressed to the MoF for their further consultation.

3.2.1 Profits-linked incentives

- Extension of tax holiday

As per the current provision of section 80IB of the IT Act, the tax holiday is not available to blocks licensed after 31 March 2011. In order to provide a fiscal impetus to E&P players and to participants in E&P business, the tax holiday could be extended to future PSCs as well.

- Definition of “undertaking”

For the purposes of claiming tax holiday “wells/cluster of wells/field” rather than “contract areas” should be regarded as “undertakings” for the following reasons:

- The wells or cluster of wells can exist on their own as viable independent units;
- Under the current mechanism of PSCs, each field development plan is separately considered as the basis for development;
- There can be one well “Field” which can exist on its own

- Tax holiday for natural gas

As per the provision of section 80IB of IT Act, the tax holiday for “natural gas” is available only for contracts licensed under NELP VIII. The term “ natural gas “ to be part of Mineral Oil has been left to the discretion of courts as per the budget speech 2008 of Finance Minister in Parliament. Under the PSC, the term “petroleum I” is defined to include natural gas, and therefore it is recommended that for the purpose of tax holiday provisions, the PSC definition of the term ‘petroleum’ should be considered or in the alternative, the term Mineral Oil to include natural gas should be clarified from inception to remove uncertainty and avoidable litigations for PSCs prior to NELP VIII.

Further, it is recommended that where the terminology of oil and gas industry is not defined under the IT Act, reliance should be placed on the terminology of the PSC.

These suggestions should be incorporated into the DTC as well.

3.2.2 Non Profit linked incentives

As an alternative to tax holiday incentives for future PSCs, the MoPNG should consider granting weighted deductions for the capital & revenue expenditure incurred (during exploration, development and production phase) and no time limit for carry forward of losses. These deductions may be capped at the total taxable income for the respective financial year. Recommendations for the quantum and period for which weighted deductions are to be made available may be based on industry projections. It could be 100% for onshore blocks, 200% for shallow water blocks and 300% for deepwater and ultra deepwater blocks. Further, there should not be any ring fencing

Rationale

Substantial expenditure is incurred in the search for petroleum by undertaking aerial, geological, geophysical, geochemical, paleontological, palynological, topographical and seismic surveys, analysis, studies and their interpretation, as well as investigations relating to the subsurface geology. Accordingly, the search for petroleum in India may be considered on a par with Research & Development activities as there is significant exploration in Indian oil and gas basins

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3.3 Exemption from Minimum Alternate Tax

E&P participants are liable to pay MAT if their tax profit is less than 18.5% of Book Profit. MAT is payable even if the company is claiming a tax holiday under the IT Act.

The objective of granting the seven-year tax holiday is completely nullified if MAT is levied on profits. It has been observed that typically E&P participants earn higher book profits in the initial years after commercial production begins, since the tax deductions in respect of exploration and drilling expenditure are granted on an accelerated basis whereas depletion is provided in the books of accounts on a per unit of production basis. Therefore, the amount of expenditure debited in the books of accounts in the initial years is much lower, resulting in higher book profits.

Recommendation

In order to provide the intended tax incentive to PSC Participants, it is recommended that an MAT exemption clause be provided in PSC for the duration of the profit/non profit-based incentive.

In order to enable the PSC provision, corresponding amendments should be made to the IT Act in consultation with the MoF stating that:

- Where profit-linked incentives are available - MAT exemption shall be available to PSC participants/E&P companies for the duration of the tax holiday.
- Where non-profit linked incentives are available - Such weighted deduction should be considered for computation of book profits and carry forward losses should be adjusted in full against profits of future years

3.4 Deposit for Site Restoration Fund in foreign currency

The existing Site Restoration Fund Scheme, 1999 requires E&P participants to deposit funds for site restoration in Indian Rupees. It is only if the deposit is made in accordance with this scheme that the deduction under section 33ABA is available to such companies. This may result in exchange-fluctuation risk as the actual expenditure is to be incurred later, at the time of site restoration.

Recommendation

It is recommended that the MoPNG make the necessary amendment to the Site Restoration Fund Scheme, 1999 to give PSC Participants the option of making the deposit to their Site Restoration Fund in foreign currency.

Rationale

This is in order to insulate investors from exchange-fluctuation risk arising due to deposits being maintained in Indian currency.

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3.5 Laying of PSC on the Table of each House of the Parliament

Section 42 of the IT Act is the enabling section for tax articles under the MPSC, and allows for special provisions for deduction of expenses in relation to E&P business. The provisions of section 42 of the IT Act are available in respect of the agreement entered into with the GoI, which has been laid on the Table of each House of Parliament.

It is our understanding that as the NELP, which includes the MPSC, was approved by Parliament, winning bids for our round of exploration are therefore approved by the Empowered Group of Minister. Furthermore, the President of India, acting through the MoPNG, signs the PSC.

Given the background, demonstrating the satisfaction of the parliamentary condition to the tax officers could be a challenge, and could cause unintended tax controversy by depriving PSC Participants of the tax provisions laid out in the PSC.

The DTC provides for a separate computation mechanism for E&P business which is different from the existing provisions of the IT Act. Moreover, unlike section 42 of the IT Act, the DTC does not contain an enabling term allowing the PSC to override it. This may create ambiguity in situations where there are variances between PSC provisions and the statute.

Recommendation

For the purpose of section 42 benefits, it should be the responsibility of the GoI to place PSCs in both the house of Parliament within stipulated time (say 90 days) of signing of PSC, else, requirement to place the same in parliament should be dropped in Sec 42 of the IT Act as the PSC bidding is approved by Union Cabinet and PSC signed by the “President of India”.

Furthermore, to extend the benefit to existing PSCs, this amendment/clarification could be made with retrospective effect, in consultation with the MoF.

A similar amendment should be made to the DTC in order to give effect to existing as well future PSCs, in consultation with the MoF.

3.6 Unincorporated Joint Ventures

It is quite common in the E&P sector for companies to collaborate on E&P ventures. The purpose of such association/collaboration is to leverage the experience of other organizations and to share the overall risk of the project.

Given the above peculiarity of the business, the GoI issued Notification No. GSR 117(E) dated 8-3-1996 under section 293A of the IT Act, wherein constituent members of PSC are not taxed as AOP and are instead taxed in their individual capacity. By implication, each PSC participant is assessed in respect of its share of income in the same status in which that participant has entered into the Contract with the GoI. However, no such notification exists for service providers to E&P companies, despite section 293A making this possible. Accordingly, based on consortium arrangements in the case of service providers, the authorities tax them as AOPs.

There is no equivalent provision to section 293A under the DTC. Accordingly, PSC participants may be taxed as AOPs by authorities under the DTC both for existing contracts and for future PSCs.

Recommendation

The provisions for taxing PSC participants and their service providers in their individual capacity should be prescribed in PSC without referring to the provisions of the IT Act.

Further, the necessary notification should also be issued by the Central Board of Direct Taxes under section 293A to protect service providers from constituting an AOP and to ensure that service providers are taxed in their individual capacity.

Similar provisions should be considered for the DTC.

Rationale

Taxing a consortium as an AOP has additional tax implications for service providers, and may eventually result in an increased cost of services.

3.7 Taxation of oil & gas service providers

The need for E&P service providers and OFSPs is increasing due to increased E&P activities. Furthermore, the high oil price scenario has led to an increase in E&P activities the world over, and consequently led to increase in cost and decrease in availability of such service providers.

In India, most of the specialized E&P services are provided by foreign OFSPs. Only a few international service companies in the field of drilling, seismic data acquisition, processing, mud logging etc. have established themselves in India.

The MoF noted that a number of complications were involved in the computation of taxable income of OFSPs in India. Accordingly, with a view to simplify the provisions, section 44BB was inserted in the IT Act vide Finance Act 1987 with retrospective effect from April 1, 1984.

As per the provisions of section 44BB of the IT Act, a non-resident engaged in the business of providing services or facilities, or supplying plant and machinery on hire, to be used in the business of exploration or production of mineral oil is liable to be taxed on a presumptive basis, and 10% of receipts are deemed as profits chargeable to tax. The effective tax rate is 4.2%. The non-resident also has the option to claim lower taxable profits subject to maintenance of books and furnishing of audited accounts.

The Finance Act 2010 made an amendment in Section 44BB to exclude the applicability of section 44BB where such non-resident service providers earn their income by way of fees for technical services.

Tax authorities attempt to classify the income of OFSPs as 'Royalty' or 'fees for technical services' under the IT Act, and deny the benefit of presumptive taxation. This has resulted in litigation and uncertainty over the tax cost of OFSPs. Furthermore, the 2010 amendment has added uncertainty as to the availability of presumptive tax regime to OFSPs.

To add to the controversy around presumptive taxation, some rulings have stated that the services rendered in connection with exploration and production of mineral oil would not be within the ambit of the special tax regime, and should be regarded as fees for technical services.

Further, under the DTC, the amount of presumptive income determined under the provisions of the DTC is further increased by the excess of the amount of income actually earned by the assessee from the business (if any) over the presumptive income.

Recommendation

Article 17 of the MPSC covers taxation of OFSPs if specifically covered therein. Accordingly, we recommend that the PSC should specify that the presumptive tax regime under the IT Act/DTC will be available to OFSPs. To provide further clarity, a non-exhaustive illustrative list could be specified, enumerating services which will be covered under the presumptive tax regime and not treated as fees for technical services under the IT Act or the DTC. A suggested list of illustrative services eligible for presumptive taxation is provided in *Annexure 2*.

Furthermore, section 44BB of the IT Act should be amended to state that provisions of PSC to the extent applicable to OFSPs of that PSC are to be given effect.

Rationale

In order to reduce complications involved in the computation of tax and simplify the procedures applicable to OFSPs in India, the availability of the presumptive tax regime should be clarified in the PSC. Ambiguity in the applicability of the presumptive tax regime and increased tax compliance and tax costs in the hands of service providers may eventually result in increased cost of services for PSC participants.

3.8 Taxation of expatriate employees

Employees of PSC participants, their affiliates and service providers provide professional, scientific, technical personnel, etc. for the benefit of petroleum operations. Depending on the specialized nature of work in certain cases, expatriate employees are present in India for short periods of time (say less than 90 days or 183 days as per various tax treaties).

Under the existing tax laws, short-stay exemption is available to expatriate employees under section 10(6)(vi) of the IT Act but this is subject to fulfillment of certain conditions pertaining to the employer. However, fulfillment of the conditions may not be possible as the foreign enterprise will be engaged in trade or business in India or will be seeking the benefit of presumptive taxation.

However, under section 10(6) (viii) of the IT Act, fulfillment of the above conditions is not a prerequisite in the case of non-residents working on a foreign ship for a stay in India of up to 90 days. However, since offshore installations are not covered in the category of foreign ships, expatriate employees operating on offshore installations do not get short-stay exemption.

In any case, expatriate employees providing services onshore are not eligible for short-stay exemption.

Recommendation

Article 17 of MPSC covers taxation of OFSPs if specifically covered therein]. Accordingly, in order to provide short-stay exemption to the employees/individuals of PSC participants, their affiliates and service providers, it is recommended that any income chargeable under the head 'Salaries' received by or due to any such non-resident individual as remuneration for the services rendered in connection with his employment for direct or indirect benefit of petroleum operations including, but not limited to, services provided by the production, exploration, legal, financial, accounting or computer services, etc. where his total stay in India does not exceed in the aggregate a period of 90/183 days in the previous year should be exempt .

Further, this should not be subject to any further conditions.

Rationale

In order to facilitate the presence of foreign expat specialists (receiving salary from PSC participants, including their affiliates and service providers), short-stay exemption should be made available for onshore and offshore E&P activities in India.

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4 Recommendations on Indirect Tax Provisions

4.1 Indirect taxes applicable on procurement of goods and services should also form part of Article 17.10 of MPSC

Article 17.10 of MPSC states that if there is any change in export/import tax, excise, customs duty or any other levies, duties or taxes imposed on petroleum that results in a material change to the expected economic benefits accruing to any of the Parties after the date of execution of the Contract, Parties shall consult promptly to make necessary revisions / adjustments to the Contract in order to maintain the expected economic benefits to each of the Parties.

From the perusal of the above, it seems that the intention of the MPSC is to cover the impact of a change in the laws governing petroleum or the value of petroleum only, as these are the output activities of the E&P Companies.

The above article does not state or provide that increase in cost on account of increased indirect taxes on the various inputs, input services and capital goods will also form part of the above provision. Accordingly, the Operator would not be entitled to get the same benefit if there were changes to the indirect taxes on various inputs, input services and capital goods.

In addition to this, the above article does not specifically bring in its purview any new taxes levied / imposed on the various activities undertaken by the E&P Companies.

Recommendation

E&P companies are required to spend a huge amount on exploration activities, and accordingly any change in indirect taxes on inputs, input services and capital goods would adversely affect the expected economic benefit and dent the economic benefit envisaged by the Operator at the time of entry into the MPSC.

Hence, considering the spirit of Article 17.10 of the MPSC, the various indirect taxes borne by E&P Companies on inputs, input services and capital goods should also be covered under the above article.

Furthermore, any new taxes levied on petroleum and various inputs, input services and capital goods should also be covered by Article 17.10 of the MPSC, thus providing a reasonable certainty to the Operator on the expected economic benefit to be derived from the contract.

Rationale

The underlying objective of the MPSC is to grant tax exemptions to the Operator so that the Operator can spend more on exploration activities.

Hence, the levy of indirect taxes on various costs incurred by the Operator will bring down the economic benefit expected by the Operator at the time of entering into MPSC, and the share of taxes will increase, which is not in keeping with the spirit of the Article 17.10 of MPSC.

Hence, in light of the spirit of the Article 17.10 of MPSC, the various taxes paid by the Operator on inputs, input services and capital goods should also be covered in Article 17.10 of the MPSC.

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4.2 The MPSC should provide fiscal stability from indirect tax law in line with direct taxes

Section 42 of the IT Act enables that where the structure of the MPSC was at variance with the accounting principles generally used for ascertaining taxable income, the provisions of the MPSC would prevail. Accordingly, the MPSC overrides the provisions of direct tax law and the provisions of the MPSC supersede the provisions of direct tax law.

However there is no such stipulation governing indirect tax benefits, neither under the existing indirect tax legislations nor under the MPSC. The objective of incorporating the overriding clause into the IT Act was to provide stability to the operator by ensuring that business operations are in no way at mercy of the government and that they can reasonably anticipate the taxation of various transactions.

The objective of incorporating such a clause into the IT Act was to provide stability and consistency into the taxation of E&P Companies and accordingly the same principle should also be extended to indirect taxation so companies can have better certainty, stability and consistency in their business operations.

Recommendation

In order to bring consistency and to avoid any conflict in interpretation, the MPSC and existing indirect tax law should state that the provisions made in the MPSC will override the general provisions of indirect taxes with respect to change in rates of central tax / duty and withdrawal of exemptions.

Rationale

In order to bring consistency, to avoid any conflict in interpretation, and to provide the stability, consistency and predictability of the tax cost of the operations, it might be in the interest of Government and Participants to provide the same certainty over the applicable indirect taxes.

4.3 The MPSC should include all tax benefits available for E&P operation

Article 17 of the MPSC deals with the taxation regime for E&P Companies. However, it has been observed that there are inconsistencies between the MPSC and the existing indirect tax regulations as applicable on various activities undertaken by E&P companies/ subcontractors / service providers.

For instance, Article 17 of the MPSC does not enumerate the excise duty benefits available to the Suppliers (and their subcontractors) of goods to E&P companies, whereas the existing excise law provides an exemption / refund of excise duty paid on goods supplied to E&P Companies so that Indian Companies supplying goods to E&P Companies can compete with overseas vendors who import goods into India for exploratory operations without payment of customs duty.

Recommendation

In order to bring consistency and to avoid any conflict in interpretation, the MPSC, the petroleum tax guide and the indirect tax laws need to be made harmonious. The relevant provisions of indirect tax law and the guidelines given in the petroleum tax guide may be made part of the MPSC.

Rationale

In order to bring harmony between MPSC & existing indirect tax law, to avoid any litigation, and to provide clarity and certainty regarding the applicability of indirect taxes, the MPSC should be suitably amended to incorporate the respective benefits available to the E&P companies / subcontractors/ service providers.

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4.4 Service tax on various activities undertaken by service providers providing services to E&P companies

The E&P Companies are required to spend a large amount of money in undertaking various exploration, development and mining activities. The activities undertaken by E&P Companies could be in the form of either goods or services. The various goods required by E&P Companies are exempt from customs / excise duties whereas the various services provided to E&P Companies are subject to service tax. The recent introduction of Negative List-based taxation of services has further increased the expansion of tax base as service tax is now levied on each and every activity carried out by one person for another.

While announcing NELP, the Govt. of India expressed their commitment to exempt from taxation the exploration and production (E&P) of hydrocarbon activities to ensure that the entire expenditure incurred by the E&P Companies goes towards exploration and production and not towards Govt. taxes. Accordingly, import of specified goods for petroleum operation were exempted under SL No 356, 357, 358, 359 & 360 of Notification 12/2012-Cus dtd 17th March, 2012. However, services procured for E&P activities have not been exempted from levy of service tax.

In order to ensure energy security for the country, the GoI has committed itself to exempt from taxation all activities undertaken under NELP in order to ensure that the entire expenditure incurred by successful bidders goes towards exploration and production, not towards paying taxes.

The GoI has issued appropriate Customs exemption notifications, exempting specified goods imported for petroleum operations. Similarly, goods which can be imported at nil rates of customs duty for petroleum operations can also be purchased from indigenous manufacturers through international competitive bidding, at a nil rate of excise duty.

The current policy of the Government on subjecting the services consumed by E&P companies to Service Tax drains away a substantial part of the funds committed for exploration, thus increasing the cost of actually carrying out exploration activities.

The problem will be further aggravated in case of inter-se payments between the Operators, as the Service Tax Authority are of the view that the total payments made to the Principle Operator by the Participants should also be subject to Service Tax. This results in a levy of 12.36% service tax on any payment made by a participating operator, which does not seem to be the objective of the GoI.

For execution of PSC, normally one of participants is designated as operator. However, for petroleum operation, work plan is approved by operating committee where operator is also a member of committee. As per approved work plan, resources are mobilized/contributed by participants based on participating interest in the project and made available to the operator for carrying out the petroleum operations. In this case the transactions amongst the participants (including the Operator) should not be considered as service for the purpose of levy of service tax.

Explanation 3 to Section 65B(44) of Finance Act, 1994 provides that, an unincorporated association or a body of persons, as the case may be, and a member thereof shall be treated as distinct persons. This provision should not be applicable for Petroleum Operation under PSC.

The service tax paid would be a cost to the operator, since excise duty on production of oil and gas products is exempted in toto. The service tax paid would become an extra cost of the production of petroleum or gas.

Recommendations

In order to align with the principle that the taxes should not be levied on the various activities undertaken by E&P Companies on petroleum operations, the GoI should put in place a suitable mechanism by which the taxes paid on procurement of goods are eliminated, or the MPSC should provide a mechanism whereby the respective taxes are refunded back to the Operator:

Mechanism to refund service tax during exploration regime (when no success happens in PSC) should be provided. Post start of production, Service tax should be made cenvatable-either against Crude Oil/Natural gas Vat under new GST regime or under the OIDB Act under Excise rules.

Amendment in the Service Tax Act

The amendment proposed in the Service tax act could be either of the following:

• **Option I –**

- Zero rate the services provided by the various input service providers to E&P companies for petroleum operations by granting export status to input service providers of E&P Companies.
- The above provision of services by the service provider should be construed as equal to export of service thus not resulting in input credit / refund restriction in the hands of the service provider.

• **Option II –**

- Claiming refund of service tax paid on input services which are used in the course of E&P. As an alternative to the above Option I, a scheme can be formulated along the lines of a Scheme for Refund of service tax paid on specified services used for export of the goods as notified vide Notification No. 41/2007-Service Tax dated 6-October-2007. As per the said notification, the Service Tax paid by the exporters of the goods for specified services received and used by the exporters for export of the said goods should be provided by way of refund, subject to fulfillment of conditions enumerated in the notification.
- However, the drawbacks here would be huge blockage of cash and funds, and an increase in the compliance burden on the service providers.

• **Option III –**

- Allowing the CENVAT credit of the service tax so paid to be set-off against the Oil Industry Development (“OID”) Cess.
- Under the recent union budget 2012, the OID Cess levied on the production of crude oil has been increased to INR 4,500/- per metric tonne (with effect from 17 March, 2012).

- Since OID Cess is nothing but a levy on production of crude oil, it is advisable to allow the set-off of the service tax so paid on input services to be utilized for payment of OID Cess.

By adopting this mechanism the issue of cash blockage would also be resolved.

Rationale

While the MPSC has granted benefits in various forms in relation to the indirect taxes applicable on import of goods into / manufacture of goods in India, the same logic should be applied to the service sector and hence, the various services provided to E&P Companies should not be subject to service tax.

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4.5 Exemption from Central Sales Tax on goods supplied to E&P Companies for petroleum operations

The import of goods required for petroleum operations is exempt from customs duties and accordingly, the import of goods into India is not subject to customs duty. Furthermore, the import of goods into India is also not subject to Value Added Tax / Central Sales Taxes.

However, if similar goods are procured indigenously from a local vendor, although the excise duty is exempt on supply of such goods to E&P Companies for petroleum operations, the supplier of goods is still required to charge either Value Added Tax or Central Sales Tax based on the nature of transaction. The applicable rate of VAT / CST depends upon the nature of goods and could vary from 4% to 13.5% depending upon the nature of goods.

This situation really creates disparity for the Indian vendor as they will be required to charge VAT at the applicable rate, whereas the same goods sourced from foreign parties are not subject to any such taxes. This disparity leads to the local industry players becoming uncompetitive when compared to the foreign players.

The localization of petroleum operations would help in combating the foreign exchange deficit. In other words, it reduces imports into India, thus making the Indian Rupee stronger.

While it is in the hands of each individual state to classify and levy tax on petroleum products, the Centre can play its role by granting exemption under the CST regime to the various goods required for undertaking petroleum operations.

Recommendation

Considering the fact that the levy of CST on the sale of goods by indigenous suppliers would render the local industry uncompetitive and promote foreign players, whereas the purchase of goods from outside India results into foreign exchange outflow, the GoI should issue a notification granting exemption to goods required for petroleum operations, under Central Sales tax law.

Rationale

To provide a level playing field and to develop domestic industry, it would be in the interest of the nation to provide the domestic industry with a competitive edge and not to put them in a disadvantageous scenario.

Hence, suitable actions should be taken by which the domestic industry does not suffer the burden of VAT / CST and can compete with the overseas vendors.

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4.6 Unincorporated Joint Ventures

It is quite common in the E&P sector for companies to collaborate on E&P ventures. The purpose of such association/collaboration is to leverage the experience of other organizations and to share the overall risk of the project.

Given the above peculiarity of the business, the GoI issued Notification No. GSR 117(E) dated 8-March-1996 under section 293A of the IT Act, wherein constituent members of the MPSC are not taxed as AOP and are instead taxed in their individual capacity. By implication, each MPSC participant is assessed in respect of its share of income in the same status in which that participant entered into the Contract with GoI.

Further, no such notification is provided for service providers to E&P companies despite section 293A enabling this. Accordingly, based on consortium arrangements in the case of service providers, the authorities tax them as AOPs.

It is quite important to note that there is no specific circular under the indirect tax laws. Furthermore, the new Negative List-based taxation of services levies service tax on all activities carried out by one person for another.

In addition to this, under the Customs and Excise laws, the AOP is construed differently from its members, and benefits available to the AOP are not extended to individual participants. This may culminate in a situation where the benefits available to the operators are denied them individually. For example: the benefit of customs duty exemption was denied to a consortium member on the ground that the Essentiality Certificate is issued to the consortium and not to the member.

Recommendation

The provisions for taxing MPSC participants and its service providers / subcontractors in their individual capacity should be prescribed in the MPSC without referring to the respective indirect tax law by giving the MPSC the status to override the indirect tax law. The respective indirect tax legislations such as excise, customs, service tax, CST should not recognize an unincorporated association or a body of persons and a member thereof as distinct persons.

For execution of PSC, normally one of participants is designated as operator and other participants provide resources to the operator for carrying out the petroleum operations. In this case the transactions amongst the participants (including the Operator) should not be considered as service for the purpose of levy of service tax.

Explanation 3 to Section 65B(44) of Finance Act, 1994 provides that, an unincorporated association or a body of persons, as the case may be, and a member thereof shall be treated as distinct persons. This provision should not be applicable for Petroleum Operation under PSC

Rationale

Taxing a consortium as an AOP under has additional tax implications in the hands of service providers, and may eventually result in increased cost of services. Additional tax implications by virtue of collaboration to undertake E&P activities or to provide services to MPSC Participants may be avoided.

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4.7 Exemption available onshore & offshore activities to continue

Under SI No 357 of Custom Notification 12/2012-cus dt 17.03.2012 provides an exemption for the parts and raw materials for manufacture of goods to be supplied in connection with the purposes of oil exploration or exploitation. This needs to be continued.

Recommendation & Rationale

The benefits available under SI No 357 of Custom Notification 12/2012-cus dt 17.03.2012 to onshore and offshore oil exploration activities should be continued to encourage exploration activities.

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4.8 Extending the list of duty-free items to be imported for E&P sector

Goods imported by the E&P companies / subcontractors / service providers in relation to E&P activities have been granted exemption from the levy of customs duty.

However, the exemption is available only to goods specified under List 13 and List 14 to the customs Notification no. 12/2012. In other words, there are only few line items describing the specified goods which would be exempt from levy of customs duty. Thus an exhaustive list is provided for import goods duty free. Since the list does not cover all goods required, there are certain products which are either directly or indirectly required by E&P companies but are subjected to customs duty due to not having a specific entry in List 13 or List 14.

Recommendation & Rationale

Lists 13 and 14 should be illustrative lists, granting specific exemption to all goods / equipment imported in relation to E&P of petroleum products. This can be done by way of inserting a residuary clause in the list 'all goods other than those mentioned above, but imported for use in relation to E&P of petroleum products'.

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5 Annexure

5.1 Annexure 1 - Article - 17 “Taxes, Royalties, Rentals, Duties etc.”

17.1 Companies, their employees, persons providing any materials, supplies, services or facilities or supplying any ship, aircraft, machinery, equipment or plant (whether by way of sale or hire) to the Companies for Petroleum Operations or for any other purpose and the employees of such persons shall be subject to all fiscal legislation in India except where, pursuant to any authority granted under any applicable law, they are exempted wholly or partly from the application of the provisions of a particular law or as otherwise provided herein.

17.2 Pursuant to the provisions of section 42 of the Act, the allowances specified herein shall apply in computing income tax payable by a Company on its profits and gains from the business of Petroleum Operations in lieu of (and not in addition to) corresponding allowances provided for under the heading "Profits and Gains of Business or Profession" in the Act. Any other allowances which are not specified herein shall be treated in accordance with the provisions of Act.

17.2.1 Subject to the provisions herein below, deductions at the rate of one hundred percent (100%) per annum shall be allowed for all expenditures, both capital and revenue expenditures, incurred in respect of Exploration Operations and drilling operations. The expenditure incurred in respect of Development Operations, other than drilling operations, and Production Operations will be allowable as per the provisions of the Act. The expenses so incurred are subject to the following:

(a) where any expenditure is not solely incurred on Petroleum Operations or is incurred as part of or in conjunction with any other business, only that proportion of the total expenditure which can be proved to the assessing officer to represent a fair proportionate part thereof, having regard to all relevant facts and circumstances, shall be allowed;

(b) sections 40A and 44C of the Act, shall apply.

17.2.2 A Company shall be entitled, for income tax purposes only, to deduct all its unsuccessful Exploration Costs in contract areas covered by other contracts from the aggregate value of

Petroleum allocable to the Company from any Field(s) in the Contract Area in the manner as follows:

- (a) unsuccessful Exploration Costs incurred in contract areas other than the Contract Area where a Commercial Discovery has been made up to the date of commencement of Commercial Production shall be aggregated and the Company shall be entitled to deduct such costs at the rate of one hundred per cent (100%) per annum;
- (b) unsuccessful Exploration Costs incurred in contract areas other than the Contract Area where a Commercial Discovery has been made, after the commencement of Commercial Production, shall be deductible at the rate of one hundred per cent (100%) per annum of such costs beginning from the Year such costs are incurred.

17.2.3 All allowable expenditure incurred prior to the Year in which Commercial Production commences shall be aggregated and the assessed loss for that Year as well as the assessed loss, if any, incurred in the assessment year relevant to the Year in which Commercial Production commences, or in any subsequent assessment year, shall be carried forward to succeeding assessment years and set off as provided in the Act.

17.2.4 For any or all accumulated expenditures incurred in respect of Exploration Operations and drilling operations prior to the date of commercial production, Company(ies) shall have option to amortize such expenditures over a period of ten (10) years from the date of first commercial production.

17.2.5 The profits and gains of the business of the Parties comprising the Contractor consisting of Petroleum Operations shall, for the purpose of levy of income tax under the Act, be computed on the basis of the value, determined in accordance with Article 19, of its Participating Interest share of Crude Oil produced and saved and sold, or otherwise disposed of, from the Contract Area and from any revenue realised on the sale of Associated or Non Associated Natural Gas referred to in Article 21 as well as any other gains or receipts from Petroleum Operations as reduced by the deductions as specified herein, and, except as herein provided, all the provisions of the Act, shall apply.

17.2.6 Company(ies) shall be eligible for benefits available under section 80 IB of the Act as applicable from time to time.

17.3 For the purposes of Article 17.2 and section 42 of the Act:

17.3.1 The following terms used in section 42 of the Act, shall have the meanings corresponding to the terms used in this Contract and defined in Article 1 as follows:

(a) "agreement" means this Contract as defined in Article 1;

(b) "commercial production" shall have the meaning assigned in Article 1.

17.3.2 The terms "assessing officer", "assessed loss", and "assessment year" shall have the meaning as defined in the Act.

17.3.3 The other terms used herein and defined in Article 1 shall have the meaning therein prescribed.

17.4 Companies (Lessee) shall be required to pay royalty to the GOI (Lessor) for offshore areas at the rate of ten percent (10%) of the well-head value of Crude Oil and Natural Gas. In case of an onshore area, Companies shall be required to pay to the State Government(s) (Lessor) at the rate of twelve point five zero percent (12.5%) of the well-head value of Crude Oil and ten percent (10%) of the well-head value of Natural Gas. In case of an offshore area falling beyond four hundred (400) metre isobath, the rate of royalty payable by Companies (Lessee) to the GOI (Lessor) shall be at the rate of five percent (5%) of the well-head value of Crude Oil and Natural Gas for the first seven years from the date of commencement of Commercial Production in the Field. The valuation of Crude Oil and Natural Gas shall be as per the Article 19 and Article 21 respectively. The royalty amount due to GOI/State Government(s) shall be payable latest by the end of the succeeding Month.

17.5 Machinery, plant, equipment, materials and supplies imported by the Contractor and its Subcontractors solely and exclusively for use in Petroleum Operations under this Contract or similar contracts with the GOI where customs duty has been exempted by the Government shall be exempt from customs duties and export duties or other charges on re-exportation of the said items in accordance with applicable legislation.

17.6 The GOI shall have the right to inspect the records and documents of the physical item or items for which an exemption has been provided pursuant to Article 17.5 to determine that

such item or items are being or have been imported solely and exclusively for the purpose for which the exemption was granted. The GOI shall also be entitled to inspect such physical items wherever located to ensure that such items are being used for the purpose herein specified and any item not being so used shall immediately become liable to payment of the applicable customs duties.

- 17.7 Subject to Article 27, the Contractor and its Subcontractors may sell or otherwise transfer in India all imported items which are no longer required for Petroleum Operations, subject to applicable laws including rules, regulations, procedures, notifications etc. governing customs duties and sale or disposal of such items.
- 17.8 Any sales tax or tax of similar nature payable on the sale(s) of Petroleum under this Contract shall be borne/reimbursed by the buyer(s).
- 17.9 Subject to the provisions herein above provided, the Contractor shall be liable for payment of:
- (a) annual license charges and rental fees and other charges under the Rules;
 - (b) charges payable by specified industries or in connection with Petroleum Operations under applicable legislation;
 - (c) payments for purchase, lease or rental of land or land rights in connection with Petroleum Operations;
 - (d) taxes, fees or charges for specific services rendered on request or to the public generally;
 - (e) customs duties, except for those items subject to exemption as provided in Article 17, applicable at the rates specified from time to time; and
 - (f) stamp duties, registration fees, license fees, taxes such as taxes on property or assets (not calculated by reference to income or otherwise exempted) or other levies, fees or charges of a non-discriminatory nature and generally applicable in India or in the State where Petroleum Operations are being conducted.
- 17.10 If any change in or to any Indian law, rule or regulation dealing with income tax or other corporate tax, export/import tax, excise, customs duty or any other levies, duties or taxes imposed on Petroleum or dependent upon the value of Petroleum results in a material

change to the expected economic benefits accruing to any of the Parties after the date of execution of the Contract, the Parties shall consult promptly in good faith to make necessary revisions and adjustments to the Contract in order to maintain such expected economic benefits to each of the Parties, provided, however, that the expected economic benefits to the Parties shall not be reduced as a result of the operation of this Article.

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5.2 Annexure 2 – Illustrative list of services/activities eligible for the presumptive tax regime

We have provided below the non-exhaustive illustrative list of services/activities related to petroleum operations which are covered in Appendix C of accounting procedures which will qualify for the presumptive tax regime under the IT Act or the DTC:

- 1 Seismic services like land acquisition, data processing services, borehole seismic, seismic consulting transit zone surveys
- 2 Geophysical hardware and software services and geological services;
- 3 Drilling services like Cementing, engineering and modeling, mud well drilling and land well drilling, surveying, mud logging, mud engineering services, solid control and waste management services etc.
- 4 Well intervention like slickline services, decommissioning services
- 5 Provision of drilling bits, fluid systems and products, drilling tools along with the personnel,
- 6 Provision of all types of equipment along with the personnel on hire like drilling rigs, jackup rigs, submersible rigs, semi-submersible rigs, drill ships, drilling barges, short-hole drilling rigs, mobile rigs, workover rigs consisting of various equipment and other drilling equipment required for drilling operations, snubbing units, hydraulic workover units, self-elevating workover platforms, Remote Operated Vessel (ROV)
- 7 Providing all types of marine vessels to support petroleum operations including work boats, barges, crew boats, tugs, anchor-handling vessels, lay barges and supply boats;
- 8 Providing subsea operations like subsea processing, subsea intervention services
- 9 Providing services like perforating, permanent monitoring services, sand control, stimulation services.
- 10 Works Contract for construction of onshore and offshore platforms, pipeline, facilities for petroleum operation
- 11 Revenue from mobilization and de-mobilization of equipments or vessels

6 Glossary

DTC	Direct Tax Code Bill 2010
E&P	Exploration & Production
GoI	Government of India
MAT	Minimum Alternate Tax
MoPNG	The Ministry of Petroleum and Natural Gas
MoF	Ministry of Finance
NELP	The New Exploration Licensing Policy
MPSC	Model Production Sharing Contract
PSC	Production Sharing Contract
IT Act	Income-tax Act, 1961