L.N. 48 of 1991

INCOME TAX ACT

(CAP. 123)

Petroleum Production Profits (Determination of Total Income) (Amendment) Rules, 1991

IN exercise of the powers conferred by subsection (1) of section 13 and subsection (1) of section 94 of the Income Tax Act, the Minister of Finance has made the following rules:—

Citation.

1. These rules may be cited as the Petroleum Production Profits (Determination of Total Income) (Amendment) Rules, 1991, and shall be read and construed as one with the Petroleum Production Profits (Determination of Total Income) Rules, 1982, hereinafter referred to as "the principal rules". L.N. 19 of 1982.

Substitution of rule 4.

2. For rule 4 of the principal rules there shall be substituted the following new rules:

"Total income from certain contracts.

4. Notwithstanding the provisions of rule 3 hereof, the gains or profits derived by a person for any calendar year from a petroleum production sharing contract entered into on or after the first day of January, 1991, shall be ascertained by deducting from the total of the cost recovery petroleum and the share of profit petroleum accruing to such person for that year under the said contract, the recoverable costs as determined under the contract, and not yet fully recovered by the said person. Where after such deduction there remains any balance of unabsorbed recoverable costs, the amount of such unabsorbed costs shall be carried forward to the following year and shall be added to, and become part of, the recoverable costs for that year. This procedure shall be carried on in subsequent years.

Separate sources of income

5. For the purpose of these rules, each petroleum production sharing contract shall be deemed to be a separate and distinct source of income and any person deriving gains or profits from more than one such contract shall be subject to tax as if he were a separate person with respect to each such contract. Where more than one commercial petroleum field is discovered in a contract area in respect of which a petroleum production sharing contract is entered into by any person on or after the first day of January, 1991, the gains or profits from

each such field shall be subject to tax as if each field constitutes a separate and distinct source of income arising to a separate person, so however that the said person shall have the right of identifying the field or fields in the said area where the cost of exploration operations are to be taken into account in ascertaining the relative gains or profits.".

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