L.N. 19 of 1982

INCOME TAX ACT, 1948

(ACT NO. LIV OF 1948)

Petroleum Production Profits (Determination of Total Income) Rules, 1982

IN exercise of the powers conferred by subsection (1) of section 10 and subsection (1) of section 79 of the Income Tax Act, 1948, hereinafter referred to as the "Act", the Minister of Finance has made the following rules:—

Citation and commencement.

1. These rules may be cited as the Petroleum Production Profits (Determination of Total Income) Rules, 1982 and shall have effect as from the year of assessment commencing on the first day of January, 1982.

Total income from certain petroleum production operations.

2. When a person derives gains or profits from sources mentioned in paragraph (ii) of the proviso to subsection (1) of section 10 of the Act, then so far as concerns the gains and profits derived by that person under a petroleum production sharing contract, the total income shall be ascertained in the manner provided for in these rules.

Computation of total income and valuation of petroleum.

3. The total income of a person deriving gains or profits as is mentioned in the foregoing rule shall be equivalent to the value of the petroleum to which, in accordance with the contract under which the operations are carried out, such person is entitled as his share of that quantity of petroleum remaining after deducting from the net production of petroleum the cost recovery petroleum, such value being also determined in accordance with the said contract:

Provided that where the value of the cost recovery petroleum for any calendar year exceeds the actual costs recoverable during that calendar year including any recoverable costs carried forward the total income ascertained as aforesaid shall be further increased by an amount equivalent to the value of the share of such excess cost recovery petroleum to which such person is entitled under the contract.

Separate sources of income.

4. 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 of such contracts.

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