

SECURITIES

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# Taxes and other fiscal elements of the PSA/PSC

## - Calculation of government take

*By Trygve Christiansen*



# Intended Learning Outcomes



- Understand the concept “Government take”
- Be able to carry out basic calculation of government take on PSAs

# How to calculate government take?



An example:

Royalty rate: 10%

Tax : 40%

Costs: 30%



# Exercise – 5 minutes



*Try to calculate yourself:*

Royalty rate: 5%

Tax : 30%

Costs: 30%

# Exercise – 15 minutes



*Calculate government take using profit oil*

Royalty 10 %

Tax 30%

Costs 20 %

Profit oil split 70:30

Guide:

1. Deduct royalties
2. Deduct costs
3. Do profit oil split
4. Calculate tax on company's share of profit oil
5. Add all govt. revenues and calculate government take

# Profit Oil Tranches



## MYANMAR (MOATTAMA AREA)

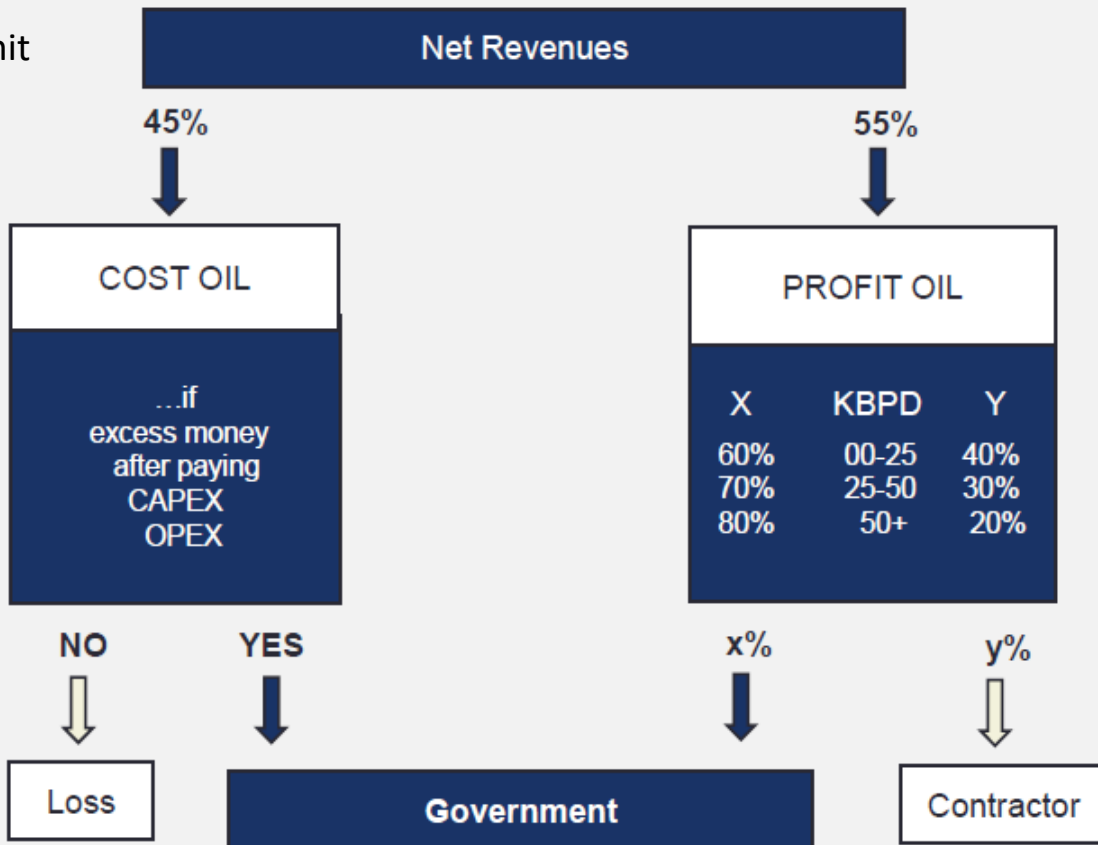
### COST OIL LIMIT=50%

Barrels of crude oil per day	Govt. share of Profit Oil	Company (Total) share of Profit Oil
0 - 35,000	60 %	40 %
35,101 - 70,000	70 %	30 %
70,001 - 100,000	80 %	20 %
101,000 - 200,000	82,5 %	17,5 %
200,001 - and above	85 %	15 %

After royalties are paid

Cost oil limit  
= 45 %

carried forward to next year



# PSA Calculation Example

## Operational parameters

Production: 125 kbb/d  
 Cost of production 20 MUSD

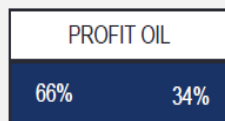


45 MUSD



Unused cost oil: 25 MUSD

55 + 25 MUSD



53 MUSD 27 MUSD



Gov. take in % of net revenues: 53%  
 Gov. take in % of net revenue – cost: 66%

## Tax parameters:

Cost oil limit: 45%  
 Unused cost oil: To profit oil  
 Profit oil distribution: Dependent on production  
 0-25 kbb/d: 50% to government  
 25-50 kbb/d: 60% to government  
 50-100 kbb/d: 70% to government  
 >100 kbb/d: 80% to government

## Profit Oil calculation

Tranche	Allocation		Government take		Contractor share		Total
	kbb/d	Dist	%	musd	musd	musd	
0-25	25	20.0 %	50 %	8.0	50 %	8.0	16.0
25-50	25	20.0 %	60 %	9.6	40 %	6.4	16.0
50-100	50	40.0 %	70 %	22.4	30 %	9.6	32.0
>100	25	20.0 %	80 %	12.8	20 %	3.2	16.0
<b>Total</b>	<b>125</b>	<b>100 %</b>	<b>66 %</b>	<b>52.8</b>	<b>34 %</b>	<b>27.2</b>	<b>80.0</b>

Gov. take for per tranche: distribution \* gov.take% \* profit oil pot

Gov. take for 0-25 kbb/d: 20% \* 50% \* 80musd

Gov. take for 25-50 kbb/d: 20% \* 60% \* 80musd



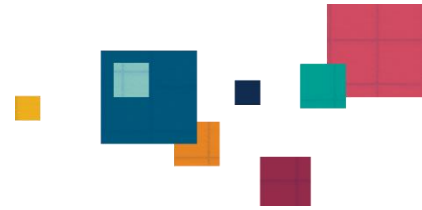
# Exercise 3 – 30 minutes



Tranches	Average daily (gross) production BOPD	Government share of profit oil
1	Up - 10 000	50 %
2	10 0001 - 20 000	60 %
3	20 001 - 30 000	70 %
4	> 30 000	80 %

- What is government profit oil with daily production of 25 000 barrels per day?
- What is government profit oil with daily production of 50 000 barrels per day?
- Is the system regressive or progressive?

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