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)**

<table>
<thead>
<tr>
<th>Barrels of crude oil per day</th>
<th>Govt. share of Profit Oil</th>
<th>Company (Total) share of Profit Oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 35,000</td>
<td>60 %</td>
<td>40 %</td>
</tr>
<tr>
<td>35,101 - 70,000</td>
<td>70 %</td>
<td>30 %</td>
</tr>
<tr>
<td>70,001 - 100,000</td>
<td>80 %</td>
<td>20 %</td>
</tr>
<tr>
<td>101,000 - 200,000</td>
<td>82,5 %</td>
<td>17,5 %</td>
</tr>
<tr>
<td>200,001 - and above</td>
<td>85 %</td>
<td>15 %</td>
</tr>
</tbody>
</table>
After royalties are paid

Cost oil limit = 45%
PSA Calculation Example

**Operational parameters**
- Production: 125 kbbi/d
- Cost of production: 20 MUSD

**NET REVENUES**
- 100 MUSD

**Tax parameters:**
- Cost oil limit: 45%
- Unused cost oil: To profit oil
- Profit oil distribution:
  - 0-25 kbbi/day: 50% to government
  - 25-50 kbbi/day: 60% to government
  - 50-100 kbbi/day: 70% to government
  - >100 kbbi/day: 80% to government

**Profit Oil calculation**

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Allocation</th>
<th>Government take</th>
<th>Contractor share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>kbbi/d</td>
<td>kbbi/d</td>
<td>Dist</td>
<td>%</td>
<td>musd</td>
</tr>
<tr>
<td>0-25</td>
<td>25</td>
<td>20.0%</td>
<td>50</td>
<td>8.0</td>
</tr>
<tr>
<td>25-50</td>
<td>25</td>
<td>20.0%</td>
<td>60</td>
<td>9.6</td>
</tr>
<tr>
<td>50-100</td>
<td>50</td>
<td>40.0%</td>
<td>70</td>
<td>22.4</td>
</tr>
<tr>
<td>&gt;100</td>
<td>25</td>
<td>20.0%</td>
<td>80</td>
<td>12.8</td>
</tr>
</tbody>
</table>

Gov. take in % of net revenues: 53%
Gov. take in % of net revenue — cost: 66%
Exercise 3 – 30 minutes

<table>
<thead>
<tr>
<th>Tranches</th>
<th>Average daily (gross) production BOPD</th>
<th>Government share of profit oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up - 10 000</td>
<td>50 %</td>
</tr>
<tr>
<td>2</td>
<td>10 0001 - 20 000</td>
<td>60 %</td>
</tr>
<tr>
<td>3</td>
<td>20 001 - 30 000</td>
<td>70 %</td>
</tr>
<tr>
<td>4</td>
<td>&gt; 30 000</td>
<td>80 %</td>
</tr>
</tbody>
</table>

- 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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