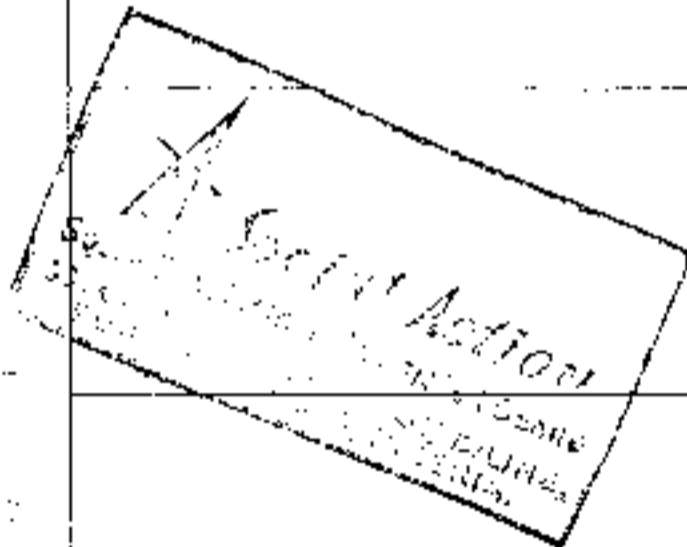
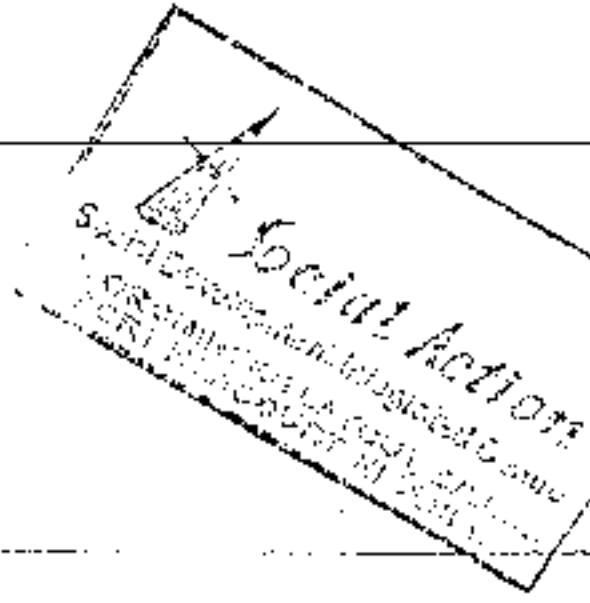
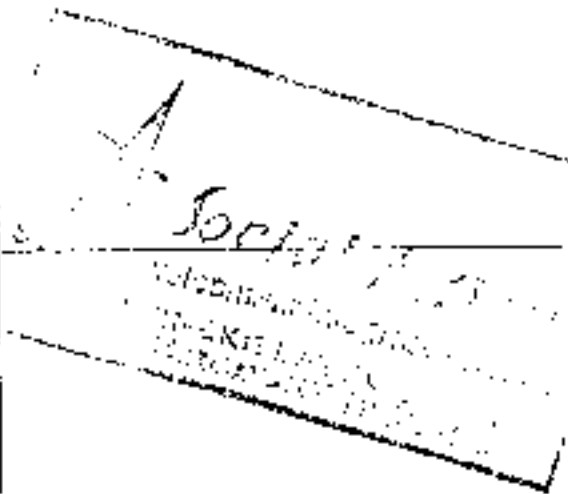


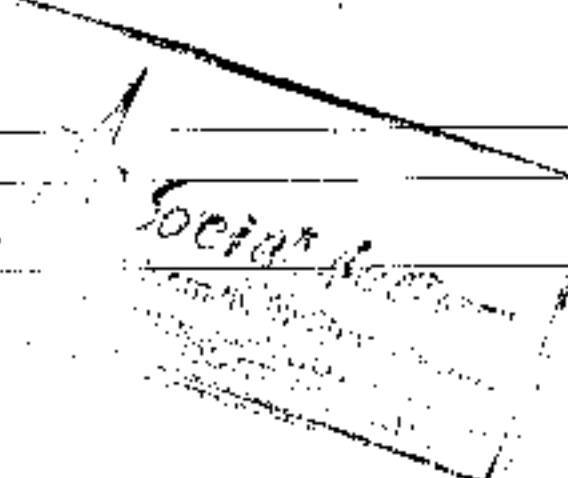
50	Committee Recommendation	Rationale
	the purpose of enforcing payment of the tax due:	
	(a) distrain the taxpayer by his goods, other chattels, bond or other securities; or	
	(b) distrain upon any land, premises or places in respect of which the taxpayer is the owner and, subject to the provisions of this section, recover the amount of tax due by sale of anything so distrained.	
	(2) The power to distrain under this section shall be in the form contained in the Fourth Schedule to the Federal Inland Revenue Service (Establishment) Act 2007, and such authority shall be sufficient warrant and authority to levy by distraint the amount of tax due.	
	(3) For the purpose of levying any distraint under this section, an officer duly authorised by the Executive Chairman of the Service may apply to a Judge of the Federal High Court sitting in Chambers under oath for the issue of a warrant under this section.	
	(4) The Judge of the Federal High Court may on application made ex-parte authorise such officer, referred to in subsection (3) of this section, in writing to execute any warrant of distraint and, if necessary, break open any building or place in the daytime for the purpose of levying such distraint and he or she may call to his assistance any police officer and it shall be the duty of any police officer when so required to aid and assist in the execution of any warrant of distraint and in levying the distraint	
	(5) Things distrained under this section may, at the cost of the owner thereof, be kept for fourteen days, at the end of which time, if the amount due in respect of tax and the cost and charges incidental to the distraint are not paid, they may, subject to subsection (8) of this section, be sold at any time thereafter	
	(6) There shall be paid out of the proceeds of sale, in the first instance, the cost or charges incidental to the sale and keeping of the distraint, and the residue, if any, after the recovery of the tax liability, shall be payable to the owner of the things distrained upon demand being made within one year of the sale or shall thereafter be forfeited.	
	(7) In exercise of the powers of distraint conferred by this section, the person to whom the authority is granted under subsection (4) of this section may distrain upon all goods, chattels and effects belonging to the debtor wherever the same may be found in Nigeria.	
	(8) Nothing in this section shall be construed as authorising the sale of any immovable property without an order of a Court of competent jurisdiction.	

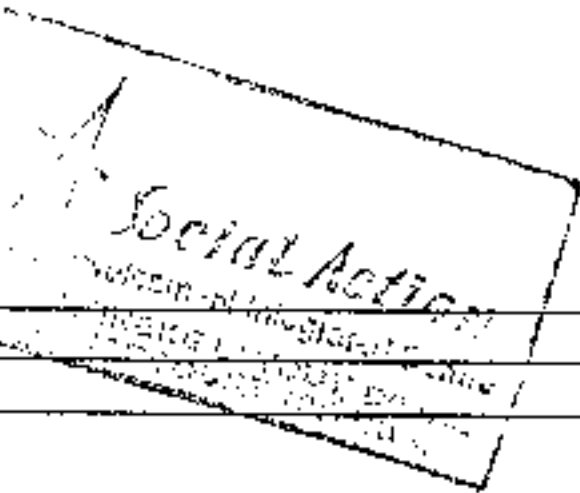


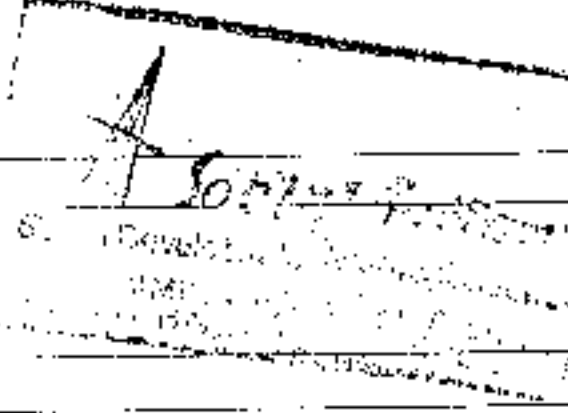
Clause	Committee Recommendation	Rationale
	<p><b>388. Additional Assessments</b></p> <p>(1) If the Service discovers or is of the opinion at any time that, with respect to any company liable to tax, tax has not been charged and assessed upon the company or has been charged and assessed upon the company at a less amount than that which ought to have been charged and assessed for any accounting period of the company, the Service may within six years after the expiration of that accounting period and as often as may be necessary, assess such company with tax for that accounting period at such amount or additional amount as in the opinion of the Service ought to have been charged and assessed, and may make any consequential revision of the tax charged or to be charged for any subsequent accounting period of the company.</p> <p>(2) Where a revision under subsection (1) of this section results in a greater amount of tax to be charged than has been charged or would otherwise be charged an additional assessment, or an assessment for any such subsequent accounting period shall be made accordingly, and the provisions of this Act as to notice of assessment, objection, appeal and other proceedings under this Act shall apply to any such Assessment or additional assessment and to the tax charged thereunder.</p> <p>(3) For the purpose of computing under subsection (1) of this section the amount or the additional amount of tax for any accounting period of a company which ought to have been charged, all relevant facts consistent with subsection (3) of section 394 shall be taken into account even though not known when any previous assessment or additional assessment on the company for that accounting period was being made or could have been made.</p> <p>(4) Notwithstanding the other provisions of this section, where any form of fraud, wilful default or neglect has been committed by or on behalf of any company in connection with any tax imposed under this Act, the Service may, at any time and as often as may be necessary, for the purpose of recovering any loss of tax attributable to the fraud, wilful default or neglect.</p> <p>(5) With respect to the collection of any additional tax under this section or section 383(3) of this Act shall apply.</p>	
	<p><b>389. Making of Assessments</b></p> <p>(1) Assessment of tax shall be made in such form and in such manner as the Service shall authorise and shall contain the names and addresses of the companies assessed to tax or of the persons in whose names any companies (with the names of such companies) have been assessed to tax, and in the case of</p>	



Clause	Committee Recommendation	Rationale
	each company for each of its accounting periods, the Particular accounting period and the amount of the chargeable profits of and assessable tax and chargeable tax for that period.	
	(2) When any assessment requires to be amended or revised, a form of amended or revised assessment shall be made in a manner similar to that in which the original of that assessment was made under subsection (1) of this section but showing the amended or revised amount of the chargeable profits, assessable tax and chargeable tax.	
	(3) A copy of each assessment, and of each amended or revised assessment shall be filed in a list which shall constitute the Assessment List for the purpose of this Act.	
	<b>390. Notices of Assessment</b>	
	(1) The Service shall cause to be served personally on or sent by registered post to each person whose name appears on an assessment in the Assessment List a notice of assessment stating its accounting period and the amount of its chargeable profits, assessable tax and chargeable tax charged and assessed upon the company, the place at which payment of the tax should be made, and informing such company of its rights under subsection (2) of this section.	
	(2) If any person in whose name an assessment was made in accordance with the provisions of this Act disputes the assessment, that person may apply to the Service, by notice of objection in writing, to review and revise the assessment so made on him; and such application shall be made within twenty-one days from the date of service of the notice of such assessment and shall state the amount of chargeable profits of the company of the accounting period in respect of which the assessment is made and the amount of the assessable tax and the tax which such person claims should be stated on the notice of assessment.	
	(3) The Service, upon being satisfied that owing to absence from Nigeria, sickness or other reasonable cause, the person in whose name the assessment was made was prevented from making the application within such period of twenty-one days shall, extend the period as may be reasonable in the circumstances.	
	(4) After receipt of a notice of objection referred to in subsection (2) of this section, the Service may within such time and at such place as the Service shall specify, require the person giving the notice of objection to furnish such Particulars as the Service may deem necessary, and may by notice within such time and at such place as the Service shall specify, require any person to give evidence orally or in writing	

Clause	Committee Recommendation	Rationale
	resisting any matters necessary for the ascertainment of the tax payable, and the Service may require such evidence if given orally to be given on oath or if given in writing to be given by affidavit.	
	(5) In the event of any person assessed who has objected to an assessment made upon him agreeing with the Service as to the amount of tax liable to the assessed the assessment shall be amended accordingly, and notice of the tax payable shall be served upon such person	
	(6) If an applicant for revision under the provisions of subsection (2) of this section fails to agree with the Service the amount of the tax, the Service shall give such applicant notice of refusal to amend the assessment as desired by such applicant, and may revise the assessment to such amount as the Service may determine and give such applicant notice of the revised assessment and of the tax payable together with notice of refusal to amend the revised assessment and, wherever requisite, any reference in this Act to an assessment or to an additional assessment shall be treated as a reference to an assessment or to an additional assessment as revised under the provisions of this subsection.	
	<p><b>391. Errors and defects in assessment and notice</b></p> <p>(1) No assessment, warrant or other proceeding purporting to be made in accordance with the provisions of this Act shall be quashed, or deemed to be void or voidable, for want of form, or be affected by reason of a mistake, defect or omission therein, if the same is in substance and effect in conformity with or according to the intent and meaning of this Act or any Act amending the same, and if the company assessed or intended to be assessed or affected thereby is designated therein according to common intent and understanding.</p> <p>(2) An assessment shall not be impeachable or affected:</p> <p>(a) by reason of a mistake therein as to</p> <p>(i) the name of a company liable or of a person in whose name a company is assessed; or</p> <p>(ii) the amount of the tax.</p> <p>(b) by reason of any variance between the assessment and the notice thereof, if in cases of assessment, the notice thereof be duly served on the company intended to be assessed or on the person in whose name the assessment was to be made on a company, and such notice contains, in substance and effect, the Particulars on which the assessment is made.</p>	

Clause	Committee Recommendation	Rationale
	immovable property which immediately before the effective date were vested and held by the Petroleum Products Pricing and Regulatory Authority.	
	(3) As from the effective date:	
	(a) The rights, interest, obligations and liabilities of the Petroleum Products Pricing and Regulatory Authority existing immediately before the effective date under any aforementioned contract or instrument at law or in equity which shall have been held on behalf of or have accrued to or have been incurred for its own benefit or use, shall by virtue of this Act be assigned to and vested in the Authority;	
	(b) Any such contract or instrument as is mentioned in sub-paragraph (a) above, shall be of the same force and effect against or in favour of the Authority and shall be enforceable as fully and effectively as if instead of the Petroleum Products Pricing and Regulatory Authority, the Authority had been named therein or had been a party thereto; and	
	(c) Any proceeding or causa of action pending or existing or which could have been taken by or against the Petroleum Products Pricing and Regulatory Authority immediately before the effective date in respect of any such rights, interest, obligation or liability of the Petroleum Products Pricing and Regulatory Authority, may be commenced, continued or enforced or taken by or against the Authority as if this Act had not been made.	
	<b>437. The Agency</b>	
	(1) From the effective date of this Act any staff of the former Nigerian National Petroleum Corporation that are employed by the Agency shall be regarded as having transferred their services to the Agency with effect from that date, on terms and conditions no less favourable than those obtaining immediately before the effective date, unless they indicate otherwise before the expiration of three months next following the effective date, and such services will be regarded as continuous for the purpose of pensions and gratuities.	
<b>490</b>	<b>438. Contract Relating to the Agency</b>	
490. Any contracts entered into by the Corporation, for the benefit of, or with respect to the functions of the National Petroleum Investment Management Services or the Crude Oil Marketing Department, as the case may be, and which are in respect of matters pertaining to the functions of the Agency, shall be enforceable as fully and effectively as if instead of the Corporation, the Agency had been named therein or had been a party thereto.	(1) Any contracts entered into by the Corporation, for the benefit of, or with respect to the functions of the National Petroleum Investment Management Services and which are in respect of matters pertaining to the functions of the Agency, shall be enforceable as fully and effectively as if instead of the Corporation, the Agency had been named therein or had been a party thereto.	In line with the deletion of 115(1)(*) (numbering: original Gazetted version) expunge the reference to the Crude Oil Marketing Department.

Clause	Committee Recommendation	Rationale
	(c) such longer period as may be legally required.	
	<b>424. Model Contract</b>	
	(1) Any contract entered into after enactment of this Act, can only be entered into by the National Oil Company on the basis of a model approved pursuant to section 197(2)	
	<b>CHAPTER F: MISCELLANEOUS PROVISIONS</b>	
	<b>425. Other taxes, duties and levies</b>	
	(1) All companies, lessees, licensees, concessionaires, joint ventures, contractors and other entities involved in petroleum operations shall be subject to such other taxes, duties and levies as may apply to them from time to time, including, without restricting the generality of the foregoing, capital gains tax, education tax, withholding taxes, stamp duties, any other taxes and levies under the Taxes and Levies (approved List for Collection) Act approved for collection by the Federal Government, any State Government and any Local Government, with the exception of any tax or levy from which the companies are specifically exempted.	
	<b>PART IX - REPEALS, TRANSITIONAL AND SAVINGS PROVISIONS</b>	
	<b>426. Repeals</b>	
	(1) From the effective date the following enactments and regulations are hereby repealed:	
	(a) Associated Gas Re-injection Act Cap. A25 Laws of the Federation 2004;	
	(b) Deep Offshore and Inland Basin Production Sharing Contracts Act Cap. D3 Laws of the Federation of Nigeria 2004;	
	(c) Hydrocarbon Oil Refineries Act No. 17 of 1965, Cap. H5 Laws of the Federation of Nigeria 2004;	
	(d) Motor Spirits (Returns) Act Cap. M20 Laws of the Federation of Nigeria 2004;	
	(e) Nigerian National Petroleum Corporation Act No. 73 of 1977, Cap. 123 Laws of the Federation of Nigeria 2004;	
	(f) Nigerian National Petroleum Corporation (Projects) Act No. 94 of 1993 CAP N124 Laws of the Federation of Nigeria 2004;	
	(g) Nigerian National Petroleum Corporation (Amendment) Act, 2007;	
	(h) Petroleum Act 1969, CAP 350 Laws of the Federation 1990;	
	(i) Petroleum (Amendment) Decree No. 23 of 1996.	

Clause	Committee Recommendation	Rationale
	(j) Petroleum (Amendment) Decree No. 22 of 1998,	
	(k) Petroleum Products Pricing Regulatory Agency (Establishment) Act 2003;	
	(l) Petroleum Equalisation Fund (Management Board, etc.) Act No.9 of 1975, Cap. P11 Laws of the Federation of Nigeria 2004;	
	(m) Petroleum Profits Tax Act, Cap P13, Laws of the Federation 2004,	
	(n) Petroleum (Special) Trust Fund Act, Cap P14 Laws of the Federation of Nigerian 2004; and	
	(o) Petroleum Technology Development Fund Act, Cap. P15 Laws of the Federation of Nigeria 2004.	
	(2) Any subsidiary legislation repealed as a result of the repeal of any of the enactments in subsection (1) of this section shall, in so far as it is not inconsistent with this Act, remain in operation until it is revoked or replaced by subsidiary legislation made under this Act, and shall be deemed for all purposes to have been made under this Act.	

#### 427. Savings Provisions


(1) Any licence and lease granted under the Mineral Oils Act, 1959 and the Petroleum Act 1969 shall continue, subject to all the provisions under this Act except:

(a) that oil prospecting licences at the effective date, shall not be subject to provisions of section 201, subsections 202(1) through (9) and subsection 210(1) and (2), and for such licences the terms with respect to the oil prospecting licences regarding duration of the licence, work program commitments and relinquishments shall continue unaltered for a period up to the tenth anniversary of the granting of such licence;

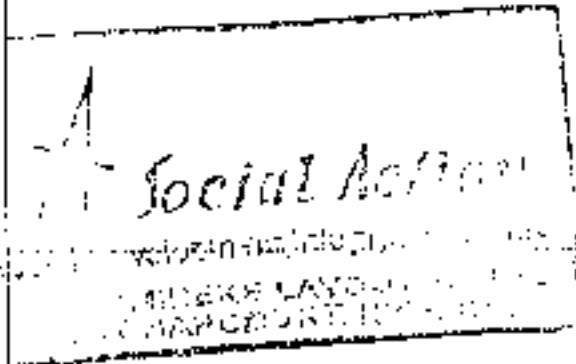
(b) that for oil mining leases at the effective date the following shall apply:

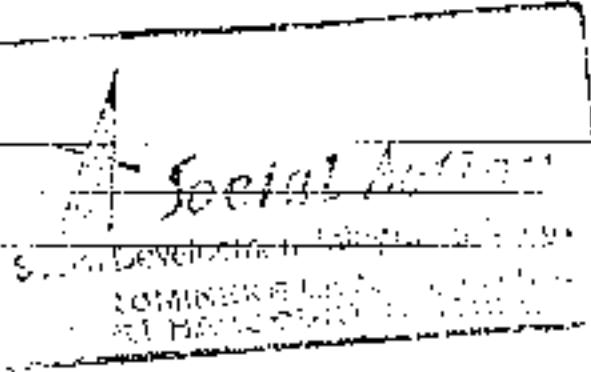
(i) with respect to the application of Part VIII, the new provisions shall be effective from the effective date;


(ii) capital allowances applicable to investments incurred and credits obtained prior to the effective date, shall be applied for the purposes of Nigerian Hydrocarbon Tax and Companies Income Tax. With respect to any existing production sharing contracts, the contractor parties which have incurred costs for the creation of assets to be owned by a licensee of a petroleum prospecting licence or lessee of a petroleum mining lease prior to the effective date and have not yet claimed such costs and/or capital allowances under such contracts, shall be entitled to expense all such costs and/or capital allowances for purposes of Nigerian Hydrocarbon Tax and Companies Income Tax;

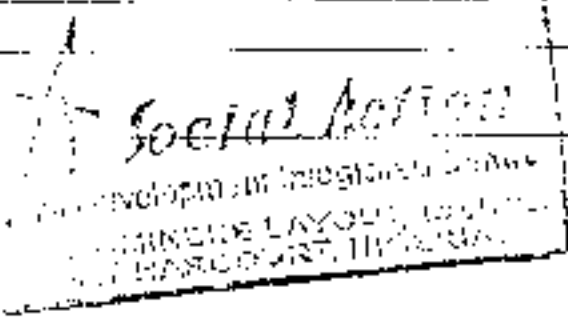
Clause	Committee Recommendation	Rationale
	(iii) carry forward losses existing prior to the effective date, shall be applied to the calculation of the Nigerian Hydrocarbon Tax and Companies Income Tax; and	
	(iv) with respect to section 371, where field development activities started prior to the effective date and commercial production commenced after January 1, 2009, the lessee shall be entitled to claim allowances under section 371 and the incentives under section 350(4).	
	(2) Any licence, permit or other right granted in respect of commercial activities pertaining to the downstream, including refineries, pipelines, storage, transportation, distribution and retail, under any laws in force at the time in Nigeria, shall, in accordance with the terms of section 246 (4) apply to the Authority for the issuance of the appropriate commercial licence, and pending the issuance of the said appropriate licence, the said licence, permit, or right shall continue in force as if it had been issued under the provisions of this Act	
 <p><i>Social Action</i> for Development</p>	(3) Any other licence, permit or other right in respect of any sector of the petroleum industry in Nigeria to which subsection (1) and (2) of this section does not apply, and that has been granted by the Department of Petroleum Resources or the Petroleum Products Pricing and Regulatory Authority, as the case may be, and which is still in existence on the effective date, shall continue in force for the remainder of its duration as if it had been issued under the provisions of this Act.	
	(4) Any tariff, price, levy, or surcharge which was payable to the Department of Petroleum Resources or the Petroleum Products Pricing and Regulatory Authority prior to the effective date shall continue in force until the expiration of the term of the said tariff, price, levy, or surcharge, or until alternative provisions are made pursuant to the provisions of this Act or any regulations made under it, whichever is earlier.	
	(5) Within three months from the effective date the Commission or the Inspectorate as the case may be, may make any further transitional and savings provisions that are considered necessary or desirable, provided that these provisions are consistent with the transitional and savings provisions in this Act.	
	<p><b>428. The Commission</b></p> <p>(1) Any staff of the Ministry of Petroleum Resources who are employed by the Commission as from the effective date shall be regarded as having transferred their services to the Commission with effect from that date, on terms and conditions no less favourable than those obtaining immediately before the effective</p>	




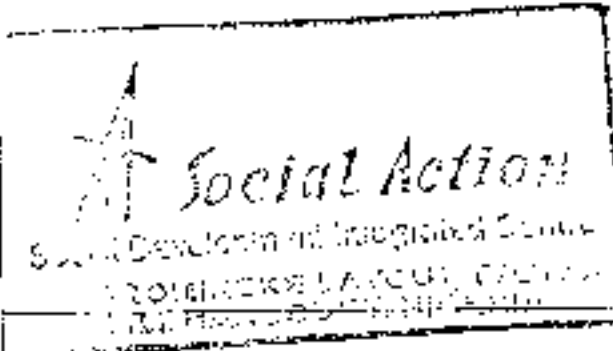
Clause	Committee Recommendation	Rationale
	date, unless they indicate otherwise before the expiration of three months next following the effective date, and such services will be regarded as continuous for the purpose of pensions and gratuities.	
	<b>429. Application of all contracts</b>	
	(1) The provisions of this section shall apply to all contracts or other instruments subsisting immediately before the effective date and entered into by the Ministry of Petroleum Resources	
	(2) By virtue of this Act there is vested in the Commission as from the effective date and without further assurance all assets, funds, resources and other moveable or immovable property which immediately before the effective date were vested and held by the Ministry of Petroleum Resources on its own behalf.	
	(3) As from the effective date:	
	(a) the rights, interest, obligations and liabilities of the Ministry of Petroleum Resources existing immediately before the effective date under any aforementioned contract or instrument at law or in equity which shall have been held on its own behalf, or have accrued to or have been incurred on its own behalf, or for its own benefit or use shall by virtue of this Act be assigned to and vested in the Commission;	
	(b) any such contract or instrument as is mentioned in sub-paragraph (a) above, shall be of the same force and effect against or in favour of the Commission and shall be enforceable as fully and effectively as if instead of the Ministry of Petroleum Resources, the Commission had been named therein or had been a party thereto;	
	(c) any proceeding or cause of action pending or existing or which could have been taken by or against the Ministry of Petroleum Resources immediately before the effective date in respect of any such rights, interest, obligation or liability of the Ministry of Petroleum Resources may be commenced, continued or enforced or taken by or against the Commission as if this Act had not been made.	
	<b>430. The Inspectorate</b>	
	(1) All staff of the former Petroleum Inspectorate in the Nigerian National Petroleum Corporation or the Department of Petroleum Resources in the Ministry of Petroleum Resources on the effective date shall be regarded as having transferred their services to the Inspectorate with effect from that date on terms and conditions no less favourable than those obtained immediately before the effective date, unless they indicate otherwise before the expiration of three months next following the effective date, and such	

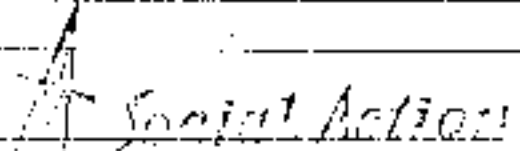
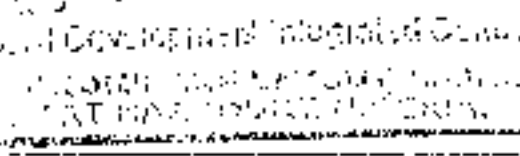
Clause	Committee Recommendation	Rationale
	services will be regarded as continuous for the purpose of pensions and gratuities.	
	<p><b>431. Cessation of Employment</b></p> <p>(1) Every person whose service has been transferred to the Inspectorate from the former Petroleum Inspectorate in the Nigerian National Petroleum Corporation or the Department of Petroleum Resources in the former Ministry of Petroleum Resources under this Act shall cease to be in the employment of the Nigerian National Petroleum Corporation or the Ministry of Petroleum Resources on the day preceding the effective date and shall be deemed to be employed by the Inspectorate with effect from the effective date.</p>	
	<p><b>432. Exemption from Liability</b></p> <p>(1) No liability shall attach to the Inspectorate or to any employee or agent of the Inspectorate or to a member for any loss or damage sustained by any person as a result of the lawful exercise or performance of any function which in terms of this Act is conferred or imposed upon the Inspectorate or the members.</p>	
	<p><b>433. Application of Subsisting Contracts</b></p> <p>(1) The provisions of this section shall apply to all contracts or other instruments subsisting immediately before the effective date and entered into by the former Nigerian National Petroleum Corporation or the former Ministry of Petroleum Resources for or on behalf of the former Petroleum Inspectorate or the former Department of Petroleum Resources.</p>	
	<p>(2) By virtue of this Act there is vested in the Inspectorate as from the effective date and without further assurance all assets, funds, resources and other moveable or immovable property which immediately before the effective date were vested and held by the Nigerian National Petroleum Corporation or the Ministry of Petroleum Resources for and on behalf of, or for the use of the former Petroleum Inspectorate or the Department of Petroleum Resources.</p>	
	<p>(3) As from the effective date:</p> <p>(a) The rights, interests, obligations and liabilities of the Ministry of Petroleum Resources existing immediately before the effective date under any aforementioned contract or instrument at law or in equity, which shall have been held on behalf of, or have accrued to, or have been incurred on behalf of, or for the benefit of, or for the use of the former Petroleum Inspectorate of the Nigerian National Petroleum Corporation or the Department of Petroleum Resources of the Ministry of Petroleum Resources, shall by virtue of</p>	

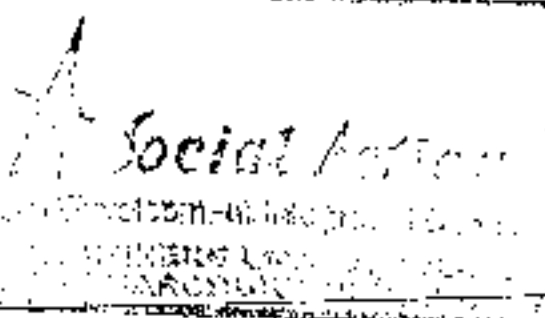
Clause	Committee Recommendation	Rationale
	this Act be assigned to and vested in the Inspectorate;	
	(b) Any such contract or instrument as is mentioned in sub-paragraph (a) above, shall be of the same force and effect against or in favour of the Inspectorate and shall be enforceable as fully and effectively as if instead of the Petroleum Inspectorate of the Nigerian National Petroleum Corporation or the Department of Petroleum Resources of the Ministry of Petroleum Resources, the Inspectorate had been named therein or had been a party thereto;	
	(c) Any proceeding or cause of action pending or existing or which could have been taken by or against the Petroleum Inspectorate of the Nigerian National Petroleum Corporation or the Department of Petroleum Resources of the Ministry of Petroleum Resources immediately before the effective date in respect of any such right, interest, obligation or liability of the Petroleum Inspectorate or the Department of Petroleum Resources may be commenced, continued or enforced or taken by or against the Inspectorate as if this Act had not been made.	
	<b>434. The Authority</b> (1) From the effective date the staff of the former Petroleum Products Pricing Regulatory Authority shall be regarded as having transferred their services to the Authority with effect from that date on terms and conditions no less favourable than those obtaining immediately before the effective date, unless they indicate otherwise before the expiration of three months next following the effective date, and such services will be regarded as continuous for the purpose of pensions and gratuities.	
	<b>435. Exemption from Liability of a Member</b> (1) No liability shall attach to the Authority or to any member or employee or agent of the Authority for any loss or damage sustained by any person as a result of the lawful exercise or performance of any function which by or in terms of this Act is conferred or imposed on the Authority	
	<b>436. Subsistence of Contract</b> (1) The provisions of this section shall apply to all contracts or other instruments subsisting immediately before the effective date and entered into by the former Petroleum Products Pricing Regulatory Authority. (2) By virtue of this Act there is vested in the Authority as from the effective date and without further assurance all assets, funds, resources and other moveable or	

Clause	Committee Recommendation	Rationale
	amount of crude oil and condensates produced each month as determined pursuant to section 352, less the royalty equivalent as paid pursuant to subsection 414(4)	
	(3) The production share between the licensee and contractor for natural gas shall be determined based on the available gas, which shall be the total amount of natural gas produced each month as determined pursuant to Section 352, less the royalty equivalent as paid pursuant to subsection 414(4).	
	(4) The production allocation between the licensee and contractor for petroleum shall be determined based on the available petroleum, which shall be the total amount of petroleum produced each month as determined pursuant to section 352, less the royalty equivalent as paid pursuant to subsection 414(4).	
	<b>417. Valuation</b>	
	(1) Where a contract requires the valuation of petroleum such valuation shall be based on the same values as are applicable to royalties under section 352	
 <p><i>Social Action</i>  <small>FOR DEVELOPMENT AND INDUSTRIAL GROWTH  IMPROVING LIVING STANDARDS  AND BASIC QUALITY OF LIFE</small></p>	<b>418. Funding of costs under production sharing contracts</b> (1) The contractor under a production sharing contract shall be responsible for all costs related to the upstream petroleum operations and shall incur these costs at its own risk. Such costs shall be deductible under Nigerian Hydrocarbon Tax and Companies Income Tax unless specifically disallowed pursuant to the provisions of this Act for NHT purposes and the Companies Income Tax Act for Companies Income Tax purposes.	
	<b>419. Cost petroleum limits under production sharing contracts</b> (1) The recovery of costs in the form of cost petroleum shall include all costs defined as recoverable in the production sharing contract. Cost petroleum shall be limited to an 80% annual percentage of available petroleum, which shall be the total amount of petroleum produced each month as determined pursuant to section 352, less the royalty as paid pursuant to subsection 414(4), provided that the amount of costs non-recovered in any year shall be available in the next year for cost recovery through cost petroleum. (2) Where any such costs specified in subsection (1) hereof are not recovered before the last day of the contract as cost petroleum, such costs shall be non-recoverable. (3) All costs under subsection (1) shall be recovered in accordance with the	

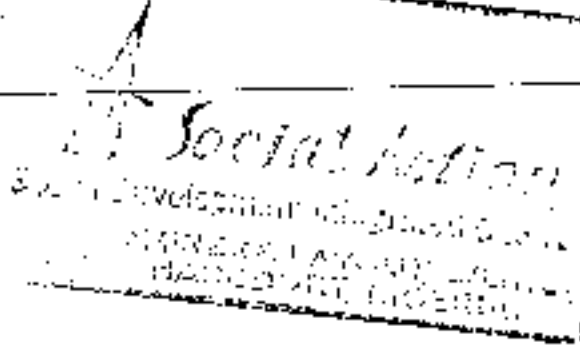
Clause	Committee Recommendation	Rationale
	accounting procedure annexed to the production sharing contract, where such costs are recoverable pursuant to this Part VIII-E.	
	<b>420. Allocation</b>	
	(1) Associated gas produced with crude oil will be allocated as defined in section 416(2).	
	<b>421. Revenues to be credited against recoverable costs</b>	
	(1) Under the accounting procedure of a production sharing contract the following revenues earned under the contract shall be credited against recoverable costs:	
	(a) the proceeds of any insurance or claim in connection with the upstream petroleum operations or any assets charged to the accounts;	
	(b) any legal costs claimed and subsequently recovered,	
	(c) revenues earned from third parties for the use of property or assets, for the delivery of any services by the contractor or for any information or data;	
	(d) any discounts or adjustments earned by the contractor from the suppliers/manufacturers or their agents in connection with goods purchased or defective equipment or materials, the costs of which were previously charged to the accounts;	
	(e) rentals, refunds or other credits earned by the contractor, which apply to any charge which has been made to the accounts;	
	(f) earnings from the disposal of assets, applying the valuation criteria for materials established in the accounting procedure annexed to the contract,	
	(g) in case contractor sells, exports or transfers any material, equipment or supplies to affiliates or other entities or persons, the value of such transfer shall be credited to the costs of which were previously charged to the accounts; and	
	(h) such other revenues as may be identified in the accounting procedure to be credited against recoverable costs.	
	<b>422. Profit Petroleum</b>	
	(1) The available petroleum less the cost petroleum shall be profit petroleum.	
	(2) The production sharing contract shall set out the share of profit petroleum as well as the sliding scales based on volume, price or such other variables, and shall be subject to agreement between the National Oil Company and the contractor	

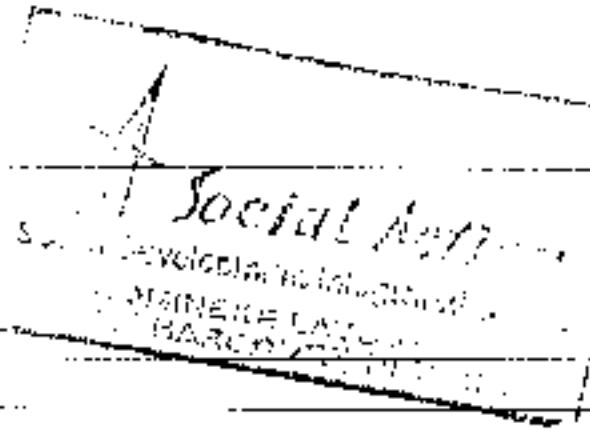
Clause	Committee Recommendation	Rationale
	<p><b>423. Audit Procedures</b></p> <p>(1) The National Oil Company shall carry out such audits as required for a period of three years, following the year in which the expenditure was incurred</p>	
	<p>(2) The details of the audit process shall be established in the contract and shall not relate to the audits that are required under any of the payments under section 414 which have their own audit processes as provided for under this Part or decided by the Inspectorate.</p>	
	<p>(3) There shall be no time limit on any audits related to alleged fraud or wilful misconduct, and the National Oil Company shall have the right to re-examine reports and statements that otherwise were considered final.</p> <p>(4) The impact of any exceptions that have been identified shall be calculated back to the month to which such exception applies and the amounts of adjustment shall be applied as a correction to the production sharing calculations for the month following the final determination of such exception. Where the share of the production to the contractor or the National Oil Company is insufficient in order to accommodate the exception, the correction shall be applied to successive months until fully absorbed and where the exception is of an amount that cannot be accommodated for the remainder of the contract or after the termination of the contract, the correction shall be due in cash.</p>	
	<p>(5) The contractor shall be required to include in the contracts with affiliates and subcontractors audit and record retention provisions which allow the National Oil Company to carry out such audits as required.</p>	
	<p>(6) If any entity comprising the contractor conducts an audit of the books and records of operator or any other entity comprising the Contractor pertaining to the contract, it shall provide free of any charges to the National Oil Company a copy of the audit results, a report setting out the audit exceptions, claims and queries and the manner in which these exceptions, claims and queries were finally allowed or denied by operator or other entity.</p>	
	<p>(7) Subject to the delivery of books records and documents to the National Oil Company in accordance with the contract upon termination of the contract, all books, records and documents must be maintained by the contractor, the contractor's affiliates and subcontractors and made available for inspection until the later of:</p>	
	<p>(a) the period established under subsection (1) of this section;</p> <p>(b) if any cost or amount is under dispute, the time at which that dispute has been resolved; and</p>	

Clause	Committee Recommendation	Rationale
	No. 450, Official Gazette No 34, Volume 72 of 27 <sup>th</sup> June, 1985 or any Government Notice replacing it	
	(3) A company which has deducted tax under this section shall forward to the Service the amount of tax deducted and shall also forward a statement showing the name and address of the person who suffered the tax deduction and the nature of activities or services in respect of which the payment was made.	
	(4) Income tax recovered under the provisions of this section by deduction from payments made to a company, partnership or person shall be set-off for the purposes of collection against tax charged on such company, partnership or persons by an assessment; provided that the total of such deductions does not exceed the amount of the assessment.	
	<b>407. Tax to be payable notwithstanding any proceedings for penalties</b>	
	(1) The institution of proceedings for or the imposition of, a penalty, fine or term of imprisonment under this Chapter D of Part VIII shall not relieve any person from liability to payment of any tax for which he or she is or may become liable.	
 	<b>408. Prosecution to be with the sanction of the Service</b>	
	(1) No prosecution in respect of an offence under sections 404 may be commenced, except at the instance of or with the sanction of the Service.	
	<b>409. Savings for criminal proceedings</b>	
	(1) The provisions of this Chapter D of Part VIII shall not affect any criminal proceedings under any other Act or law.	
	<b>410. Double taxation arrangements with other territories</b>	
	(1) If the Minister responsible for Finance acting on the advice of the Service by order declares that arrangements specified in the order have been made with the Government of territory outside Nigeria with a view to affording relief from double taxation in relation to tax imposed under the provisions of this Act and any tax of a similar character imposed by the laws of that territory, and that it is expedient that those arrangements should have effect, the arrangements shall have effect notwithstanding anything in any enactment.	
	(2) The Minister responsible for Finance acting on the advice of the Service may make rules for carrying out the provisions of any arrangements having effect under this section.	
	(3) An order made under the provisions of	

Clause	Committee Recommendation	Rationale
	subsection (1) of this section may include provisions for relief from tax for accounting periods commencing or terminating before the making of the order and provisions as to income (which expression includes profits) which is not itself liable to double taxation.	
	(4) Where, before the publications of this Act in the Federal Gazette upon enactment, any order has been made under the provisions of section 33 of the Personal Income Tax Act and the arrangements specified in that order, with any modifications, are expressed to apply to a tax in a territory outside Nigeria and to income tax in Nigeria and to any other taxes of a substantially similar character either imposed in that territory or Nigeria or imposed by either contracting party to any such arrangements after those arrangements came into force and:	
	(a) such order was made before the 1 <sup>st</sup> day of January, 1958, then, for the purposes of this Act, that order shall be deemed to have been made under this section on that day and those arrangements shall have effect, in Nigeria, as respects tax for any accounting period of:	
	(b) such order was made on a day after the year 1957, then, for the purposes of this Act, that order shall be deemed to have been made under this section on that day and the arrangements specified therein shall have effect, in Nigeria, as respects tax for any accounting period beginning on or after the date when those arrangements come into force and for the unexpired portion of any accounting period current at that date.	
	(5) The the Minister responsible for Finance acting on the advice of the Service may by order replace or vary any order deemed to have been made under this section for the purposes of this Act, without otherwise affecting such last mentioned order for the purpose of any other Act.	
	<b>411. Method of Calculating Relief to be Allowed for Double Taxation</b>	
	(1) In this section	
	"foreign tax" means any tax payable in that territory which, under the arrangements, is to be so allowed; and	
	"income" means that part of the profits of any accounting period which is liable to both tax and foreign tax, before the deduction of any tax, foreign tax, credit therefore or relief granted under subsection (6) of this section.	
	(2) The provisions of this section shall have effect where, under arrangements having effect under section 410, foreign tax payable in respect of any income in the territory with the Government of which the arrangements are made is allowed as a credit against tax payable in respect of that	



Clause	Committee Recommendation	Rationale
	Income in Nigeria	
	(3) The amount of the credit admissible to any company under the terms of any such arrangements shall be set off against the tax chargeable upon that company in respect of the income, and where that tax has been paid the amount of the credit may be repaid to that company or carried forward against the tax chargeable upon that company of any subsequent accounting period.	
	(4) The credit for an accounting period shall not exceed whichever is the less of the following amounts, that is to say:	
	(a) the amount of the foreign tax payable on the income, or	
	(b) the amount of the difference between the tax chargeable under this Act before allowance of credit under any arrangements having effect under the relevant sections of this Part VIII-D and the tax which would be so chargeable if the income were excluded in computing profits.	
	(5) Without prejudice to the provisions of subsection (4) of this section, the total credit to be allowed to a company for any accounting period for foreign tax under all arrangements having effect under section 408 shall not exceed the total tax which would be ultimately borne by that company, for that accounting period, if no such credit had been allowed.	
	(6) Where the income includes a dividend and under the arrangements foreign tax not chargeable directly or by deduction in respect of the dividend is to be taken into account in considering if any, and if so what, credit is to be given against tax in respect of the dividend, the amount of the income shall be increased by the amount of the foreign tax not so chargeable which falls to be into account in computing the amount of the credit	
	(7) Where the amount of the foreign tax attributable to the income exceeds the credit therefore computed under subsection (4) of this section, then the amount of that income, to be included in computing profits for any purposes of this Act other than that of subsection (4) of this section, shall be taken to be the amount of that income increased by the amount of the credit therefore after deduction of the foreign tax.	
	(B) Where:	
	(a) the arrangements provide, in relation to dividends of some classes, but not in relation to dividends of other classes, that foreign tax not chargeable directly or by deduction in respect of dividends is to be taken into account in considering if any, and if so what, credit is to be given against tax in respect of the dividends; and	
	(b) a dividend is paid which is not of a class in relation to which the arrangements so provide,	

Clause	Committee Recommendation	Rationale
	Then, if a dividend is paid to a company which controls, directly or indirectly, not less than half of the voting power in the company paying the dividends, credit shall be allowed as if the dividend were a dividend of a class in relation to which the arrangements so provide.	
	(9) Any claim for an allowance by way of credit shall be made not later than three years after the end of the accounting period, and in the event of any dispute as to the amount allowable the Service shall give to the claimant notice of refusal to admit the claim which shall be subject to appeal in like manner as an assessment	
	(10) Where the amount of any credit given under the arrangements is rendered excessive or insufficient by reason of any adjustment of the amount of any tax payable either in Nigeria or elsewhere, nothing in this Act limiting the time for the making of assessments or claims for repayment of tax shall apply to any assessment or claim to which the adjustment gives rise, being an assessment or claim made not later than three years from the time when all such assessments, adjustments and other determinations have been made whether in Nigeria or elsewhere, as are material in determining whether any, and if so that, credit falls to be given.	
	(11) Where a company is not resident in Nigeria throughout an accounting period no credit shall be admitted in respect of any income included in the profits of that company of that period	
	<b>412. Procedure for Amendment of Schedules</b>	
	(1) At any time after the enactment of this Act, the Commission may by regulation amend or delete any of the powers or duties specified in the SIXTH SCHEDULE or include therein additional powers or duties.	

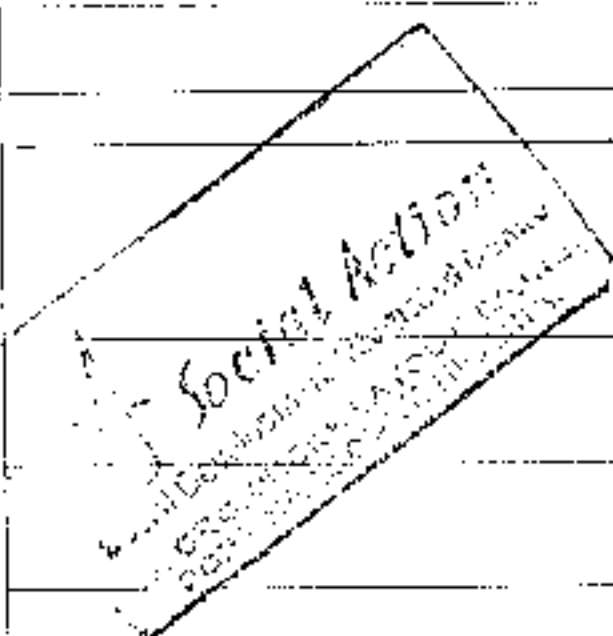
**CHAPTER E: PRODUCTION SHARING CONTRACTS AND OTHER CONTRACTS OF THE NATIONAL OIL COMPANY**

	<b>413. Minimum provisions of contracts</b>	
	(1) The National Oil Company may at its discretion enter into production sharing contracts or enter into any other contracts pursuant to section 197 of this Act.	
	(2) Any contract of the National Oil Company as concessionaire shall contain as a minimum the fiscal provisions provided for in this Part VIII-E.	
	(3) Each contract shall be subject to the conditions of the petroleum prospecting licences and petroleum mining leases as defined in Part III of this Act	

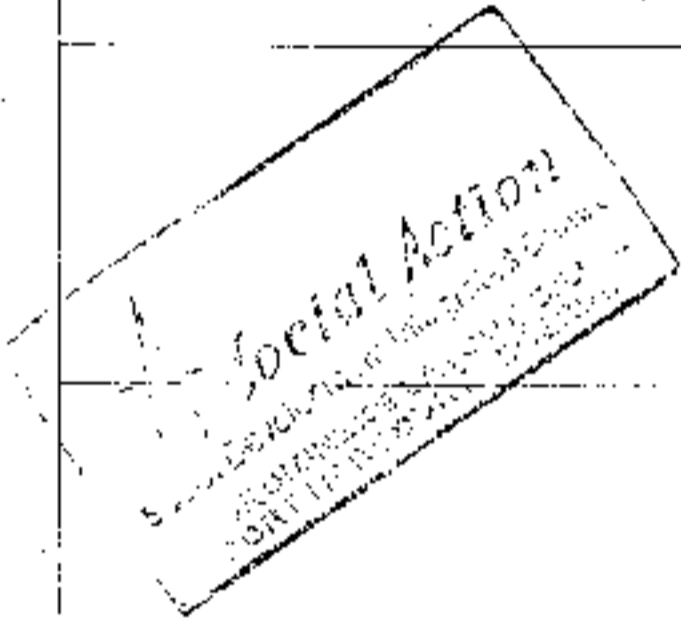
Clause	Committee Recommendation	Rationale
	<p><b>414. Rents, royalties and taxes</b></p> <p>(1) All contracts including production sharing contracts shall be subject to the rents, royalties and tax provisions contained in this Act, as clarified in the further subsections of this section.</p> <p>(2) All companies comprising the contractor of a contract shall pay Companies Income Tax and Nigerian Hydrocarbon Tax directly to the Service on their share cost petroleum, profit petroleum and any other share of petroleum and on any remuneration under contracts pursuant to section 197 hereof, and any or on their remuneration, as well as any cost petroleum and profit petroleum from production sharing contracts in existence prior to the effective date, as well as incidental income that the companies may have obtained as a result of the operations under the contract</p> <p>(3) The National Oil Company shall pay the rents under this Part to the Inspectorate.</p> <p>(4) The National Oil Company shall take the royalties under this Part in kind on a monthly basis and shall pay the equivalent amount in cash to the Inspectorate</p> <p>(5) The National Oil Company shall not include any provisions in the contract that would lower the rents, royalties or taxes established under this Part.</p>	
<p><i>Social Audit</i></p> <p><i>State Development Law</i></p> <p><i>MINISTER OF PETROLEUM</i></p>	<p><b>415. Bonuses</b></p> <p>(1) Contracts may contain the bonuses which shall be lump sum amounts in cash or in production as follows:</p> <p>(a) a signature bonus in cash;</p> <p>(b) crude oil production bonuses, based on daily or cumulative production, to be paid in cash or in crude oil, or</p> <p>(c) gas production bonuses, based on daily or cumulative production, to be paid in cash or in natural gas.</p> <p>(2) Signature bonuses and the production bonuses shall not be recoverable as cost petroleum for purposes of a production sharing contract</p> <p>(3) The National Oil Company shall deposit any signature bonuses and production bonuses in the account established for that purpose by the Inspectorate.</p>	
	<p><b>416. Available petroleum in production sharing contracts</b></p> <p>(1) In case of production sharing contracts, the available petroleum, cost petroleum and profit petroleum shall be determined separately for each production sharing contract.</p> <p>(2) The production share between the licensee and contractor for crude oil and condensates shall be determined based on the available oil, which shall be the total</p>	

Clause	Committee Recommendation	Rationale
	<p><b>392. Nigerian Hydrocarbon Tax Computation</b></p> <p>(1) Tax computations made under this Chapter D of Part VIII, including any assessments made under section 386, shall be made in US \$.</p>	
	<p><b>393. Appeals to Federal High Court against Assessments</b></p> <p>(1) Subject to Section 59 of the FIRS Act and the Fifth Schedule thereto, every company appealing shall appoint an authorised representative who shall attend before the court in person on the day and at the time fixed for the hearing of its appeal, but if it be proved to the satisfaction of the judge that owing to absence from Nigeria, sickness or other reasonable cause any duly appointed representative is prevented from attending in person at the hearing of the company's appeal on the day and at the time fixed for that purpose, the judge may postpone the hearing of the appeal, for such reasonable time as he or she thinks necessary for the attendance of the appellant's representative, or he or she may admit the appeal to be made by any other agent, clerk or servant of the appellant, on its behalf or by way of written statement.</p> <p>(2) Twenty-one clear days' notice shall, unless rules made hereunder otherwise provide, be given to the Service of the date fixed for the hearing of the appeal.</p> <p>(3) The onus of proving that the assessment complained of is excessive shall be on the appellant.</p> <p>(4) The judge may confirm, reduce, increase or annul the assessment or make such order thereon as to him may deem fit.</p> <p>(5) Notice of the amount of tax payable under the assessment as determined by the judge shall be served by a duly authorised representative of the Service either personally on or by registered post to the appellant.</p> <p>(6) Notwithstanding anything contained in this Act, if in any Particular case, the judge from information given at the hearing of the appeal, is of the opinion that the tax may not be recovered, he or she may on application being made by or on behalf of the Service require the appellant to furnish within such time as may be specified security for payment of the tax and if such security is not given within the time specified the tax assessed shall become payable and recoverable forthwith.</p> <p>(7) All appeals shall be heard in camera, unless the judge shall, on the application of the appellant, otherwise direct.</p> <p>(8) The costs of the appeal shall be in the discretion of the judge hearing the appeal and the judge shall fix a sum.</p> <p>(9) The Chief Judge of the Federal High</p>	

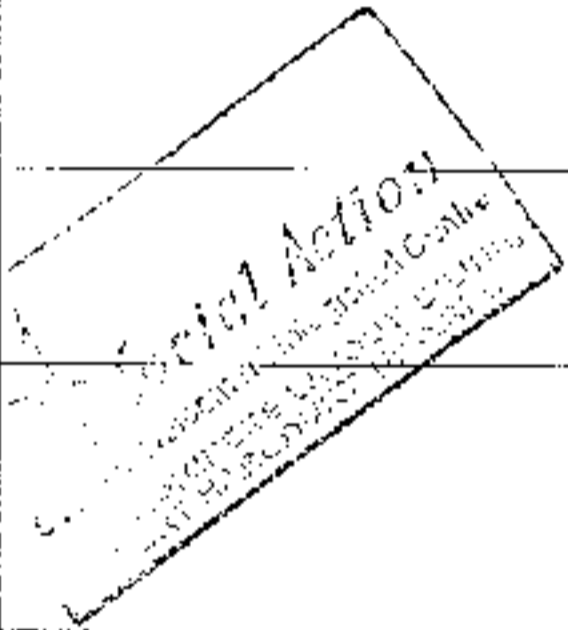
Clause	Committee Recommendation	Rationale
	Court may make rules providing for the method of tendering evidence before a judge on appeal, the conduct of such appeals and the procedure to be followed by a judge upon stating a case for the opinion of the Court of Appeal.	
	(10) Pending the making of any rules under this subsection, the rules applicable in civil appeal cases from Magistrates Court to the High Court of Lagos State shall apply to any appeal or to any such procedure for the purposes of this section and Act with any necessary modifications.	
	(11) An appeal against the decision of the judge shall lie to the Court of Appeal.	
	(a) at the instance of the appellant where the decision of the judge is to the effect that the correct assessment of tax is in the sum of US \$ 1000 or upwards; and	
	(b) at the instance of the Service where the decision of the judge is in respect of a matter in which the Service claimed that the correct assessment of tax was in the sum of US \$ 1000 or upwards	
	<b>394. Assessment to be final and conclusive</b>	
	(1) Where:	
	(a) no valid objection or appeal has been lodged within the time limited by either section 390 or 393, as the case may be, against an assessment as regards the amount of the tax assessed thereby;	
	(b) where the amount of the tax has been agreed to under subsection (5) of section 390;	
	(c) the amount of the tax has been determined on objection or revision under subsection (6) of section 390; or	
	(d) on appeal, the assessment is made, agreed to, revised or determined on appeal, as the case may be,	
	the said assessment shall be final and conclusive for all purposes of this Act as regards the amount of such tax, and if the full amount of the tax in respect of any such final and conclusive assessment is not paid within the appropriate period or periods prescribed in this Act, the provisions thereof relating to the recovery of tax, and to any penalty under section 397 of this Act shall apply and any late payment of tax shall be subject to an interest rate of LIBOR plus 2%.	
	(2) Where an assessment has become final and conclusive, any tax overpaid shall be refunded pursuant to the FIRS Act 2007	
	(3) Nothing in Section 390 of this Act shall prevent the Service from making any assessment or additional assessment to tax for any accounting period which does not involve re-opening any issue on the same facts which has been determined for	



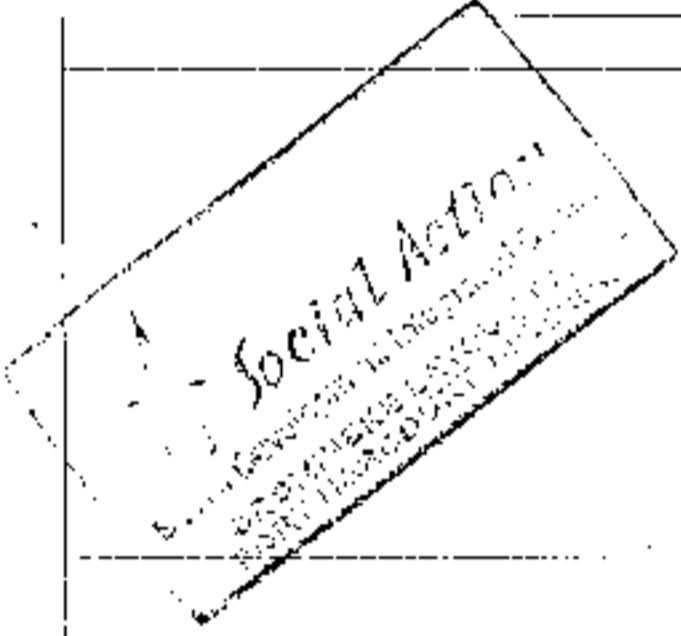
Clause	Committee Recommendation	Rationale
	that accounting period under subsection (5) or (6) of section 390 of this Act, by agreement or otherwise or on appeal	
	<b>395. Procedure in Cases Where Objection Or Appeal Is Pending</b>	
	(1) Collection of tax shall in cases where notice of an objection or an appeal has been given remain in abeyance, any pending proceedings for any instalment thereof being stayed until such objection or appeal is determined but the Service may in any such case enforce payment of that portion of the tax (if any) which is not dispute.	
	<b>396. Time Within Which Payment Is To Be Made</b>	
	(1) Subject to the provisions of section 388 of this Act, tax for any accounting period for upstream petroleum operations shall be payable in equal monthly instalments together with a final instalment as provided in subsection (4) of this section	
	(2) The first monthly payment shall be due and payable not later than the third month of the accounting period and shall be in an amount equal to one-twelfth or, where the accounting period is less than a year, in an amount equal to monthly proportion, of the amount of tax estimated to be chargeable for such accounting period in accordance with the section 383 of this Act.  (3) Each of the remainder of monthly payments to be made subsequent to the payment under subsection (2) of this section shall be due and payable not later than the last day of the month in question and shall be in an amount equal to the amount of tax estimated to be chargeable for such period by reference to the latest returns submitted by the company in accordance with subsection (2) of section 383 of this Act less so much as has already been paid for such accounting period divided by the number of such of the monthly payments remaining to be made in respect of such accounting period.	
	(4) A final installment of tax shall be due and payable upon the filing of the annual tax returns and shall be the amount of the self assessment for that accounting period less so much thereof as has already been paid under subsection (2) and (3) of this section or is the subject of proceedings.	
	(5) Any installments on account of tax estimated to be chargeable shall be treated as tax charged and assessed for the purposes of section 397 and 399 of this Act.	
	(6) The Service shall impose interest at a rate of LIBOR plus 2%.	
	(7) For the purposes of subsection (1) of this section, the conversion of the timing of	



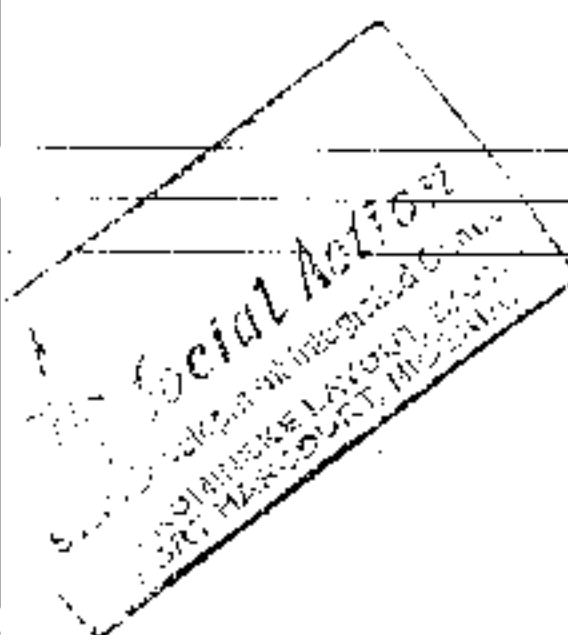
Clause	Committee Recommendation	Rationale
	payments of tax to provide for the making of monthly payments shall be given effect by a regulation to be made by the Commission pursuant to this Act	
	<b>397. Penalty for Non-Payment of Tax and Enforcement of Payment</b>	
	(1) If any tax is not paid within the period stipulated in section 396 of this Act:	
	(a) a penalty equal to 10 per cent per annum of the amount of tax payable shall be added thereto, and the provisions of this Act relating to the collection and recovery of tax shall apply to the collection of such sum;	
	(b) the tax due shall incur interest at LIBOR plus 2% from the date when the tax becomes payable until it is paid and the provisions of this Act relating to collection and recovery of tax shall apply to the collection and recovery of the interest;	
	(c) the Service shall serve a demand note upon the company or person in whose name the company is chargeable, and if the payment is not made within one month from the date of service of such demand note, the Service may proceed to enforce payment as provided in this section;	
	(d) the penalty and interest imposed under this subsection shall not be deemed to be part of the tax paid for the purpose of claiming relief under any of the provisions of this Act.	
	(2) Any company which without lawful justification or excuse fails to pay the tax within the period of one month prescribed in paragraph (b) of subsection (1) of this section, commits an offence under this Act, and the burden of proof of such justification or excuse shall be on the company.	
	(3) The Service may, for any good cause shown, remit the whole or any part of the addition due under subsection 1 of this Section.	
	<b>398. Collection of Tax after determination of objection or appeal</b>	
	(1) Where payment of tax in whole or in part has been held over pending the result of a notice of objection or of appeal, the tax outstanding under the assessment as determined on such objection or appeal as the case may be shall be payable forthwith as to any part thereof in proceedings stayed pending such determination and as to the balance thereof within one month from the date of service on the company assessed or on the person in whose name the company is assessed, of the notification of the tax payable, and if such balance is not paid within such period the provisions of section 397 shall apply.	



Clause	Committee Recommendation	Rationale
	<p><b>399. Suit for Tax by the Board</b></p> <p>(1) Tax may be sued for and recovered in a court of competent jurisdiction at the place at which payment should be made, by the Service in its official name with full costs of suit from the company assessed to such tax or from the person in whose name the company is assessed to such tax as a debt due to the Government of the Federation.</p> <p>(2) For the purposes of this section, a court of competent jurisdiction shall include a magistrate's court, which court is hereby invested with the necessary jurisdiction, if the amount claimed in any suit does not exceed the amount of the jurisdiction of the magistrate concerned with respect to personal suits.</p> <p>(3) In any suit under subsection (1) of this section the production of a certificate signed by any person duly authorised by the Service giving the name and address of the defendant and the amount of tax due by the defendant shall be sufficient evidence of the amount so due and sufficient authority for the court to give judgment for the said amount.</p>	
	<p><b>400. Relief in Respect of Error</b></p> <p>(1) If any person who has paid tax for any accounting period alleges that any assessment made upon him or in name for that period was excessive by reason of some error or mistake in the accounts, Particulars or other written information supplied by him to the Service for the purpose of the assessment, such person may at any time, not later than six years after the end of the accounting period in respect of which the assessment was made, make an application in writing to the Service for relief.</p> <p>(2) On receiving any such application the Service shall inquire into the matter and subject to the provisions of this section shall by way of repayment of tax give such relief in respect of the error or mistake as appears to the Service to be reasonable and just.</p> <p>(3) No relief shall be given under this section in respect of an error or mistake as to the basis on which the liability of the applicant ought to have been computed where such accounts, Particulars or information was in fact made or given on the basis or in accordance with the practice of the Service generally prevailing at the time when such accounts, Particular or information was made or given.</p> <p>(4) In determining any application under this section the Service shall have regard to all the relevant circumstances of the case, and in Particular shall consider whether the granting of relief would result in the exclusion from charge to tax of any part of the chargeable profits of the applicant, and for this purpose the Service</p>	



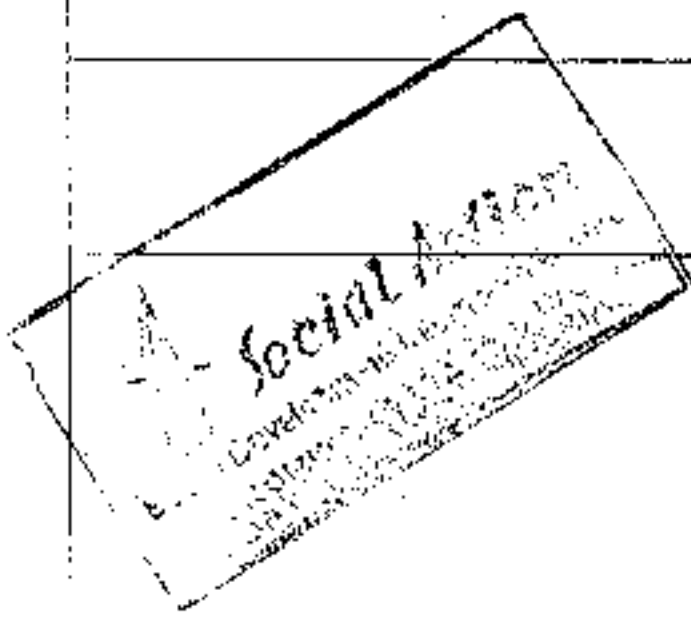


Clause	Committee Recommendation	Rationale
	<p>may take into consideration the liability of the applicant and assessments made upon him in respect of other years</p> <p>(5) No appeal shall lie from a determination of the Service under this section, which determination shall be final and conclusive.</p>	
	<p><b>401. Repayment of Tax</b></p> <p>(1) Save as otherwise expressly provided in this Act, no claim for the repayment of any tax overpaid shall be allowed unless it is made in writing within six years next after the end of the accounting period to which it relates and if the Service disputes any such claim it shall give to the claimant notice of refusal to admit the claim and the provisions of the relevant sections of this Chapter D of Part VIII shall apply with any necessary modifications.</p> <p>(2) The Service shall give a certificate of the amount of any tax to be repaid under any of the provisions of this Act or under any order of a court of competent jurisdiction and upon the receipt of the certificate, the Accountant-General of the Federation shall cause repayment to be made in conformity therewith</p>	
	<p><b>402. Penalty for Offences</b></p> <p>(1) Any person guilty of an offence against this Act or of any rule made there under for which no other penalty is specifically provided, shall be liable to a fine of US \$ 10,000, and where such offence is one under subsection (1) of section 373 of this Act, or is a failure to submit a return under 383, or is a failure, arising from the provisions of sections 379 through 385 to deliver accounts, particulars or information or to keep records required, a further sum of US \$ 2000 for each and every day during which such offence or failure continues, and in default of payment to imprisonment for six months, the liability for such further sum to commence from the day following the conviction, or from such day thereafter as the court may order.</p> <p>(2) Any person who.</p> <p>(a) fails to comply with the requirements of a notice served on him under this Act,</p> <p>(b) having a duty so to do, fails to comply with the provisions of section 379 of this Chapter;</p> <p>(c) without sufficient cause fails to attend in answer to a notice or summons served on him under this Act or having attended fails to answer any question lawfully put to him; or</p> <p>(d) fails to submit any return required to be submitted by the relevant sections of this Chapter shall be guilty of an offence</p> <p>(3) Any offence in respect of which a penalty is provided by subsection (1) of this section shall be deemed to occur in Abuja.</p>	

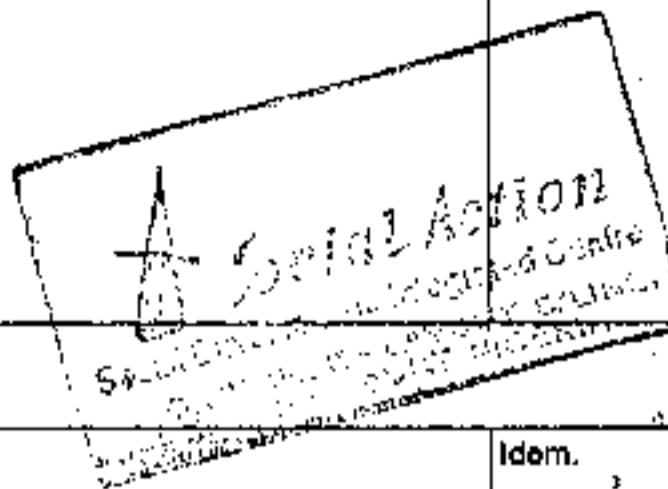
Clause	Committee Recommendation	Rationale
	<p><b>403. False Statements and Returns</b></p> <p>(1) Any person who:</p> <p>(a) makes or signs, or causes to be made or signed, or delivers or causes to be delivered to the Service or any officer of the Service, any declaration, notice, certificate or other document whatsoever; or</p> <p>(b) makes any statement in answer to any question or enquiry put to him by an officer which he or she is required to answer by or under this Act or any other enactment or law, being a document or statement produced or made for any purpose of tax, which is untrue in any material particular, commits an offence under this section.</p> <p>(2) Where by reason of any such document or statement required to be produced under subsection (1) of this section the full amount of any tax payable is not paid or any overpayments made in respect of any repayment of tax, the amount of tax unpaid or the overpayment shall be recoverable as a debt due to the Service.</p> <p>(3) Any person who commits an offence under this section shall be liable on conviction to a fine of US \$ 1,000,000 and 100 per cent of the amount of tax unpaid or overpayment made in respect of any repayment or to imprisonment for a term of three years or to both such fine and imprisonment.</p>	
	<p><b>404. Penalties for offences by Authorised and Unauthorised persons</b></p> <p>(1) Any person who is appointed for the due administration of this Act or employed in connection with the assessment and collection of a tax who:</p> <p>(a) demands from any company an amount in excess of the authorised assessment of the tax;</p> <p>(b) withholds for his own use or otherwise any portion of the amount of tax collected;</p> <p>(c) renders a false return, whether orally or in writing, of the amount of tax collected or received by him;</p> <p>(d) defrauds any person, embezzles any money, or otherwise uses his position to deal wrongfully with the Service;</p> <p>(e) steals or misuses Service documents; or</p> <p>(f) compromises on the assessment or collection of any taxes,</p> <p>commits an offence and shall be liable on conviction to a fine equivalent to two-hundred per cent of the sum in question or to imprisonment for a term of three years or to both such fine and imprisonment.</p>	



Clause	Committee Recommendation	Rationale
	<p><b>405. Recovery of Nigerian Hydrocarbon Tax at Source</b></p> <p>(1) Tax assessable on any company, whether or not an assessment has been made, shall, if the Service so directs, be recoverable from any payment made or to be made by any person to such company.</p> <p>(2) Any such directive referred to in subsection (1) of this section may apply to any person or class of persons specified in such directive, either with respect to all companies or a company or class of companies, liable to payment of income tax.</p> <p>(3) Any directive under subsection (1) of this shall be in writing addressed to the person or published in the Federal Gazette.</p> <p>(4) In determining the rate of tax to be applied to any payments made to a company, the Service may take into account:</p> <p>(a) any assessable profits of that company for the year arising from any other source on which income tax is chargeable under this Chapter D of Part VIII; and</p> <p>(b) any income tax or arrears of tax payable by that company for any of the six preceding years of assessment.</p> <p>(5) Income tax recovered pursuant to this by deduction from payments made to a company shall be set-off for the purpose of collection against tax charged on such company by an assessment.</p> <p>(6) For the purposes of this, the rate at which tax is to be deducted and the nature of activities and the services for which a company making the payment is to deduct tax and the date when the payment is made or credited whichever first occurs shall be in accordance with the regulations to be issued by the Minister responsible for finance acting on the advice of the Service with the approval of the Federal Executive Council.</p>	
	<p><b>406. Deduction of Tax at Source</b></p> <p>(1) Income Tax assessable on any company, partnership or person (whether or not resident in Nigeria) who provides services related to upstream petroleum operations and related activities to a company carrying on upstream petroleum operations in Nigeria, whether or not an assessment has been made, shall be recoverable from any payment (whether or not made in Nigeria) made by any person to such company, partnership or person.</p> <p>(2) For the purpose of this section, the rate at which tax to be deducted and the nature of the activities and services for which a company making the payment is to deduct tax and the date when the payment is made or credited, whichever first occurs, shall be as specified in Government Notice</p>	



Clause	Committee Recommendation	Rationale
<b>491. The Centre.</b>		
491. From the effective date of this Act, any staff of the Research and Development Division of the former Nigerian National Petroleum Corporation that are employed by the Centre shall be regarded as having transferred their services to the Centre with effect from that date, on terms and conditions no less favourable than those obtaining immediately before the effective date, unless they indicate otherwise before the expiration of three months next following the effective date, and such services will be regarded as continuous for the purpose of pensions and gratuities.	Delete.	Subsection deleted consequent on deletion of sections creating the Centre



<b>492</b>		
492. Any contracts entered into by the Corporation, for the benefit of, or with respect to the functions of, the Research and Crude Oil Marketing Department and which are in respect of matters pertaining to the functions of the Centre, shall be enforceable as fully and effectively as if instead of the Corporation, the Centre had been named therein or had been a party thereto.	Delete.	Idem.

493. Staff of the Institutions.	439. Staff of the Institutions	
(1) From the effective date of this Act any staff of the former:	Retain.	
(a) Ministry of Petroleum Resources;	Retain.	
(b) Department of Petroleum Resources;	Retain.	
(c) Petroleum Products Pricing and Regulatory Authority;	Retain.	
(d) Nigerian National Petroleum Corporation;	Retain.	
	(e) Petroleum Equalisation Fund; and	Subsection slightly amended for accuracy.
	(f) Petroleum Technology Development Fund,	
and of the Petroleum Equalisation Fund, and the Petroleum Technology Development Fund, and who is employed by the National Oil Company or any of the Institutions of this Act shall be regarded as having transferred his or her services to the said National Oil Company or any of the said Institutions with effect from that date, on terms and conditions no less favourable than those obtaining immediately before the effective date, and such services will be regarded as continuous for the purpose of pensions and gratuities.	and who is employed by the National Oil Company or any of the Institutions of this Act shall be regarded as having transferred his services to the said National Oil Company or any of the said Institutions with effect from that date, on terms and conditions no less favourable than those obtaining immediately before the effective date, and such services will be regarded as continuous for the purpose of pensions and gratuities.	Idem.

**PART X -- INTERPRETATION AND CITATION**

<b>494. Interpretation.</b>	<b>440. Interpretation</b>	
(1) In this Act unless it is specifically stated otherwise:	Retain.	

Clause	Committee Recommendation	Rationale
"accounting period", in relation to a company engaged in petroleum operations or upstream gas operations; means	"accounting period", in relation to a company engaged in upstream petroleum operations means:	Amend the definition for accuracy
(i) a period of one year commencing on 1st January and ending on 31st December of the same year; or	Retain.	
(ii) any shorter period commencing on the day the company first makes a sale or bulk disposal of Chargeable Oil or Chargeable Natural Gas under a programme of continuous production and sales, domestic, export or both, and ending on 31st December of the same year; or	Retain.	
(iii) any period of less than a year being a period commencing on 1st January of any year and ending on the date in the same year when the company ceases to be engaged in Petroleum Operations or Upstream Gas Operations;	(iii) any period of less than a year being a period commencing on 1st January of any year and ending on the date in the same year when the company ceases to be engaged in upstream crude oil operations or upstream gas operations;	Definition amended for accuracy.
"Act" means the Petroleum Industry Act 2009;	"Act" means the Petroleum Industry Act;	Definition corrected for accuracy.
"adjusted profit" means adjusted profit as stated in Part VII of this Act;	"adjusted profit" means adjusted profit as stated in Part VIII of this Act;	Numbering corrected.
NEW INSERTION	"aggregate gas price" has the meaning as specified in section 327;	New insertion defining term previously excluded from the definition section.
"assessable profits" means assessable profits as stated in Part VII of this Act;	"assessable profit" means assessable profit as stated in Part VIII of this Act;	Idem.
"assessable tax" means assessable tax as stated in Part VII of this Act;	"assessable tax" means assessable tax as stated in Part VIII of this Act;	Idem.
"Associated gas" means	Retain.	
(a) natural gas, commonly known as gas-cap gas, which overlies and is in contact with crude oil in a reservoir; and	Retain.	
(b) solution gas dissolved in crude oil in a reservoir;	(b) solution gas dissolved in crude oil in a reservoir and emerging from the fluid as pressure drops;	Definition corrected for clarity.
"Attorney-General" means the Attorney-General of the Federation;	Retain.	
NEW INSERTION	"barrel" means a barrel of 42 United States gallons;	New insertion defining term previously excluded from the definition section.
NEW INSERTION	"barrel of oil equivalent" means a unit of energy that is equal to 5.8 x million BTU;	New insertion defining term previously excluded from the definition section.
"benchmark prices" means:	Retain.	
(a) a price set by the Authority as a basis for comparison; or	(a) a price based on globally benchmarked indices set by the Authority as a basis for comparison; or	Definition corrected for clarity.
(b) a price set by the Authority to be used as a reference point for petroleum products;	(b) a price based on globally benchmarked indices set by the Authority to be used as a reference point for petroleum products;	Idem.
"board" means the governing board of the institution or any other entity that is the subject matter of the chapter within which the word has been used, unless it is specifically stated otherwise;	Retain.	
NEW INSERTION	"British Thermal Unit" or "BTU" means the calculation of the amount of energy needed to heat 1 pound of water by 1 degree Fahrenheit and 1 BTU = 1.06 Kilojoules	Idem.
"casing head petroleum spirit" means any	Retain.	

Clause	Committee Recommendation	Rationale
liquid hydrocarbons obtained in Nigeria from natural gas by separation or by any chemical or physical process but before the same has been refined or otherwise treated;		
"chargeable natural gas" in relation to a company engaged in petroleum operations or upstream gas operations means natural gas actually delivered by such company to the National Oil Company or to any other company under a gas sales contract but does not include natural gas taken by or on behalf of the Government of the Federation in pursuance of this Act;	"chargeable natural gas" in relation to a company engaged in upstream petroleum operations means natural gas actually delivered by such company to the National Oil Company or to any other company under a gas sales contract but does not include natural gas taken by or on behalf of the Government of the Federation in pursuance of this Act;	Amend the definition for accuracy
"chargeable oil" in relation to a company engaged in petroleum operations or upstream gas operations, means casing head petroleum spirit and crude oil won or obtained by the company from such operations; (1979 No. 95)	"chargeable oil" in relation to a company engaged in upstream petroleum operations, means casing head petroleum spirit and crude oil won or obtained by the company from such operations;	Amend the definition for accuracy
"chargeable profits" means chargeable profits as stated in Part VI of this Act;	"chargeable profit" means chargeable profit as stated in Part VIII of this Act;	Numbering corrected.
"chargeable tax" means chargeable tax as stated in Part VI of this Act and imposed under this Act;	"chargeable tax" means chargeable tax as stated in Part VIII of this Act;	Idem.
NEW INSERTION	"commercial" means matters relating to economic ventures, returns on investments and profitability;	New definitions added to included terms previously excluded from the Bill.
NEW INSERTION	"commercial discovery" means a discovery of a petroleum accumulation within a petroleum prospecting licence or petroleum mining lease which, in the sole opinion of the licensee, can be economically developed and operated, taking into account all relevant economic, funding, fiscal and risk considerations normally applied for the evaluation;	Idem.
NEW INSERTION	"commercial opportunity" means a petroleum discovery which can be economically developed and operated, taking into account all relevant economic, funding, fiscal and risk considerations normally applied for the evaluation and is expected to provide a reasonable rate of return to the investor;	Idem.
NEW INSERTION	"commercial production" means the production of petroleum in such quantities which make the exploitation of the field economical for the licensee;	Idem.
NEW INSERTION	"commercial regulation" means the regulation of commercial issues pertaining to the petroleum industry including commercial matters pertaining to exploration, development, production, processing, trading, distribution and pricing of petroleum;	Idem.
NEW INSERTION	"Community Equity Participation" means the beneficial entitlement of the nominal 10% equity participation to the Petroleum Producing Host Communities Fund which is defined for the purposes of this Act as the vesting of 10% of the total revenue generated from upstream petroleum operations in the respective PML. For the avoidance of any doubt, the Community Equity Participation shall constitute	Idem.

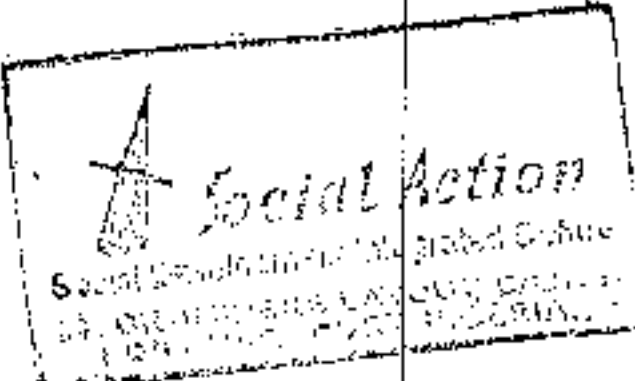
Clause	Committee Recommendation	Rationale
	exclusively of a non-operating interest revenue and this sole beneficial entitlement shall not create: (a) any rights to participation in the operation and or development of the PML by the Fund; or (b) financing obligations of petroleum operations in the PML by the Fund; or (c) pre-emption rights at a swap, re-assignment and/or divestment of the PML by any of the equity holders.	
NEW INSERTION	"company" means any body incorporated under any law in force in Nigeria or elsewhere;	Idem.
NEW INSERTION	"Compressed Natural Gas" or "CNG" means natural gas pressurized to 200 – 248 bar to reduce its volume and comprises mainly methane;	
NEW INSERTION	"condensate" refers to a portion of natural gas of such composition that are in the gaseous phase at temperature and pressure of the reservoirs, but that, when produced, are in the liquid phase at surface pressure and temperature;	Idem.
NEW INSERTION	"contract area" refers to the area of (i) a PPL and any PML derived therefrom; or (ii) an OPL and any PPL derived therefrom; or (iii) an OML and any PML derived therefrom plus any contractual consolidated areas as defined in the respective production sharing contracts;	Idem.
NEW INSERTION	"Council" means the governing board of the Institution that is the subject matter under the chapter within which the word has been used, unless it is specifically stated otherwise;	Idem.
NEW INSERTION	"crude oil" means mineral oil in its natural state before it has been refined and treated;	Idem.
NEW INSERTION	"decommissioning" or "abandonment" refers to the approved process of cessation of operations of oil and gas wells, installations and structures, including shutting down installation's operation and production, total or partial removal of installations and structures where applicable, chemicals, radioactive and all such other materials handling, removal and disposal of debris and removed items, environmental monitoring of the area after removal of installations and structures;	Idem.
NEW INSERTION	"deep water" means areas offshore Nigeria with a water depth in excess of 200 meters;	Idem.
NEW INSERTION	"Domestic Gas Aggregator" has the meaning as specified in section 326;	Idem.
NEW INSERTION	"Domestic Gas Supply Obligation" has the meaning as specified in section 327;	Idem.
NEW INSERTION	"downstream" means all activities entered into for the purpose of processing, distribution and supply of petroleum to customers, construction and operation of facilities consuming petroleum, product pipelines, tank farms, stations for the distribution, marketing and retailing of;	Idem.

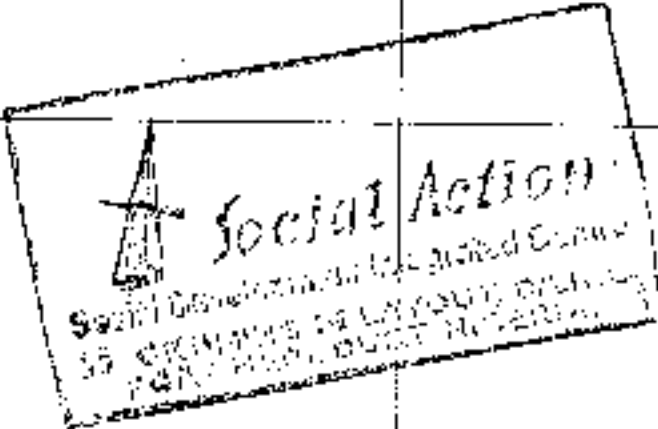
Clause	Committee Recommendation	Rationale
	petroleum products and other construction and activities incidental thereto;	
NEW INSERTION	"downstream gas distribution and operations" comprises the activities of processing, distribution and supply of gas to customers, construction and operation of city-gate reception terminals for natural gas and gas or ethane distribution pipelines, and the sale, marketing and delivery to final consumers of gas and compressed natural gas;	Idem.
NEW INSERTION	"downstream gas sector" comprises the sector of the Nigerian economy that consist of downstream gas distribution and operations within Nigeria;	Idem.
NEW INSERTION	"downstream petroleum industry " means the aggregation of companies duly licensed to conduct downstream petroleum product operations and downstream gas distributions and operations in Nigeria;	Idem.
NEW INSERTION	"downstream petroleum product sector" comprises the sector of the Nigerian economy that consist of the sale and distribution of petroleum products, as well as product pipelines and storage within Nigeria;	Idem.
NEW INSERTION	"downstream product operations" means construction and operation in Nigeria of facilities, product pipelines, tank farms and stations for the distribution, marketing and retailing of petroleum products, and other construction and activities incidental thereto and related administration and overhead.	Idem.
"fertilizer, but excludes pipelines for the transportation of natural gas from producing wells to facilities producing pipeline specification gas;	<b>Deleted.</b>	Term is not used anywhere in the Bill.
"effective date" means the date on which this Act comes into force;	<b>Retain.</b>	
"energy efficiency" means a change to energy use that results in an increase in net benefits per unit of energy;	<b>Retain.</b>	
"enforcement order" means an order issued by the Inspectorate, Authority or Agency;	<b>Retain.</b>	
"Exclusive Economic Zone" shall have the same meaning as defined in the Exclusive Economic Zone Act Cap. 350, Laws of the Federation of Nigeria;	<b>Retain.</b>	
"explore" means to make a preliminary search by surface geological and geophysical methods, including aerial surveys but excluding drilling below 91.44 metres;	<b>Retain.</b>	
"ex-pump" means the price of petroleum products at the retail pumps;	<b>Delete</b>	Term is not used in the Bill
"ex refinery" means the price of petroleum products at the refinery gate;	<b>Delete</b>	Term is not used in the Bill
"farm out" means an agreement between the holder of an oil prospecting license or an oil mining lease, and a third party which permits the third party to explore, prospect, win, work and carry away any petroleum encountered in a specified area during the	<b>Delete.</b>	Term is not used anywhere in the Bill.



Clause	Committee Recommendation	Rationale
validity of the license or lease; "Field" includes an area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition, the surface area, although it may refer to both the surface and the underground productive formations;	<b>Retain.</b>	
NEW INSERTION	"field development plan" means a plan, as amended from time to time, for a field to develop the discovered petroleum. This plan shall be submitted to the Inspectorate for approval;	
"fiscalised crude" means the net quantity of crude oil and or condensate produced in a batch or cargo ready for export after the removal of solid and liquid impurities of the crude;	<b>Retain.</b>	
or the total quantum of crude oil at standard temperature and pressure that is produced and metered at all export terminals in Nigeria or at the delivery point to the refinery in Nigeria, multiplied by the posted prices;	<b>Retain.</b>	
NEW INSERTION	"fiscalised natural gas" means the net quantity of gas delivered at the fiscal sales point;	New definition added to included terms previously excluded from the Bill.
NEW INSERTION	"fiscal rent" means the aggregation of royalty, Nigerian Hydrocarbon Tax and Companies Income Tax obligations arising from upstream petroleum operations;	Idem.
NEW INSERTION	"fiscal sales point " means for oil and condensate, the fiscal metering point where title transfers or is deemed to have transferred at an export terminal, FPSO or a refinery in Nigeria; for gas, it is the fiscal metering point where title transfers or is deemed to have transferred at the point of sale.;	Idem.
"first class commercial bank" refers to a bank which has had a rating of not less than "AA" by an internationally acceptable rating agency for the oil and gas industry for more than ten years;	<b>Deleted.</b>	Term is not used anywhere in the Bill.

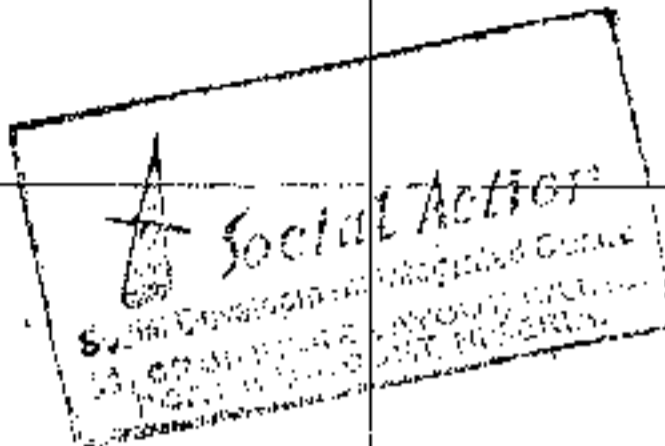


Clause	Committee Recommendation	Rationale
NEW INSERTION	<p>"Force Majeure" means without limiting the foregoing include:</p> <p>(a) acts of war (whether declared or not), invasion, armed conflict, act of foreign enemy or blockage in each case occurring within or involving Nigeria;</p> <p>(b) acts of rebellion, riot, civil commotion, strikes of a political nature, act or campaign of terrorism, or sabotage of a political nature in each case occurring within Nigeria;</p> <p>(c) a change in law;</p> <p>(d) interruption resulting from force majeure of any utilities or infrastructure necessary to operate the oil assets;</p> <p>(e) action or failure to act by a Governmental entity, including any Governmental Authorization (i) ceasing to remain in full force and effect or (ii) not being issued or renewed upon application having been properly made; and</p> <p>(f) boycott, sanction or embargo imposed by countries where equipment is sourced during the period up to and including but not after the start up of operations on Nigeria or on equipment specified in the construction contracts;</p>	New insertion defining term excluded from the definition section.
"frontier acreages" means any or all licenses or leases located in the Anambra, Benue Trough, Bida, Chad, Dahomey, and Sokoto Basins of Nigeria;	"frontier acreages" means any or all licences or leases located in the Anambra, Benue Trough, Bida, Chad, Dahomey, and Sokoto Basins of Nigeria;	Rectify spelling of "licence"
"gas" or "natural gas" means wet gas, dry gas, lean gas, all other gaseous hydrocarbons, and all substances contained therein, which are produced along with crude oil or gas, excluding those condensed or extracted liquid hydrocarbons that are liquid at normal temperatures and pressure conditions such as stabilized or field condensate, including the residue gas remaining after the condensation or extraction of the liquid hydrocarbon from gas;	Retain.	
NEW INSERTION	"Gas Purchase Order" has the meaning as specified in section 328;	idem.
"Gazette" means the Gazette of the Federal Government of Nigeria;	Retain.	
"good oilfield practice" refers to a wide variety of internationally recognized and accepted petroleum development approaches which are not deleterious to the environment, health and safety of; and which conform to principles of sustainable development that do not compromise the future of succeeding generations of the people of Nigeria;	Retain.	
"Government" means the government of the Federal Republic of Nigeria;	Retain.	
"indigenous petroleum company" means a company;	Retain.	
(a) engaged in the exploration for and	(a) engaged in the exploration for and	Term redefined for effectiveness.

Clause	Committee Recommendation	Rationale
production of crude oil and natural gas of which sixty per cent or more of its shares are beneficially owned directly or indirectly by Nigerian citizens or associations of Nigerian citizens;	production of petroleum of which sixty percent (60) per cent or more of its shares are beneficially owned directly or indirectly by Nigerian citizens or associations of Nigerian citizens;	
(b) which meets the requirements of any guidelines or regulations that may be issued by the Directorate or the Inspectorate; and	<b>Retain.</b>	
(c) which is accredited as an indigenous oil company by the Directorate or Inspectorate;	(c) which is accredited as an indigenous petroleum company by the Inspectorate;	Term redefined for effectiveness.
'industry' means the petroleum industry in Nigeria;	<b>Retain.</b>	
'Inland Basin' means any of the following basins, namely; Anambra, Benin, Beruje, Chad, Biaa, Dahomey, Gongola, Sokoto and such other basins as may be determined by from time to time, by the Minister;	<b>Retain.</b>	
'intangible drilling costs' means all expenditure for labour fuel, repairs, maintenance, hauling, and supplies and materials (not being supplies and materials for well cement, casing or other well fixtures) which are for or incidental to drilling, cleaning, deepening or completing wells or the preparation thereof incurred in respect of:	<b>Retain.</b>	
(a) determination of well locations, geological studies and topographical and geographical surveys preparatory to drilling	(a) determination of well locations, geological studies, topographical and geographical surveys preparatory to drilling;	Minor correction for clarity
(b) drilling, shooting, testing and cleaning wells;	(b) drilling, shooting, testing and cleaning wells;	
(c) cleaning, draining and leveling land, road building and the laying of foundations,	<b>Retain.</b>	
(d) erection of rigs and tankage assembly and installation of pipelines and other plant and equipment required in the preparation or drilling of wells producing petroleum;	<b>Retain.</b>	
'Institutions' or "Institution" refers to the National Petroleum Directorate, the Nigerian Petroleum Inspectorate, the Petroleum Products Regulatory Authority, the National Petroleum Assets Management Agency, the Petroleum Equalization Fund; The Petroleum Technology Development Fund, and the Nigerian Petroleum Research Centre, either jointly, any two or more of the said Institutions, or singly;	'Institutions' or "Institution" refers to the National Petroleum Commission, the Nigerian Petroleum Inspectorate, the Petroleum Products Regulatory Authority, the National Petroleum Assets Management Agency and the Petroleum Technology Development Fund, either jointly, any two or more of the said Institutions, or singly;	Minor correction for clarity.
NEW INSERTION	'LIBOR' means, as of any date of determination, the per annum rate of interest, based on a three hundred sixty (360) day year, rounded downwards, if necessary, to the nearest whole multiple of one-sixteenth of one percent (1/16th%), determined as the simple average of the offered quotations appearing on the display referred to as the "LIBOR Page" (or any display substituted therefore) of Reuters Monitor Money Rates Service or, if such "LIBOR Page" shall not be available the simple average of the offered quotations	New insertion defining term excluded from the definition section.

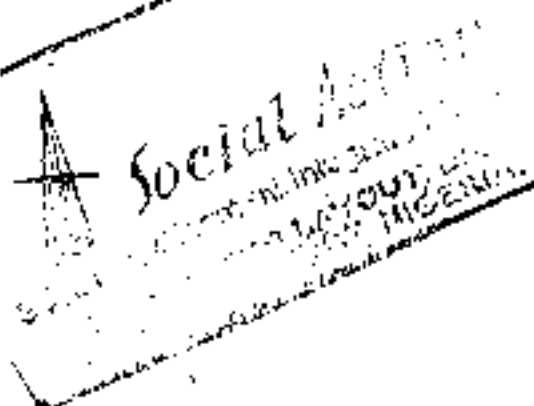
Clause	Committee Recommendation	Rationale
	<p>appearing on page 3750 of the AP/Dow Jones Telerate Systems Monitor (or any page substituted therefore) for deposits in U.S. Dollars for a three month period, at or about 11:00 a.m. (London, England time) on the first London Banking Day of the calendar quarter in which the date of determination occurs (or, if the first day of such calendar quarter in which the date of determination occurs is not a London Banking Day, the immediately preceding London Banking Day). <del>If neither such "LIBOR Page" nor such page 3750 or any successor page is available, or if for any reason a rate of interest cannot be determined as aforesaid, then the Parties shall designate an alternative mechanism consistent with Eurodollar market practices for determining such rate.</del> For purposes of this definition, a "London Banking Day" is a day on which dealings in deposits in Dollars are transacted on the London interbank market;</p>	<p><i>Final Action</i>  <i>Integrated</i>  <i>DATE: 1/10/2001</i>  <i>BY: [Signature]</i></p>
<p>"Liquefied natural gas" means natural gas in its liquid state at approximately atmospheric pressure;</p>	<p>"Liquefied natural gas" or "LNG" means natural gas in its liquid state at approximately atmospheric pressure.</p>	<p>Abbreviation added to enhance effectiveness of comprehension.</p>
<p>"local company" has the meaning assigned to it under any law enacted in respect of Nigerian content in the petroleum industry in Nigeria;</p>	<p><b>Retain.</b></p>	
<p>"local distribution zone" means an authorized area as specified in regulations issued under this Act, within which one distributor of downstream natural gas may operate;</p>	<p><b>Retain.</b></p>	
<p>"loss" means a loss ascertained in like manner as an adjusted profit;</p>	<p><b>Retain.</b></p>	
<p>"Marginal field" means a field with low recoverable reserves and comparatively high development costs under present economic and technological conditions; and that is designated as a marginal field by the Nigerian Petroleum Inspectorate;</p>	<p>"Marginal field" means an oil or gas field which (i) has been left unattended for a period of not less than 10 years from the date of first discovery of the field, and (ii) has been confirmed by the Inspectorate as a marginal field;</p>	<p>The phrase "Nigerian Petroleum Inspectorate" removed and is substituted with "Nigerian Petroleum Corporation."</p>
<p>"Midstream sector" means the sector of the petroleum industry which processes, stores, markets and transports commodities such as crude oil, natural gas, natural gas liquids (NGLs, mainly ethane, propane and butane) and sulphur; or refers to those industry activities that fall between exploration and production, that is the upstream; and refining and marketing, that is, the downstream, and includes pipeline transportation of crude oil and natural gas and gas derivatives;</p>	<p><b>Delete.</b></p>	<p>Term is not used anywhere in the Bill.</p>
<p>"Minister" means the Minister in charge of petroleum resources and overseeing the Petroleum industry in Nigeria;</p>	<p><b>Retain.</b></p>	
<p>NEW INSERTION</p>	<p>"MMbtu" means one million BTU;</p>	<p>New definition added to included terms previously excluded from the Bill</p>
<p>"MMscf" means one million cubic feet;</p>	<p>"MMscf" means one million standard cubic feet;</p>	<p>Term "standard" added for clarity.</p>
<p>NEW INSERTION</p>	<p>"National Gas Master Plan" has the meaning as specified in section 327;</p>	<p>New definition added to included terms previously excluded from the Bill.</p>

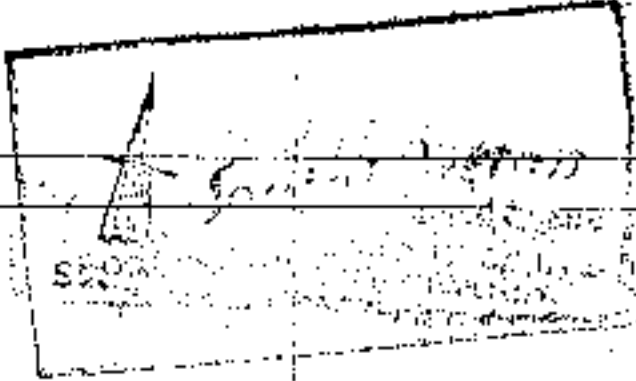
Clause	Committee Recommendation	Rationale
NEW INSERTION	"National Oil Company" has the meaning as specified in section 117;	Idem.
"Natural gas liquids" or "NGL" means hydrocarbons liquefied at the surface in separators, field facilities or in gas processing plants and include but are not limited to ethane, propane, butanes, pentanes, and natural gasoline, may or may not include condensate;	Retain.	
"Natural Gasoline" means a mixture of hydrocarbons extracted from natural gas which meet vapour pressures end point and other specifications for natural gasoline, as adopted by the GPSA with 69, 83, 97, 13B, and 179 kKa (abs) being common specifications.	Retain.	
"Network Code" means the code developed by the transportation network operators in respect of downstream natural gas;	"Network code" has the meaning as specified in section 304;	Update of definition
"Nigeria" includes the submarine areas beneath the territorial waters of Nigeria and the submarine areas beneath any other waters which are or at any time shall in respect of mines and minerals become subject to the legislative competence of the National Assembly;	Retain.	
"Nigerian Content" has the meaning assigned to it under any law enacted in respect of national or local content in the petroleum industry in Nigeria;	"Nigerian Content" has the meaning as defined in the Nigerian Oil and Gas Industry Content Development Act, 2010;	Reflect the enactment of the Nigerian Content Act
"Nigerian company" means a company incorporated in Nigeria;	Retain.	
NEW INSERTION	"Nigerian Hydrocarbon Tax" or "NHT" has the meaning as specified in section 357;	



Clause	Committee Recommendation	Rationale
"Non-associated gas" means natural gas accumulation which does not occur with crude oil;	Retain.	
"Non-productive rents" means and includes the amount of any rent as to which there is provision for its deduction from the amount of any royalty under a petroleum prospecting licence or oil mining lease to the extent that such rent is not so deducted;	"Non-productive rents" means and includes the amount of any rent as to which there is provision for its deduction from the amount of any royalty under a petroleum prospecting licence or petroleum mining lease to the extent that such rent is not so deducted;	Update the definition for accuracy
NEW INSERTION	"official selling price" means the price at which comparable crude oil or condensate of similar quality could be sold on similar terms at similar times by parties under no compulsion to buy or sell and whereby none of such parties exerts or is in a position to exert influence on the other party having regard to all relevant factors;	New insertion defining term excluded from the definition section.
"Oil and Gas Policy" means the policy of the government for the time being in force on the petroleum sector;	Retain.	
"Person" means any individual, company or other juristic person;	Retain.	
"petroleum" means mineral oil (or any related hydrocarbon) or natural gas as it exists in its natural state in strata, and includes tar sands, heavy oils, bituminous and other stratified deposits from which oil can be extracted by destructive distillations but does not include coal;	Retain.	
NEW INSERTION	"petroleum exploration licence" or "PEL" means a licence granted to a company pursuant to section 196 of this Act;	New definition added to included terms previously excluded from the Bill.
NEW INSERTION	"petroleum exploration operations" means any geological, geophysical, geochemical and other surveys and any interpretation of data relating thereto, and the drilling of such shot holes, core holes, stratigraphic tests, exploration wells for the discovery of petroleum, appraisal of discoveries and other related operations;	Idem
NEW INSERTION	"Petroleum Industry Act" refers to this Act	Idem.
"petroleum mining lease" means a lease granted to a company, under the Minerals Act, for the purpose of winning petroleum or any assignment of such lease;	"petroleum mining lease" or "PML" means a lease granted to a company pursuant to section 196 of this Act;	Abbreviation of "PML" added.
"petroleum operations" means the winning or obtaining and transportation of petroleum chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried on by the company engaged in such operations, and all operations incidental thereto and any sale of or any disposal of chargeable oil by or on behalf of the company;	Retain.	
"Petroleum products" include motor spirit, gas oil, black oil, diesel oil, automotive gas oil, fuel oil, aviation oil, kerosene, liquefied natural gas, compressed natural gas, natural gas liquids, liquefied petroleum gases and any lubrication oil or grease or other lubricant;	Retain.	

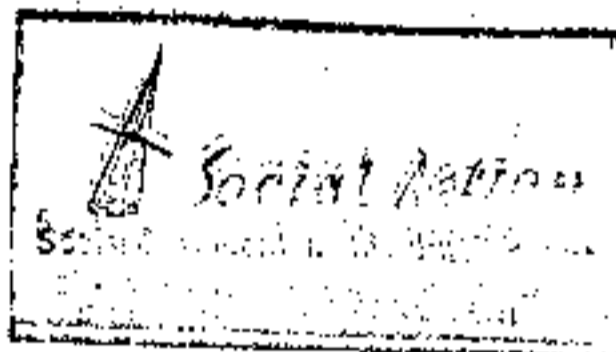
Clause	Committee Recommendation	Rationale
NEW INSERTION	"petroleum prospecting licence" or "PPL" means a licence pursuant to section 196 of this Act;	New definition added to included terms previously excluded from the Bill.
"profits" means profits as stated in Part VII of this Act;	Deleted.	Not used within the Act, all references to "profit" have an adjective (e.g. "assessable profit", ...).
"refining company" means a body corporate having been licensed by the appropriate authorities to either take over an existing refinery or refineries at the inception of this Act, or to establish new refineries in Nigeria;	Retain.	
"regulation" means the use of laws or rules stipulated by any of the Institutions, in accordance with the provisions of this Act to provide orderly procedures and enforce standards and best practices for the activities to which the rules apply;	"regulation" means rule or order having force of law issued by the Commission or any of the Institutions, in accordance with the provisions of this Act;	Term redefined for accuracy and brevity.
NEW INSERTION	"rent" includes any annual or other periodic charge made in respect of a licence granted under this Act;	New insertion defining term excluded from the definition section.
"resident in Nigeria", in relation to a company, means a company the control and management of the business of which are exercised in Nigeria;	Retain.	
"petroleum mining lease" means a lease granted to a company, under the Minerals Act, for the purpose of winning petroleum or any assignment of such lease;	Delete.	Duplication
"royalties" means and includes—	Retain.	
(a) the amount of any rent as to which there is provision for its deduction from the amount of any royalties under an oil prospecting licence or oil mining lease to the extent that such rent is so deducted; and	(a) the amount of any rent as to which there is provision for its deduction from the amount of any royalties under an oil prospecting licence or oil mining lease to the extent that such rent is so deducted; and	Rectify spelling of "licence"
(b) the amount of any royalties payable under any such licence or lease less any such rent deducted from those royalties;	(b) the amount of any royalties payable under any such licence or lease less any such rent deducted from those royalties;	Idem.
"Senate" means the Senate of the Federal Republic of Nigeria;	Retain.	
NEW INSERTION	"Service" means the Federal Inland Revenue Service;	New insertion defining term previously excluded from the definition section.
NEW INSERTION	"shallow water" means the area from the seaward boundary of each littoral State up to the two hundred meter water depth isobaths;	Idem.
NEW INSERTION	"significant gas discovery" means a discovery of natural gas that is substantial in terms of reserves and is potentially commercial, but cannot be declared commercial for one or more of the following reasons:  (a) no markets or natural gas within Nigeria; (b) export markets need to be identified and developed; (c) no pipeline, processing or liquefaction capacity is available in existing systems where commercial conditions indicate the best option for development is based on future	Idem



Clause	Committee Recommendation	Rationale
	<p>expansion of such systems or use of such systems, when capacity will become available in the future; or</p> <p>(d) where the natural gas discovery would only be commercial when jointly developed with other existing natural gas discoveries or potential future natural gas discoveries.</p>	
NEW INSERTION	<p>"standard cubic feet" means, in relation to natural gas, the quantity of dry ideal gas at a temperature of sixty (60) degrees Fahrenheit and a pressure of fourteen decimal six nine six (14.696) pounds per square inch absolute contained in a volume of one (1) cubic foot;</p>	Idem.
<p>"standards" means limits made binding through laws, regulations or guidelines which must be observed within the appropriate regulatory framework in all cases where they are applicable;</p>	Retain.	
<p>"State" means the sovereign state of the Federal Republic of Nigeria, except where the context so admits or where it is specifically stated to mean a state of the Federation.</p>	Retain.	
<p>"tax" means chargeable tax;</p>	Retain.	
<p>"technical" refers to matters and issues that derive their consideration from a structured body of applied scientific knowledge, practical skills and special techniques that are interpreted strictly in accordance with stipulated rules, regulations, and standards.</p>	Retain.	
<p>"technical regulation" means the technical oversight of all activities relating to the exploration, development, production, processing, distribution and disposal of hydrocarbons through standards and best practices as may be prescribed from time to time in laws, regulations or guidelines;</p>	<p>"technical regulation" means the technical oversight of all upstream or downstream through standards and best practices as may be prescribed from time to time in laws, regulations or guidelines;</p>	Term redefined for accuracy and brevity.
NEW INSERTION	<p>"uncommitted capacity" means capacity that is:</p> <p>(a) not contractually committed to a party;</p> <p>(b) not conditionally assigned by means of an arm's length option agreement to a party;</p> <p>(c) not demonstrably planned to be utilised on the basis of an approved utilisation plan.</p>	New insertion defining term excluded from the definition section
<p>"upstream" refers to all activities entered into for the purpose of finding and developing crude oil or natural gas and includes all activities involved in exploration and in all stages through, up to the production and transportation of crude oil and natural gas from the area of production to the terminal;</p>	<p>"upstream" refers to all activities entered into for the purpose of finding and developing petroleum and includes all activities involved in exploration and in all stages through, up to the production and transportation of petroleum from the area of production to the fiscal sales point or transfer to the downstream sector;</p>	Term redefined for accuracy and brevity.
NEW INSERTION	<p>"upstream crude oil operations" means the winning or obtaining of crude oil in Nigeria by or on behalf of a company on its own account for commercial purposes and shall include any activity or operation, related to crude oil that occurs up to fiscal sales point or transfer to the downstream sector;</p>	New definition added to included terms previously excluded from the Bill.
<p>"upstream gas operations" means the</p>	<p>"upstream gas operations" means the</p>	Term redefined for accuracy and



Clause	Committee Recommendation	Rationale
winning or obtaining of natural gas in Nigeria by or on behalf of a company on its own account for commercial purposes and shall include any activity or operation related to natural gas that occurs up to the point at which downstream gas begins;	winning or obtaining of natural gas in Nigeria by or on behalf of a company on its own account for commercial purposes and shall include any activity or operation related to natural gas, including but not limited to the treatment of gas, that occurs up to the fiscal sales point or transfer to the downstream sector.	brevity.
NEW INSERTION	"upstream petroleum operations" means upstream gas operations and upstream crude oil operations;	New definition added to included terms previously excluded from the Bill.
NEW INSERTION	U.T.M. means Universal Transverse Mercator co-ordinate system.	New insertion defining term excluded from the definition section.



## FIRST SCHEDULE

### Section 7 (9)

#### Supplementary provisions relating to the Governing Board of the Commission Proceeding of the Governing Board

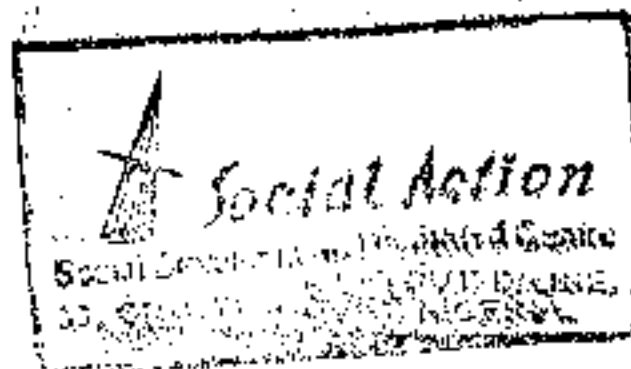
1. Subject to this Act and section 27 of the Interpretation Act, the Governing Board shall have the power to regulate its proceedings and may make standing orders with respect to the holding of its meetings, and those of its committees, the notice to be given, the keeping of minutes of its proceedings, the custody and production for inspection of such minutes and such other matters as the Governing Board may, from time to time, determine.
2. (a) There shall be at least one ordinary meeting of the Governing Board in every quarter of the year and subject thereto, the Governing Board shall meet whenever it is summoned by the Chairman and if the Chairman is requested to do so by notice given to him by not less than three other members, he or she shall summon a meeting of the Governing Board to be held within fourteen days from the date on which the notice is given.  
(b) Every meeting of the Governing Board shall be presided over by the Chairman and if the Chairman is unable to attend a particular meeting, the members present at the meeting shall elect one of their numbers to preside at the meeting.
3. The quorum at the meeting of the Governing Board shall consist of the Chairman (or in an appropriate case, the person presiding at the meeting pursuant to paragraph 2 of this Schedule) and the majority of the other members at least two of whom shall be members appointed pursuant to section 7 (3) of this Act.
4. The Governing Board shall meet for the conduct of its business at such places and on such days as the Chairman may appoint.
5. A question put before the Governing Board at a meeting shall be decided by consensus, and where this is not possible, by a majority of the votes of the members present and voting.
6. The chairman shall, in the case of an equality of votes, have the casting vote in addition to his deliberative vote.
7. Where the Governing Board desires to seek the advice of any person on a particular matter, the Governing Board may co-opt a person as a member for such period it thinks fit, but a person who is a member by virtue of this paragraph shall not be entitled to vote at any meeting of the Governing Board and shall not count towards the quorum.

#### Committees

8. The Governing Board may appoint one or more committees to carry out on behalf of the Governing Board such of its functions as the Governing Board may determine and report on any matter with which the Governing Board or Commission is concerned.
9. A committee appointed under this Schedule shall be presided over by a member of the Governing Board and consist of such number of persons (not necessarily all members of the Governing Board) as may be determined by the Governing Board, and a person other than a member of the Governing Board shall hold office on the committee in accordance with the terms of his appointment.
10. A decision of a committee of the Governing Board shall be of no effect until it is confirmed by the Governing Board.

#### Miscellaneous

11. The fixing of the seal of the Commission shall be authenticated by the signature of the Secretary or some other person authorized generally by the Governing Board to act for that purpose.
12. A contract or an instrument which, if made or executed by any person not being a body corporate, would not be required to be under seal, may be made or executed on behalf of Commission by the Director General or any person generally or specially authorized to act for that purpose by the Governing Board.
13. A document purporting to be a contract, an instrument or other document signed or sealed on behalf of the Commission shall be received in evidence and, unless the contrary is proved, be presumed without further proof to have been signed and sealed.
14. The validity of any proceedings of the Governing Board or its committees shall not be affected by-
  - (a) any vacancy in the membership of the Governing Board or its committees; or
  - (b) reason that a person not entitled to do so took part in the proceedings; or
  - (c) any defect in the appointment of a member.
15. Any member of the Governing Board and any person holding office on a committee of the Governing Board, who has a personal interest in any contract or arrangement entered into or proposed to be considered by the Governing Board or a committee thereof.
  - (a) shall forthwith disclose his interest to the Governing Board or committee, as the case may be; and
  - (b) shall not vote on any question relating to the contract or arrangement.



## SECOND SCHEDULE

### Section 31 (4)

#### Supplementary provisions relating to the Governing Board of the Inspectorate Proceeding of the Governing Board

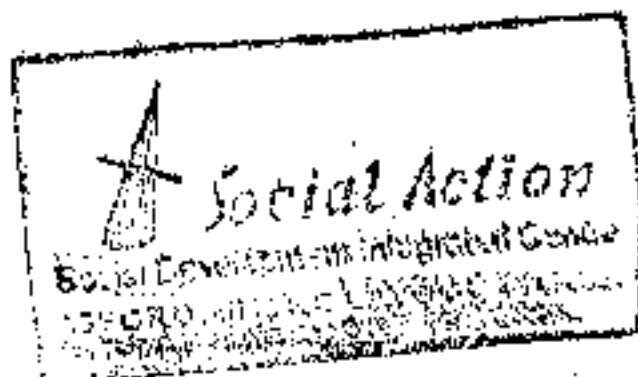
1. Subject to this Act and section 27 of the Interpretation Act, the Governing Board shall have the power to regulate its proceedings and may make standing orders with respect to the holding of its meetings, and those of its committees, the notice to be given, the keeping of minutes of its proceedings, the custody and production for inspection of such minutes and such other matters as the Governing Board may, from time to time, determine.
2. (a) There shall be at least one ordinary meeting of the Governing Board in every quarter of the year and subject thereto, the Governing Board shall meet whenever it is summoned by the Chairman and if the Chairman is requested to do so by notice given to him by not less than three other members, he or she shall summon a meeting of the Governing Board to be held within fourteen days from the date on which the notice is given.  
(b) Every meeting of the Governing Board shall be presided over by the Chairman and if the Chairman is unable to attend a particular meeting, the members present at the meeting shall elect one of their numbers to preside at the meeting.
3. The quorum at the meeting of the Governing Board shall consist of the Chairman (or in an appropriate case, the person presiding at the meeting pursuant to paragraph 2 of this Schedule) and the majority of the other members at least two of whom shall be members appointed pursuant to section 31(3) of this Act.
4. The Governing Board shall meet for the conduct of its business at such places and on such days as the Chairman may appoint.
5. A question put before the Governing Board at a meeting shall be decided by consensus, and where this is not possible, by a majority of the votes of the members present and voting.
6. The Chairman shall, in the case of an equality of votes, have the casting vote in addition to his deliberative vote.
7. Where the Governing Board desires to seek the advice of any person on a particular matter, the Governing Board may co-opt a person as a member for such period it thinks fit, but a person who is a member by virtue of this paragraph shall not be entitled to vote at any meeting of the Governing Board and shall not count towards the quorum.

#### Committees

8. The Governing Board may appoint one or more committees to carry out on behalf of the Governing Board such of its functions as the Governing Board may determine and report on any matter with which the Governing Board or Inspectorate is concerned.
9. A committee appointed under this Schedule shall be presided over by a member of the Governing Board and consist of such number of persons (not necessarily all members of the Governing Board) as may be determined by the Governing Board, and a person other than a member of the Governing Board shall hold office on the committee in accordance with the terms of his appointment.
10. A decision of a committee of the Governing Board shall be of no effect until it is confirmed by the Governing Board.

#### Miscellaneous

11. The fixing of the seal of the Inspectorate shall be authenticated by the signature of the Secretary or some other person authorized generally by the Governing Board to act for that purpose.
12. A contract or an instrument which, if made or executed by any person not being a body corporate, would not be required to be under seal, may be made or executed on behalf of Inspectorate by the Director General or any person generally or specially authorized to act for that purpose by the Governing Board.
13. A document purporting to be a contract, an instrument or other document signed or sealed on behalf of the Inspectorate shall be received in evidence and, unless the contrary is proved, be presumed without further proof to have been signed and sealed.
14. The validity of any proceedings of the Governing Board or its committees shall not be affected by-
  - (a) any vacancy in the membership of the Governing Board or its committees; or
  - (b) reason that a person not entitled to do so took part in the proceedings; or
  - (c) any defect in the appointment of a member.
15. Any member of the Governing Board and any person holding office on a committee of the Governing Board, who has a personal interest in any contract or arrangement entered into or proposed to be considered by the Governing Board or a committee thereof:
  - (a) shall forthwith disclose his interest to the Governing Board or committee, as the case maybe; and
  - (b) shall not vote on any question relating to the contract or arrangement.



### THIRD SCHEDULE

#### Section 66 (4)

#### Supplementary provisions relating to the Governing Board of the Authority Proceeding of the Governing Board

1. Subject to this Act and section 27 of the Interpretation Act, the Governing Board shall have the power to regulate its proceedings and may make standing orders with respect to the holding of its meetings, and those of its committees, the notice to be given, the keeping of minutes of its proceedings, the custody and production for inspection of such minutes and such other matters as the Governing Board may, from time to time, determine.
2. (a) There shall be at least one ordinary meeting of the Governing Board in every quarter of the year and subject thereto, the Governing Board shall meet whenever it is summoned by the Chairman and if the Chairman is requested to do so by notice given to him by not less than three other members, he or she shall summon a meeting of the Governing Board to be held within fourteen days from the date on which the notice is given.  
(b) Every meeting of the Governing Board shall be presided over by the Chairman and if the Chairman is unable to attend a particular meeting, the members present at the meeting shall elect one of their numbers to preside at the meeting.
3. The quorum at the meeting of the Governing Board shall consist of the Chairman (or in an appropriate case, the person presiding at the meeting pursuant to paragraph 2 of this Schedule) and the majority of the members at least two of whom shall be members appointed pursuant to section 66 (2) (a), (b) and (d) of this Act.
4. The Governing Board shall meet for the conduct of its business at such places and on such days as the Chairman may appoint.
5. A question put before the Governing Board at a meeting shall be decided by consensus, and where this is not possible, by a majority of the votes of the members present and voting.
6. The Chairman shall, in the case of an equality of votes, have the casting vote in addition to his deliberative vote.
7. Where the Governing Board desires to seek the advice of any person on a particular matter, the Governing Board may co-opt a person as a member for such period it thinks fit, but a person who is a member by virtue of this paragraph shall not be entitled to vote at any meeting of the Governing Board and shall not count towards the quorum.

#### Committees

8. The Governing Board may appoint one or more committees to carry out on behalf of the Governing Board such of its functions as the Governing Board may determine and report on any matter with which the Governing Board or Authority is concerned.
9. A committee appointed under this Schedule shall be presided over by a member of the Governing Board and consist of such number of persons (not necessarily all members of the Governing Board) as may be determined by the Governing Board, and a person other than a member of the Governing Board shall hold office on the committee in accordance with the terms of his appointment.
10. A decision of a committee of the Governing Board shall be of no effect until it is confirmed by the Governing Board.

#### Miscellaneous

11. The fixing of the seal of the Authority shall be authenticated by the signature of the Secretary or some other person authorized generally by the Governing Board to act for that purpose.
12. A contract or an instrument which, if made or executed by any person not being a body corporate, would not be required to be under seal, may be made or executed on behalf of Authority by the Director General or any person generally or specially authorized to act for that purpose by the Governing Board.
13. A document purporting to be a contract, an instrument or other document signed or sealed on behalf of the Authority shall be received in evidence and, unless the contrary is proved, be presumed without further proof to have been signed and sealed.
14. The validity of any proceedings of the Governing Board or its committees shall not be affected by—
  - (a) any vacancy in the membership of the Governing Board or its committees; or
  - (b) reason that a person not entitled to do so took part in the proceedings; or
  - (c) any defect in the appointment of a member.
15. Any member of the Governing Board and any person holding office on a committee of the Governing Board, who has a personal interest in any contract or arrangement entered into or proposed to be considered by the Governing Board or a committee thereof—
  - (a) shall forthwith disclose his interest to the Governing Board or committee, as the case may be; and
  - (b) shall not vote on any question relating to the contract or arrangement.



## FOURTH SCHEDULE

### Section 98 (4)

#### Supplementary provisions relating to the Governing Board of the Agency Proceeding of the Governing Board

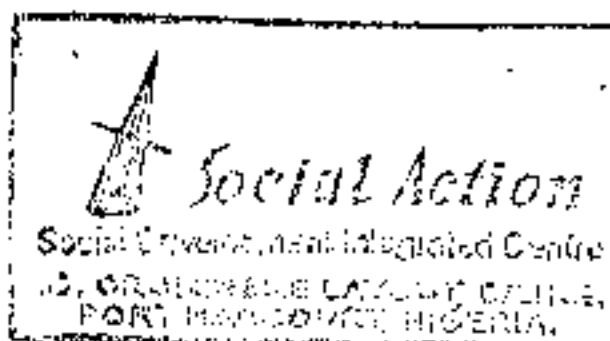
1. Subject to this Act and section 27 of the Interpretation Act, the Governing Board shall have the power to regulate its proceedings and may make standing orders with respect to the holding of its meetings, and those of its committees, the notice to be given, the keeping of minutes of its proceedings, the custody and production for inspection of such minutes and such other matters as the Governing Board may, from time to time, determine.
2. (a) There shall be at least one ordinary meeting of the Governing Board in every quarter of the year and subject thereto, the Governing Board shall meet whenever it is summoned by the Chairman and if the Chairman is requested to do so by notice given to him by not less than three other members, he or she shall summon a meeting of the Governing Board to be held within fourteen days from the date on which the notice is given.  
(b) Every meeting of the Governing Board shall be presided over by the Chairman and if the Chairman is unable to attend a particular meeting, the members present at the meeting shall elect one of their numbers to preside at the meeting.
3. The quorum at the meeting of the Governing Board shall consist of the Chairman (or in an appropriate case, the person presiding at the meeting pursuant to paragraph 2 of this Schedule) and the majority of the members at least two of whom shall be members appointed pursuant to section 98 (1) (b), (c), (d) and (e) of this Act.
4. The Governing Board shall meet for the conduct of its business at such places and on such days as the Chairman may appoint.
5. A question put before the Governing Board at a meeting shall be decided by consensus, and where this is not possible, by a majority of the votes of the members present and voting.
6. The Chairman shall, in the case of an equality of votes, have the casting vote in addition to his deliberative vote.
7. Where the Governing Board desires to seek the advice of any person on a particular matter, the Governing Board may co-opt a person as a member for such period it thinks fit, but a person who is a member by virtue of this paragraph shall not be entitled to vote at any meeting of the Governing Board and shall not count towards the quorum.

#### Committees

8. The Governing Board may appoint one or more committees to carry out on behalf of the Governing Board such of its functions as the Governing Board may determine and report on any matter with which the Governing Board or Agency is concerned.
9. A committee appointed under this Schedule shall be presided over by a member of the Governing Board and consist of such number of persons (not necessarily all members of the Governing Board) as may be determined by the Governing Board, and a person other than a member of the Governing Board shall hold office on the committee in accordance with the terms of his appointment.
10. A decision of a committee of the Governing Board shall be of no effect until it is confirmed by the Governing Board.

#### Miscellaneous

11. The fixing of the seal of the Agency shall be authenticated by the signature of the Secretary or some other person authorized generally by the Governing Board to act for that purpose.
12. A contract or an instrument which, if made or executed by any person not being a body corporate, would not be required to be under seal, may be made or executed on behalf of Agency by the Director General or any person generally or specially authorized to act for that purpose by the Governing Board.
13. A document purporting to be a contract, an instrument or other document signed or sealed on behalf of the Agency shall be received in evidence and, unless the contrary is proved, be presumed without further proof to have been signed and sealed.
14. The validity of any proceedings of the Governing Board or its committees shall not be affected by-
  - (a) any vacancy in the membership of the Governing Board or its committees; or
  - (b) reason that a person not entitled to do so took part in the proceedings; or
  - (c) any defect in the appointment of a member.
15. Any member of the Governing Board and any person holding office on a committee of the Governing Board, who has a personal interest in any contract or arrangement entered into or proposed to be considered by the Governing Board or a committee thereof:
  - (a) shall forthwith disclose his interest to the Governing Board or committee, as the case may be; and
  - (b) shall not vote on any question relating to the contract or arrangement.



## FIFTH SCHEDULE

### Section 149 (3)

#### Supplementary provisions relating to the Board of the Development Fund Proceeding of the Board

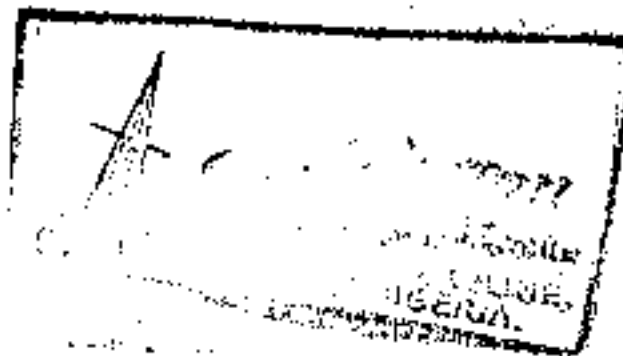
1. Subject to this Act and section 27 of the Interpretation Act, the Board shall have the power to regulate its proceedings and may make standing orders with respect to the holding of its meetings, and those of its committees, the notice to be given, the keeping of minutes of its proceedings, the custody and production for inspection of such minutes and such other matters as the Board may, from time to time, determine.
2. (a) There shall be at least one ordinary meetings of the Board in every quarter year and subject thereto, the Board shall meet whenever it is summoned by the Chairman.  
(b) Every meeting of the Board shall be presided over by the Chairman and if the Chairman is unable to attend a particular meeting, the members present at the meeting shall elect one of their numbers to preside at the meeting.
3. The quorum at the meeting of the Board shall consist of the Chairman (or in an appropriate case, the person presiding at the meeting pursuant to paragraph 2 of this Schedule) and a majority of the members at least two of whom shall be appointed in accordance with section 149(2) (b), (c) and (d) of this Act.
4. The Board shall meet for the conduct of its business at such places and on such days as the Chairman may appoint.
5. A question put before the Board at a meeting shall be decided by consensus, and where this is not possible, by a majority of the votes of the members present and voting.
6. The Chairman shall, in the case of an equality of votes, have the casting vote in addition to his deliberative vote.
7. Where the Board desires to seek the advice of any person on a particular matter, Board may co-opt a person as a member for such period it thinks fit, but a person who is a member by virtue of this paragraph shall not be entitled to vote at any meeting of Board and shall not count towards the quorum.

#### Committees

8. The Board may appoint one or more committees to carry out on behalf of Board such of its functions as the Board may determine and report on any matter with which the Board or Development Fund is concerned.
9. A committee appointed under this Schedule shall be presided over by a member of the Board and consist of such number of persons (not necessarily all members of the Board) as may be determined by the Board, and a person other than a member of the Board shall hold office on the committee in accordance with the terms of his appointment.
10. A decision of a committee of the Board shall be of no effect until it is confirmed by Board.

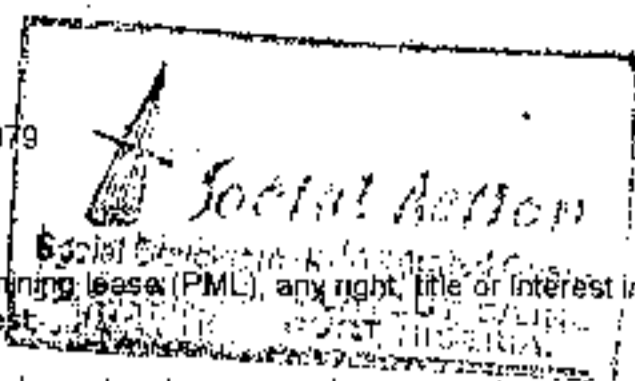
#### Miscellaneous

11. The fixing of the seal of the Board shall be authenticated by the signature of the Secretary or some other person authorized generally by the Board to act for that purpose.
12. A contract or an instrument which, if made or executed by any person not being a body corporate, would not be required to be under seal, may be made or executed on behalf of Board by the Executive Secretary or any person generally or specially authorized to act for that purpose by the Board.
13. A document purporting to be a contract, an instrument or other document signed or sealed on behalf of the Board shall be received in evidence and, unless the contrary is proved, be presumed without further proof to have been signed and sealed.
14. The validity of any proceedings of the Board or its committees shall not be affected by-
  - (a) any vacancy in the membership of the Board or its committees; or
  - (b) reason that a person not entitled to do so took part in the proceedings; or
  - (c) any defect in the appointment of a member.
15. Any member of the Board and any person holding office on a committee of the Board, who has a personal interest in any contract or arrangement entered into or proposed to be considered by the Board or a committee thereof;
  - (a) shall forthwith disclose his interest to the Board or committee, as the case may be; and
  - (b) shall not vote on any question relating to the contract or arrangement.



SIXTH SCHEDULE

SECTION 363, 370, 371 and 379  
Capital Allowances



(1) Interpretation

For the purposes of this schedule, unless the context otherwise requires –

"CONCESSION" includes a petroleum prospecting licence (PPL), a petroleum mining lease (PML), any right, title or interest in or to petroleum in the ground and any option of acquiring any such right, title or interest;

"LEASE" includes an agreement for a lease where the term to be covered by the lease has begun, any tenancy and any agreement for the letting or hiring out of an asset, but does not include a mortgage and all cognate expression including "LEASEHOLD"

"INTEREST" shall be construed accordingly and

- (a) where, with the consent of the lessor, a lessee of any assets remains in possession thereof after the termination of the lease without a new lease being granted to him, that lease shall be deemed for the purposes of this schedule to continue so long as he or she remains in possession as aforesaid; and
- (b) where, on the termination of a lease of any assets, a new lease of that asset is granted to the lessee, the provisions of this Schedule shall have effect as if the second lease were a continuation of the first lease;

"QUALIFYING EXPENDITURE" or "QUALIFYING PETROLEUM EXPENDITURE" means, subject to the express provisions of this schedule, expenditure incurred in an accounting period, which is:

- (a) capital expenditure (hereinafter called "qualifying plant expenditure") incurred on plant, machinery or fixtures;
- (b) capital expenditure (hereinafter called "qualifying pipeline and storage expenditure") incurred on pipelines and storage tanks;
- (c) capital expenditure (hereinafter called "qualifying building expenditure"), other than expenditure which is included in paragraphs (a), (b) or (d) of this interpretation, incurred on the construction of buildings, or works of a permanent nature; or
- (d) capital expenditure (hereinafter called "qualifying drilling expenditure") other than expenditure which is included in paragraph (a) or (b) of this interpretation, incurred in connection with upstream petroleum operations in view on:
  - (i) the acquisition of, or of rights in or over, petroleum deposits
  - (ii) searching for or discovering and testing petroleum deposits, or winning access thereto, or
  - (iii) the construction of any works or buildings which are likely to be of little or no value when the upstream petroleum operations for which they were constructed cease to be carried on; provided that for the purposes of this definition qualifying expenditure shall not include any sum which may be deducted under the provisions of Section 363 of this Act.

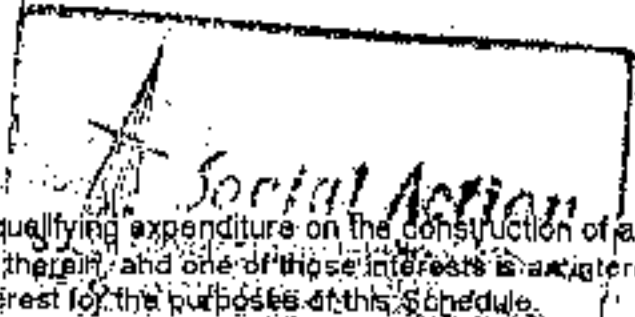
- 1. For the purposes of this interpretation of qualifying expenditure, where expenditure is incurred by a company before its first accounting period and such expenditure would have fallen to be treated as qualifying expenditure (ascertained without the qualification contained in the foregoing proviso) if it had been incurred by the company on the first day of its first accounting period, and
  - (a) that expenditure is incurred in respect of an asset owned by the company then such expenditure shall be deemed to be qualifying expenditure incurred by it on that day; or
  - (b) that expenditure is incurred in respect of an asset which has been disposed of by the company before the beginning of its first accounting period then any loss suffered by the company on the disposal of such asset shall be deemed to be qualifying petroleum expenditure incurred by the company on that day and be deemed to have brought into existence an asset owned by the company in use for the purposes of upstream petroleum operations carried on by the company any profit realised by the company on such disposal shall be treated as income of the company of its first accounting period for the purposes of subsection (1)(a) of section 362 of this Act.

(2) Provisions Relating to Qualifying Petroleum Expenditure

- 1. For the purposes of this Schedule where
  - a. expenditure has been incurred before its first accounting period and such expenditure would have been treated as such qualifying petroleum expenditure (ascertained without the qualification contained in the proviso in the interpretation of qualifying expenditure) if it had been incurred in that first accounting period; and
  - b. such expenditure (ascertained in the case of sub-paragraph (1) (a) of this paragraph without such qualification) shall be deemed to have brought into existence an asset owned by the company incurring the expenditure and in use for the purposes of such upstream petroleum operations.
- 2. For the purposes of this Schedule, an asset in respect of which qualifying drilling expenditure has been incurred by any company for the purposes of upstream petroleum operations carried on by it during any accounting period of the company, and which has not been disposed of, shall be deemed not to cease to be used for the purposes of such operations so long as such company continues to carry on such operations.
- 3. So much of any qualifying petroleum expenditure incurred on the acquisition of rights in or over petroleum deposits and on the purchase of information relating to the existence and extent of the deposit as exceeds the total of the original cost of acquisition of such rights and of the cost of searching for, discovering and testing such deposits prior to the purchase of such information shall be left out of account for the purposes of the schedule.

(3) Owner and Meaning of Relevant Interest

- 1. For the purposes of this Schedule, where an asset consists of a building structure or works, the owner thereof shall be taken to be the owner of the relevant interest in such building, structure or works.
- 2. Subject to the provisions of this paragraph, in this Schedule, the expressions "the relevant interest" means, in relation to any expenditure incurred on the construction of a building, structure or works to which the company which incurred such expenditure was entitled when it incurred the expenditure.



3. Where, when a company incurs qualifying building expenditure or qualifying expenditure on the construction of a building, structure or works, the company is entitled to two or more interests therein, and one of those interests is an interest which is reversionary on all the others, that interest shall be the relevant interest for the purposes of this Schedule.
4. Where an asset is acquired by any hirer or lessee under a finance lease contract, the terms of which provide for the transfer of ownership, risks and reward to the hirer or lessee, the provisions of this schedule shall apply in the same way as it applies to an asset acquired by the owner or lessor of an asset for the purposes of his trade or business but shall apply subject to the total lease payment due from the hirer or lessee during his basis period, excluding in the computation of such qualifying expenditure any interest charges payable under the contract.

**(4) Sale of Buildings.**

1. Where capital expenditure has been incurred on the construction of a building, structure or works and thereafter the relevant interest company which buys that interest shall be deemed, for all the purposes of this Schedule, to have incurred, on the date when the purchase price became payable, capital expenditure on the construction thereof equal to the price paid by it for such interest or to the original cost of construction, whichever is the less:  
Provided that:
  - (a) Where such relevant interest is sold before the building, structure or works has been used, the foregoing provisions of this paragraph shall have effect with respect to such sale and the original cost of construction shall be taken to be the amount of the purchase price on such sale;
  - (b) Where, any such relevant interest is sold more than once before the building, structure or works is used, the provisions of sub-paragraph (a) shall have effect only in relation to the last of those sales.

**(5) Annual Allowance**

1. Subject to the provisions of this Schedule where in any accounting period a company owning any assets has incurred in respect thereof qualifying expenditure exclusively for the purposes of upstream petroleum operations carried on by it, there shall be due to that company as from the accounting period in which such expenditure was incurred an allowance (in this Act referred to as "an annual allowance") at the appropriate rate per centum specified in Table I of this Schedule.
2. Notwithstanding the provisions of sub-paragraph (1) of this paragraph, there shall be retained in the books, in respect of each asset 1 percent of the initial cost of the asset which may only be written off in accordance with sub-paragraph (3) of this paragraph.
3. Any asset or part thereof in respect of which capital allowances have been granted may only be disposed of on the authority of a Certificate of Disposal issued by the Minister or any person authorised by him.
4. Where a licensee or lessee has entered into a contract pursuant to section 197 of this Act and such contract provides for the transfer of assets to such licensee or lessee by the contractor, such transfer shall be valued as equal to the value of cost petroleum paid for such assets ("the deemed income") and the licensee or lessee can claim the annual allowances in respect of the qualifying expenditures associated with such asset against such deemed income; and where the contractor has incurred the expenditures for the creation of such asset pursuant to subsection 363(1)(i) of the Act, such asset shall not result in annual allowances to the contractor.
5. An annual allowance in respect of qualifying expenditure incurred in respect of any asset shall be due to a company for any accounting period if at the end of such accounting period it was the owner of that asset and the expenditure of such asset have been incurred during such accounting period for the purposes of the upstream petroleum operations carried on by it.

**(6) Balancing Allowances**

1. Subject to the provisions of this Schedule, where in any accounting period of a company, the company owning any asset in respect of which it has incurred qualifying expenditure wholly and exclusively for the purposes of upstream petroleum operations carried on by it, disposes of that asset an allowance (hereinafter called "a balancing allowance") shall be due to that company for that accounting period the loss incurred as a result of the excess of the residue of that expenditure, at the date such asset is disposed of, over the value of that asset at that date; provided that a balancing allowance shall only be due in respect of such asset if immediately prior to its disposal it was in use by such company for the purposes of the upstream petroleum operations for which such qualifying expenditure was incurred.

**(7) Balancing Charges.**

1. Subject to the provisions of this Schedule, where in any accounting period of a company, the company owning any asset in respect of which it has incurred qualifying expenditure wholly and exclusively for the purposes of upstream petroleum operations carried on by it, disposes of that asset, the excess (hereinafter called "a balancing charge") of the value of that asset, at the date of its disposal, over the residue of that expenditure at that date shall, for the purposes of subsection (1)(a) of section 362 of this Act, be treated as income of the company of that accounting period.

Provided that a balancing charge in respect of such asset shall only be so treated if immediately prior to the disposal of that asset it was in use by such company for the purposes of the upstream petroleum operations for which such qualifying expenditure was incurred and shall not exceed the total of any allowances due under the provisions of this Schedule, in respect of such asset.

**(8) Residue**

1. The residue of qualifying expenditure, in respect of any asset, at any date, shall be taken to be the total qualifying expenditure incurred on or before that date, by the owner thereof at that date, in respect of that asset, less the total of any annual allowances due to such owner, in respect of that asset, before that date.

**(9) Meaning of "Disposed of"**

1. Subject to any express provision to the contrary, for the purposes of this Schedule:
  - (a) a building, structure or works of a permanent nature is disposed of if any of the following events occur:
    - i. the relevant interest is sold; or



- ii. that interest, being an interest depending on the duration of a concession, comes to an end on the coming to an end of that concession; or
  - iii. that interest, being a leasehold interest, comes to an end otherwise than on the company entitled thereto acquiring the interest which is reversionary thereon; or
  - iv. the building, structure or works of a permanent nature are demolished or destroyed or, without being demolished or destroyed, cease altogether to be used for the purposes of upstream petroleum operations carried on by the owner thereof;
- (b) plant, machinery or fixtures are disposed of if they are sold, discarded or cease altogether to be used for the purposes of upstream petroleum operations carried on by the owner thereof.

**(10) Value of an Asset**

1. The value of an asset at the date of its disposal shall be the net proceeds of the sale thereof or of the relevant interest therein, or, if it was disposed of without being sold, the amount which, in the opinion of the Service, such asset or the relevant interest therein, as the case may be, would have fetched if sold in the open market at that date, less the amount of any expenses which the owner might reasonably be expected to incur if the asset were so sold.
2. For the purpose of this paragraph, if an asset is disposed of in such circumstances that insurance or compensation monies are received by the owner thereof, the asset or the relevant interest therein, as the case may be, shall be treated as having been sold and as though the net proceeds of the insurance or compensation monies were the net proceeds of the sale thereof.

**(11) Apportionment**

1. Any reference in this Schedule to the disposal, sale or purchase of any asset includes a reference to the disposal, sale or purchase of that asset, as the case may be, together with any other asset, whether or not qualifying expenditure has been incurred on such last-mentioned asset, and, where an asset is disposed of, sold, or purchased together with another asset, so much of the value of the assets as, on a just apportionment, is properly attributable to the first mentioned asset shall, for the purposes of this Schedule, be deemed to be the value of, or the price paid for, that asset, as the case may be. For the purposes of this sub-paragraph, all the assets which are purchased or disposed of in pursuance of one bargain shall be deemed to be purchased or disposed of together notwithstanding that separate prices are or purport to be agreed for each of those assets or that there are or purport to be separate purchases or disposals of those assets.
2. The provisions of sub-paragraph (1) of this paragraph shall apply, with any necessary modifications, to the sale or purchase of the relevant interest in any asset together with any other asset or relevant interest in any other asset.

**(12) Part of an Asset**

1. Any reference in this Schedule to any asset shall be construed whenever necessary as including a reference to a part of any asset (including an undivided part of that asset in the case of joint interests therein) and when so construed any necessary apportionment shall be made as may, in the opinion of the Service, be just and reasonable.

**(13) Exclusion of Certain Expenditure**

1. Subject to the express provisions of this Schedule, where any company has incurred expenditure which is allowed to be deducted under any provision (other than a provision of this Schedule), such expenditure shall not be treated as qualifying expenditure.

**(14) Extension of the meaning of "in use"**

1. An asset in respect of which qualifying expenditure has been incurred by the owner thereof for the purposes of upstream petroleum operations carried on by it shall be deemed to be in use, for the purposes of such operations, between the dates hereinafter mentioned, where the board is of the opinion that the first use to which the asset will be put by that company incurring such expenditure will be for the purposes of such operations.
2. The said dates shall be taken to be the date on which such expenditure was incurred and the date on which the asset is in fact first put to use provided that where any allowance has been given in consequence of paragraph 1 of this Schedule and the first use to which such asset is put is not for the purposes of such operations, all such additional assessments shall be made as may be necessary to counteract the benefits obtained from the giving of any such allowances.

**(15) Asset Used or Expenditure Incurred Partly for the Purpose of Upstream Petroleum Operation**

1. The following provisions of this paragraph shall apply where either or both of the following conditions apply with respect to any asset.
  - (a) The owner of the asset has incurred in respect thereof qualifying expenditure partly for the purposes of upstream petroleum operations carried on by him and partly for other purposes;
  - (b) The asset in respect of which the owner has incurred qualifying expenditure thereof is used partly for the purposes of upstream petroleum operations carried on by such owner and partly for other purposes.
2. Any allowances which would be due or any balancing charges which would be treated as income if both such expenditure were incurred wholly and exclusively for the purposes of such upstream petroleum operations such asset were used wholly and exclusively for the purposes of such operations shall be computed in accordance with the provisions of this Schedule.
3. So much of the allowances and charges computed in accordance with provisions of sub-paragraph (2) of this paragraph shall be due or shall be so treated, as the case may be, as in the opinion of the Service is just reasonable having regard to all the circumstances and to the provisions of this Schedule.

**(16) Disposal without Change of Ownership**

1. Where an asset in respect of which qualifying expenditure has been incurred by the owner thereof has been disposed of in such circumstances that such owner remains the owner thereof, then, for the purposes of determining whether and, if so, in what amount, any annual or balancing allowance or balancing charge shall be made to or on such owner in respect of his use of that asset after the date of such disposal -
  - a. Qualifying expenditure incurred by such owner in respect of such asset prior to the date of such disposal shall be left out of account; but



**PETROLEUM INDUSTRY BILL 2010**

**EXPLANATORY MEMORANDUM**

This Bill seeks to establish the legal and regulatory framework, institutions and Regulatory authorities for the Nigerian Petroleum Industry; establish guidelines for the operation of the upstream and downstream sectors.

