

**Second Session Fourth Parliament Republic of Trinidad
and Tobago**



REPUBLIC OF TRINIDAD AND TOBAGO

Act No. 15 of 1992

[L.S.]

**AN ACT to amend the Petroleum Taxes Act,
Chap. 75:04**

[Assented to 25th November, 1992]

ENACTED by the Parliament of Trinidad and Tobago as Enactment
follows:—

1. This Act may be cited as the **Petroleum Taxes** Short title
(Amendment) Act, 1992.

- Commencement **2.** This Act is deemed to have come into effect on 1st January, 1992, except where it is stated otherwise.
- Interpretation
Chap. 75:04 **3.** In this Act, "the Act" means the Petroleum Taxes Act.
- Part III of Finance
Act 1987 repealed **4.** Part III of the Finance Act, 1987 is repealed.
- Sections 11A, 11B
and 11C inserted **5.** After section 11 of the Act, the following sections are inserted:
- "Exemption
from tax **11A.** (1) Notwithstanding section 9, where a person engaged in the refining business, is declared to be an approved enterprise under the Fiscal Incentives Act, the President may, by Order, where he is satisfied that it is in the public interest to do so, grant total or partial relief from petroleum profits tax to such a person.
- Chap. 85:01 (2) Relief shall be granted on such terms and conditions as may be specified in the Order from the date on which the person is accorded the status of an approved enterprise and for the duration of the tax holiday period as defined in section 2 of the Fiscal Incentives Act.
- Revocation
and
termination **11B.** Where the status of a person as an approved enterprise is revoked or terminated, the President shall issue an Order of revocation or an Order for termination of the relief granted under this Act, and—
- (a) in the case of revocation, the provisions of section 11A shall be deemed never to have applied to the person, who shall pay to the Board, such tax as would but for section 11A have been payable

from the date of the operation of the Order made under section 11A(1), until the date on which the Order of revocation has effect; and

- (b) in the case of termination, the provisions of section 11A shall cease to apply, and all reliefs granted shall cease from the date on which the Order for termination has effect, and the company shall pay forthwith to the Board such tax as may be due and payable to the Board as a result of such termination under this section.

Commence-
ment

11C. Sections 11A and 11B are deemed to have come into operation on June 1, 1991.”

6. Section 12B of the Act is repealed and the following section is substituted:

Section 12B
repealed and a
section substituted

“Workover
deductions

12B. (1) In computing the taxable profits of a person carrying on production business, there shall be allowed as a deduction, the costs other than tangible cost incurred on workovers, maintenance or repair works on completed wells, and qualifying side tracks.

(2) The costs claimed as a deduction do not fall to be treated under section 14 or 26 in computing taxable profits or the supplemental petroleum tax of the person claiming the deduction.

(3) For the purposes of this section, the maintenance and repair works and qualifying side tracks in respect of which the deduction may be

claimed, shall be certified as such by the Minister to whom responsibility for petroleum is assigned.

(4) In this section:

(a) 'repair works' includes recompletions;

(b) 'qualifying side track' means a deviated well drilled from a well-bore previously utilized for production or injection purposes, and within one well spacing of any well previously drilled for production or injection purposes."

Section 12c
amended

7. Section 12C of the Act is amended—

(a) in subsection (1), by inserting after the words "heavy oil project", the words "on land or"; and

(b) in subsection (3), by inserting after the words "heavy oil projects", the words "on land or".

Section 14
amended

8. Section 14(5) of the Act is deleted and the following subsections are substituted:

" (5) Where a production business incurs expenditure in a licensed area:

(a) after the commencement of this Act in respect of a development dry-hole; or

(b) after January 1, 1992 in respect of a dry-hole,

and the development dry-hole or dry-hole as the case may be is certified as such by the Minister to whom responsibility for petroleum is assigned, such expenditure

shall be allowed as a deduction in the financial year in which such development dry-hole or dry-hole is plugged and abandoned.

(5A) The deduction to which subsection (5) refers shall be limited to the difference between the amount of expenditure so incurred and the amount of capital allowances already computed and allowed in respect of the development dry-hole or dry-hole under the Income Tax (In Aid of Industry) Act.”

Chap. 85:04

9. Section 20 of the Act is repealed and the following section is substituted: Section 20 repealed and a section substituted

^{“Interpretation} 20. In this Part—

‘gross income’ means gross income derived from disposals of crude oil;

‘sub-licensee’ means a person who not being a licensee, is issued a sub-licence by a licensee under the Petroleum Act, to undertake production business on land within a licensed area.”

Chap. 62:01

10. Section 21(1) of the Act is deleted and the following subsection is substituted: Section 21 repealed

“ (1) There shall be a tax known as supplemental petroleum tax charged on gross income.”

11. Section 22 of the Act is amended by deleting subsections (1) and (2) and the following subsections are substituted: Section 22 amended

“ (1) Supplemental petroleum tax shall be computed separately in respect of land

Third
Schedule

operations and marine operations, and is charged separately in the manner and at the rates fixed in the Third Schedule.

(2) The Minister may by Order—

(a) subject to affirmative resolution of Parliament, amend Part A of the Third Schedule;

(b) vary Part B of the Third Schedule.”.

Section 22A
inserted

12. After section 22 of the Act the following section is inserted:

“Geological
and geo-
physical
allowance

22A. (1) In computing supplemental petroleum tax, an allowance equal in amount to fifty per cent of the geological and geophysical costs incurred in petroleum operations is deductible from gross income.

(2) In this section, ‘geological and geophysical costs’ means direct costs incurred in the acquisition and processing of data from seismic, gravity, magnetic and such other surveys specifically approved for this purpose by the Minister to whom responsibility for petroleum is assigned.”.

Section 23
repealed

13. The Act is amended by repealing section 23.

Section 24
repealed

14. The Act is amended by repealing section 24.

Section 25
amended

15. Section 25 of the Act is amended by deleting the word “150” and substituting the word “100”.

16. Section 25A of the Act is repealed and the following section is substituted:

Section 25A repealed
and a section
substituted

"Royalty
allowance

25A. In computing supplemental petroleum tax, an allowance equal in amount to the royalty including overriding royalty paid by virtue of a licence or sub-licence granted or issued under the Petroleum Act on crude oil in respect of which gross income is derived, is deductible from that gross income."

17. After section 25A of the Act, the following section is inserted:

Section 25B
inserted

"Heavy oil
allowance

25B. (1) In computing supplemental petroleum tax, an allowance equal in amount to 100 per cent of all capital expenditure incurred in the drilling of wells and in the acquisition of machinery and plant for use in marine thermal recovery schemes for heavy oil, is deductible from gross income.

(2) In this section 'heavy oil' means crude oil of 18° API or lower."

18. Section 26 of the Act is amended—

Section 26
amended

- (a) by deleting the word "43" wherever it occurs and substituting in each place the word "40";
- (b) in paragraph (a) by inserting after the word "dry-hole", the words "and qualifying side track"; and
- (c) by inserting after the words "carried out", the words "on land or".

19. Section 26A of the Act is amended—

Section 26A
amended

- (a) by deleting the word "140" and substituting the word "100"; and

(b) by deleting the words "Schedule 3" and substituting the words "Fourth Schedule".

Section 26C
amended

20. Section 26C of the Act is amended by—

(a) deleting the word "(1)" at the commencement of this section; and

(b) deleting subsections (2) and (3).

Section 26D
amended

21. Section 26D(2) of the Act is deleted and the following subsection is substituted:

" (2) Notwithstanding section 26C, where the allowances that are deductible exceed the gross income in any financial year, the amount of such excess shall be carried forward and shall be set off against the gross income for succeeding years."

Section 26E
repealed

22. Section 26E of the Act is repealed.

First Schedule
amended

23. The First Schedule of the Act is amended by deleting the words "45%" and substituting the words "50%".

Second Schedule
amended

24. The Second Schedule to the Act is amended in paragraph 7(1) by deleting the word "one-eighth" and substituting the words "one-fifth".

Third Schedule
amended

25. The Third Schedule to the Act is amended by deleting the words "Third Schedule" and substituting the words "Fourth Schedule".

New Third
Schedule inserted

26. The Act is amended by inserting immediately after the Second Schedule the following—

THIRD SCHEDULE

Section 22

RATES OF SUPPLEMENTAL PETROLEUM TAX

PART A

1. In this Schedule "weighted average annual crude oil price" means gross income from the disposal of crude oil for a financial year, divided by gross volume of crude oil disposed of, for that year. Interpretation

2. The tax chargeable in respect of petroleum marine and land operations, is hereby computed and fixed as follows: Rates of
Supplemental
Petroleum Tax

Marine Operations

- (a) where the weighted average annual crude oil price for any financial year is U.S. \$13.00 per barrel or less, no tax is chargeable;
- (b) where a licence or sub-licence was issued to a person prior to January 1, 1988, in respect of a marine area, the tax is chargeable on gross income from crude oil production from any field in the licensed area, at the rates set out in Column "A" of Part B;
- (c) where a licence or sub-licence was issued to a person in respect of a marine area on or after January 1, 1988 and production of crude oil commenced after January 1, 1992, from any field in the licensed area the tax is chargeable on gross income from crude oil production in such field, at the rates set out in Column "B" of Part B;
- (d) where a person carries out petroleum operations in a marine area under a licence issued prior to January 1, 1988, and also carries out petroleum operations in a marine area under a licence issued on or after January 1, 1992, the person may elect—
 - (i) to compute gross income and the allowances separately in respect of a field in each such licenced area, and apply the allowances at the rates in columns A and B of Part B respectively; or
 - (ii) to consolidate his gross income and gross expenditure in respect of both such licensed areas, and where such election is made, the tax is chargeable on the gross income from the consolidated operations, at the rates set out in Column "A" of Part B;

- (e) for the purposes of paragraph (d), a person who elects to have his operations consolidated, shall do so in writing, to the Board of Inland Revenue in the financial year in which expenditure in the production of crude oil in the area licensed on or after January 1, 1992, was first incurred, and such election is irrevocable.

Land Operations

- (a) where the weighted average annual crude oil price for any financial year is U.S. \$14.00 per barrel or less, no tax is chargeable;
- (b) where a licence or sub-licence was issued to a person prior to January 1, 1988, in respect of a land area, the tax is chargeable on gross income in respect of crude oil production from any field in the licensed area, at the rates set out in Column "C" of Part B;
- (c) where a sub-licence is issued to a person after January 1, 1988, in respect of a land area, the tax is chargeable on gross income in respect of crude oil production from any field in the licensed area at the rates set out in Column "D" of Part B;
- (d) where a licence or sub-licence was issued to a person in respect of a land area on or after January 1, 1988 and production of crude oil commenced after January 1, 1992, from any field in the licensed area, the tax is chargeable on gross income from crude oil production in such field at the rates set out in Column "D" of Part B;
- (e) where a person carries out petroleum operations in a land area under a licence issued prior to January 1, 1988, and also carries out petroleum operations in a land area under a licence issued on or after January 1, 1992, the person may elect—
- (i) to compute gross income and the allowance separately in respect of a field in each such licensed area, and apply the allowances at the rates specified in columns C and D of Part B respectively; or
 - (ii) to consolidate his gross income and gross expenditure in respect of both such licensed areas, and where such election is made, the tax is chargeable on the gross income from the consolidated operations, at the rates set out in Column "C" of Part B;
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(f) for the purposes of paragraph (e), the person who elects to have his operations consolidated shall do so in writing, to the Board of Inland Revenue, in the financial year in which expenditure in the production of crude oil in the area licensed on or after January 1, 1992, was first incurred, and such election is irrevocable.

4. Where however, for any financial year the average production of crude oil in any marine field is two hundred barrels per well per day or less, or in a land field, is one hundred barrels per well per day or less, the rate of the tax chargeable shall in either case, be discounted by twenty per cent.

Average annual
production of crude
oil

5. With effect from January 1, 1993, the rate of Supplemental Petroleum Tax to be applied to the gross income from that portion of the annual production which exceeds ninety per cent of the total production of the year immediately preceding the year of income, shall be discounted by twenty per cent.

Discount of
Supplemental
Petroleum Tax

6. The Minister to whom responsibility for petroleum is assigned may in writing under his hand determine a field.

Determination of a
field

PART B

SCALE OF SUPPLEMENTAL PETROLEUM TAX RATES

Price US \$		Rate %			
Between		Marine		Land	
\$	\$	"A"	"B"	"C"	"D"
0.0	and 13.00	0	0	0	0
13.01	" 14.00	6	6	0	0
14.01	" 15.00	9	8	2	2
15.01	" 16.00	12	10	5	3
16.01	" 17.00	15	10	8	3
17.01	" 18.00	18	13	11	4
18.01	" 19.00	21	13	14	4
19.01	" 20.00	23	15	16	5
20.01	" 21.00	25	15	18	5
21.01	" 22.50	26	18	19	5
22.51	" 24.00	27	18	20	6

SCALE OF SUPPLEMENTAL PETROLEUM TAX RATES—Continued

Price US \$		Rate %				
Between		Marine		Land		
\$		\$	"A"	"B"	"C"	"D"
24.01	and	25.50	28	20	21	6
25.51	"	27.00	29	20	22	6
27.01	"	28.50	30	21	23	7
28.51	"	30.00	31	22	24	7
30.01	"	31.50	32	23	25	8
31.51	"	33.00	33	24	26	9
33.01	"	34.50	34	25	27	10
34.51	"	36.00	35	26	28	11
36.01	"	37.50	36	27	29	12
37.51	"	39.00	37	28	30	13
39.01	"	40.50	38	29	31	14
40.51	"	42.00	39	30	32	15
42.01	"	43.50	40	31	33	16
43.51	"	45.00	41	32	34	17
45.01	"	46.50	42	33	35	18
46.51	"	48.00	43	34	36	19
48.01	"	49.50	44	35	37	20
49.51	and over		45	36	38	21

Passed in the House of Representatives this 21st day of October, 1992.

N. COX

Acting Clerk of the House

Passed in the Senate this 11th day of November, 1992.

R. CUMBERBATCH

Acting Clerk of the Senate