**EXERCISE 1 - ONE STEP TAX SYSTEM**

Parameters:

Royalty rate: 10% Tax: 40% Costs: 30%

|  |  |  |
| --- | --- | --- |
| CONTRACTOR SHARE | **TAKE** | GOVT SHARE |
|  | 100% gross revenue |  |
|  | - 5 % royalties | 5% |
|  | 95% net revenue |  |
| *30% (not part of government take calculation)* | - 30% costs |  |
|  | 65% tax base |  |
|  | -19,5% tax | 19,5% |
| **Contractor share: 45,5/70 = 65%** | 45,5% | **Government take: (5+19,5)/70 = 35%** |

**EXERCISE 2 - PROFIT OIL SPLIT**

Parameters

Royalty: 20 % Tax: 30 % (of tax base) Costs: 20% Profit oil split: 70:30

Cost oil limit: 50 %

|  |  |  |
| --- | --- | --- |
| CONTRACTOR SHARE | **TAKE** | GOVT SHARE |
|  | 100% gross revenue |  |
|  | - 10 % royalties | 10% |
|  | 90% net revenue |  |
| *20% (not part of government take calculation)* | - 20% costs |  |
|  | 70% profit oil |  |
|  | - 49% govt profit oil | 49% |
|  | 21% contractor profit oil |  |
| 40 % | - 6,3% tax | 6,3 |
| **Contractor share: 40/80 = 18,4%** |  | **Government take: (10+49+6,3)/80 = 81,6%** |

**EXERCISE 5 - PSAs with tranches/sliding scales**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Tranches** | **Average daily (gross) production BOPD** | **Government share of profit oil** | **25 000 barrels per day** | **50 000 barrels per day** |
| 1 | Up - 10 000 | 50 % | 10 000/25 000 = 40% \* 50 % = 20% | 10 000/50 000 = 20% \* 50 % = 10% |
| 2 | 10 0001 - 20 000 | 60 % | 10 000/25 000 = 40% \* 60 % = 24% | 10 000/50 000 = 20% \* 60 % = 12% |
| 3 | 20 001 - 30 000 | 70 % | 5 000/25 000 = 20% \* 70 % = 14,0% | 10 000/50 000 = 20% \* 70 % = 14,0% |
| 4 | * 30 000 | 80 % |  | 20 000/50 000 = 40% \* 80% = 32,0% |
| **TOTAL** |  |  | **58 %** | **68 %** |