



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

## UGANDA REVENUE AUTHORITY

**Revenue Assessment and collection and analysis of the cost structures of EI Companies.**

**4<sup>th</sup> International Training Programme on “Audit of Extractive Industries”**

**02<sup>nd</sup> – 5<sup>th</sup> April 2024 & 8<sup>th</sup> April 2024**

# Presentation Outline



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

**01**

Institutional  
regulatory  
Framework and  
the URA mandate

**02**

General  
Petroleum Laws

**03**

Fiscal Specific  
Laws

**04**

Tax dues/  
liabilities

**05**

Tax incentives

**06**

Petroleum  
Income Tax Law

**07**

Chargeable  
Income and  
Gross income of  
a licensee

**08**

Windfall Tax

**09**

Special rules for  
computation of  
expenses

# Presentation Outline...



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

**10**

Farm outs and  
Indirect Transfers  
of interest

**11**

Tax accounting  
principles

**12**

Key fiscal  
obligations

**14**

Returns and  
timing

**15**

Income Tax  
Declaration rules



# Presentation Outline



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

**16**

Definition of  
petroleum  
Revenues

**17**

Uganda's oil and  
gas fiscal regime

**18**

Revenue  
Budgeting and  
forecasting

**19**

Upstream cash  
flows

**20**

Payment time lines

**21**

Payment  
configuration

# Presentation Outline



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

**22**

Petroleum Value  
Chain

**23**

Upstream cost  
monitoring

**24**

Memorandums of  
understanding

**25**

El companies  
financial statements  
cost structure

**26**

Contract Area Cost  
Structure

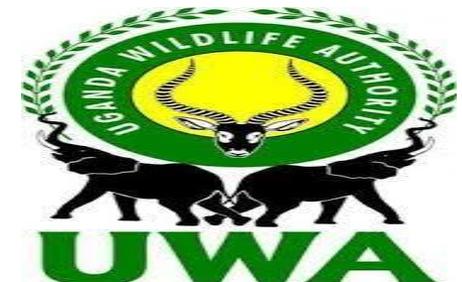
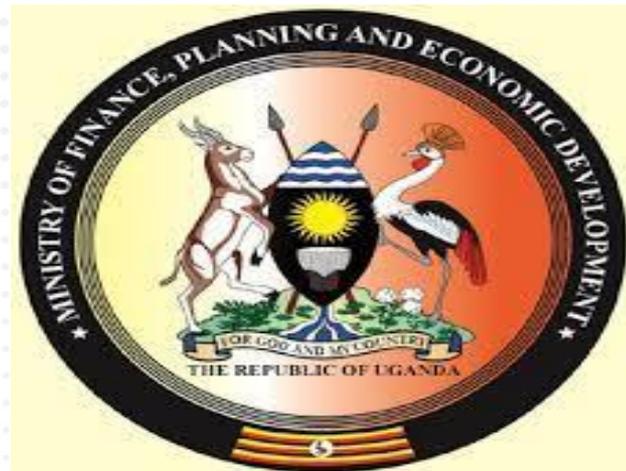
**27**

Audit Cost  
categorization

**28**

Guiding principles  
for cost audits

# Institutional regulatory framework





# Institutional framework...

## Institutions governing only Petroleum in Uganda



# URA mandate

The 2008 National Oil and Gas Policy of Uganda grants URA the mandate to:

- Administer the collection of petroleum revenues;
- Assist in monitoring and assessing the impact of oil and gas revenues on the economy;
- Participate in the formulation of tax measures to regulate collection of the right revenues from oil and gas activities.



# URA mandate ...

- **S.57 PFMA** – mandates URA to collect or receive petroleum revenue due to Government
- **S. 56(2) PFMA:** all petroleum revenues that accrue to Government shall be paid into the Petroleum Fund

**MANDATE**



Uganda Revenue Authority  
DEVELOPING

# General Petroleum laws

## The Constitution

Petroleum (Exploration, Development and Production) Act and the 2016 Regulations

The Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act

Production Sharing Agreements (PSA)

The Local Government Act

Public Finance Management Act (PFMA)

The Water Act

The Wildlife Act

National Oil and Gas Policy



# Fiscal specific laws



- Value Added Tax Act Cap 349 (VATA)
- Tax Procedures Code Act 2014 (TPC)
- Income Tax Act, Cap 340 (ITA)
- Double Taxation Treaties
- Stamp Duty Act, 2014 (SDA)
- EAC-CMA
- EACOP Act(IGA, HGA)

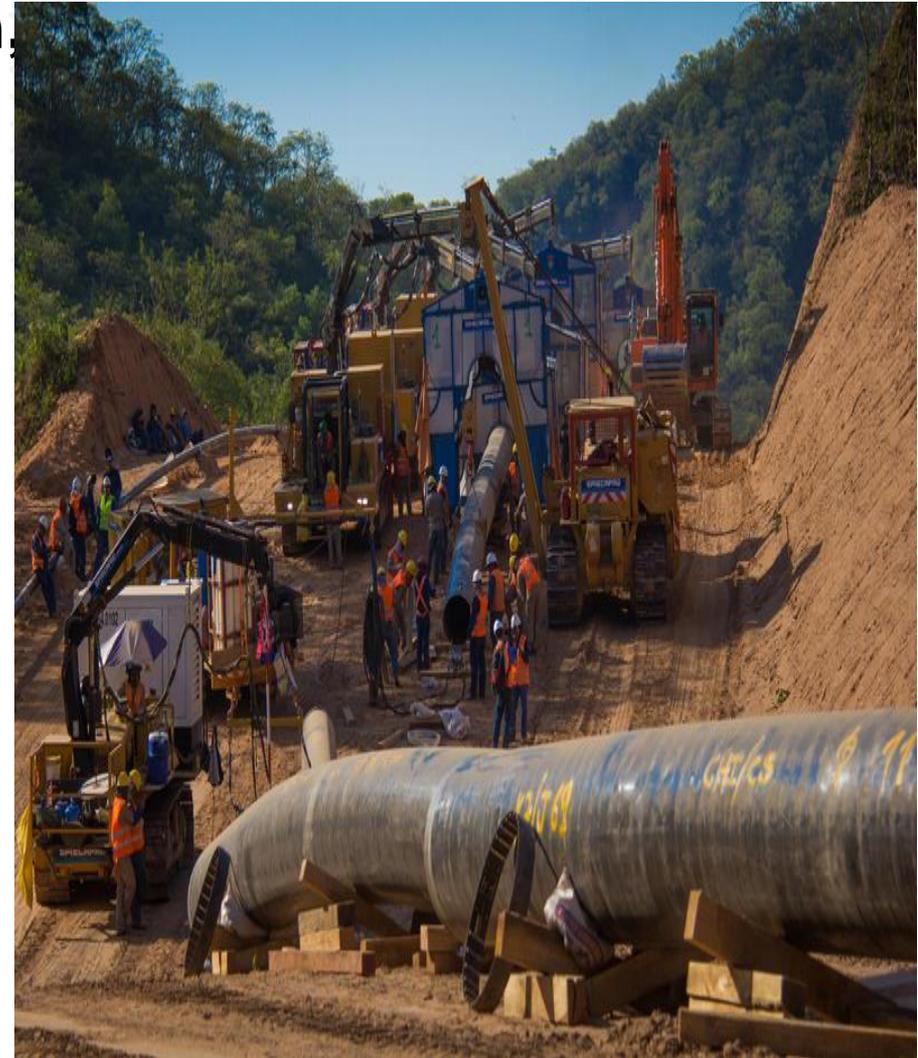
# Midstream specific laws

## **Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013:**

Regulates, manages, coordinates and monitors midstream operations.

## **The East African Crude Oil Pipeline (EACOP) (Special Provisions), Act 2021**

Management, construction and operation of the crude oil pipeline project; Lays out inter alia, a special fiscal regime for the EACOP Project.



# UGANDA'S OIL AND GAS STATUS

## UGANDA'S OIL AND GAS RESOURCES: KEY FIGURES

**21** Oil and Gas Discoveries

**88%** Drilling Success rate

**6.5** Billion Barrels of Oil In Place

**1.4** Billion Barrels of Recoverable Reserves

**9** Production Licences over **14** field to  

**5** Exploration Licences to    

**85%** of the Albertine Graben unlicensed

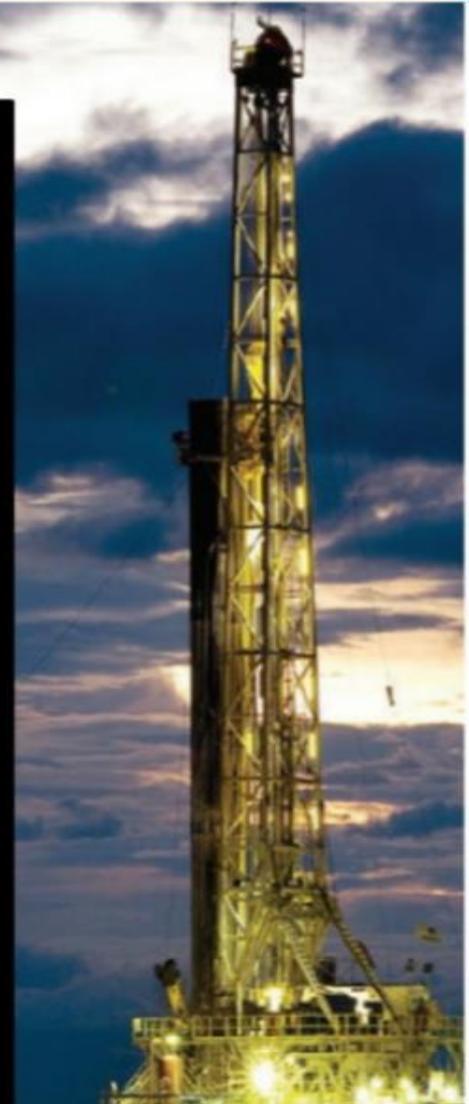
**2** Upstream Development projects **230,000** Barrels Per Day Peak Production

- Tilenga Project - **190,000** bopd at peak
- KingFisher Development Area Project – **40,000** bopd at peak

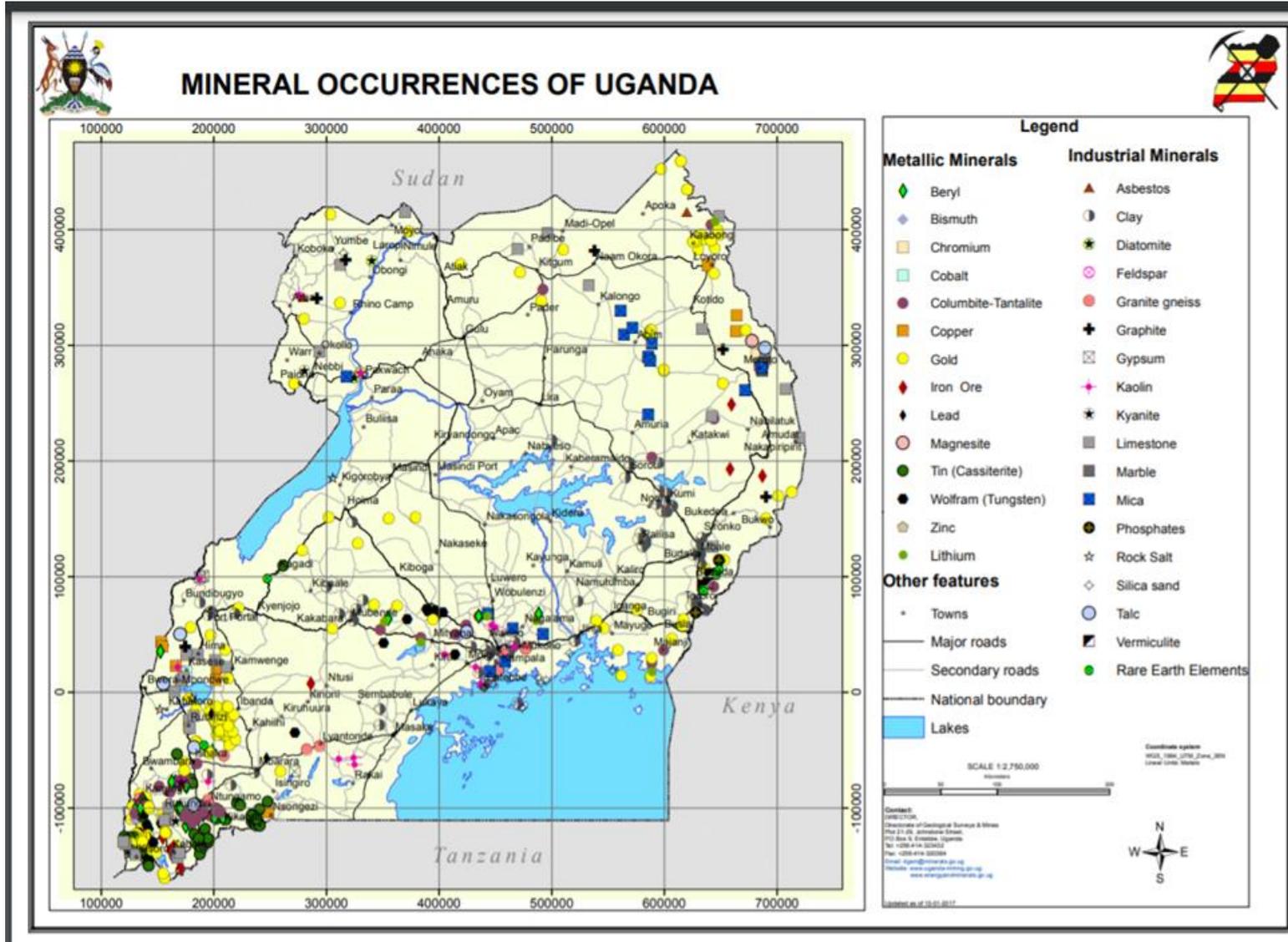
**2** Midstream (Commercialisation) Projects

- **1,445km** East African Crude Oil Pipeline from Hoima Uganda to Tanga (Tanzania)
- **60,000** Barrels per day Uganda Refinery Project in Hoima

**2<sup>nd</sup>** February Final Investment Decision for the **3** flagship projects



# MINERAL OCCURENCIES IN UGANDA



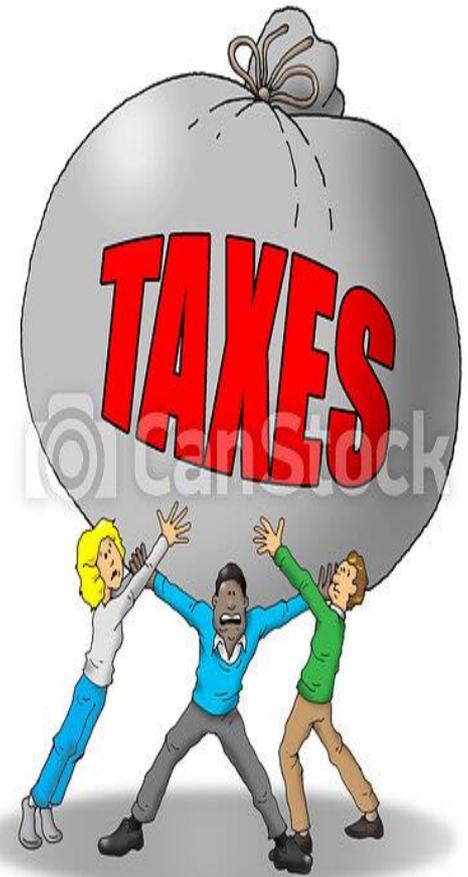
# REVENUE ASSESSMENT



# Tax dues/ liabilities

Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

- Corporation Income Tax (CIT) at 30%;
- PAYE – 10%, 20%, 30%, 40%;
- WHT for non-resident service providers- at 10%;
- WHT applicable to local providers – 6%; and licensees are designated WHT agents by law (S.89H(4));
- WHT on interest and dividends, and participation dividends – 15%;
- Branch Profits Tax (BPT) – 15%;
- VAT – 18%; 0%; or deemed paid
- Stamp duty on any dutiable instruments;
- Import duties – vary from 0% to 25%



# Tax incentives



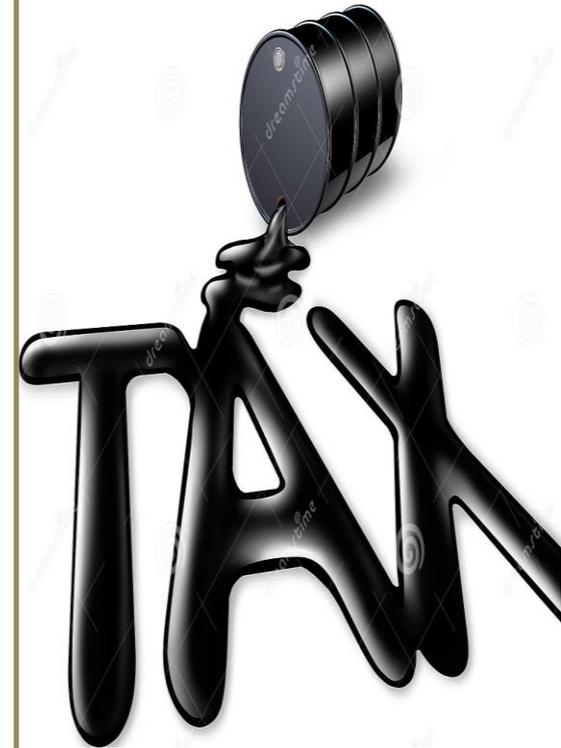
- WHT for non-resident service providers - at 10% reduced from 15%;
- Exemption from 6% WHT - S. 119 ITA Commissioner's discretion;
- Open right to apply for VAT registration as a taxable person;
- VAT – deemed paid regime applies to licensees;
- Customs: exemption for Temporary importation of motor vehicles; and exemption for plant and machinery applies – extended to contractors and subcontractors;
- Accelerated (100%) depreciation allowance for depreciable, intangible and other petroleum exploration expenses;
- Capital allowances for petroleum development expenditures;
- Improved cost recovery limit from 60% to 70% (for some licensees)

# Petroleum Income Tax Law Outline



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

- **PSAs** - Taxed per Ugandan laws
- **S.89G: ITA – Part 9A**
  - Whole ITA applies with modifications in Part 9A
  - In case of a conflict between the rest of the ITA and/ petroleum Agreements, Part 9A takes precedence
  - Tax rate – 30%
- Other provisions: Definitions, mining provisions, petroleum related provisions, deductions, windfall tax, ring fencing, capping of losses, straddling reserves, crude valuation, returns, payments, penalties, contractors' provisions





Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

# Chargeable income of a licensee

## Tax imposition:

Section 4 of the ITA imposes tax on every person who has chargeable income in a year of income.

Licensees and contractors in carrying out petroleum operations in Uganda, are subject to tax in Uganda.

**Sec.15 of the ITA** defines **chargeable income** of a taxable person as the gross income less total deductions allowed under the Act.

The **chargeable income** of a licensee from petroleum operations is the **gross income** from petroleum operations less **petroleum related deductions**





Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

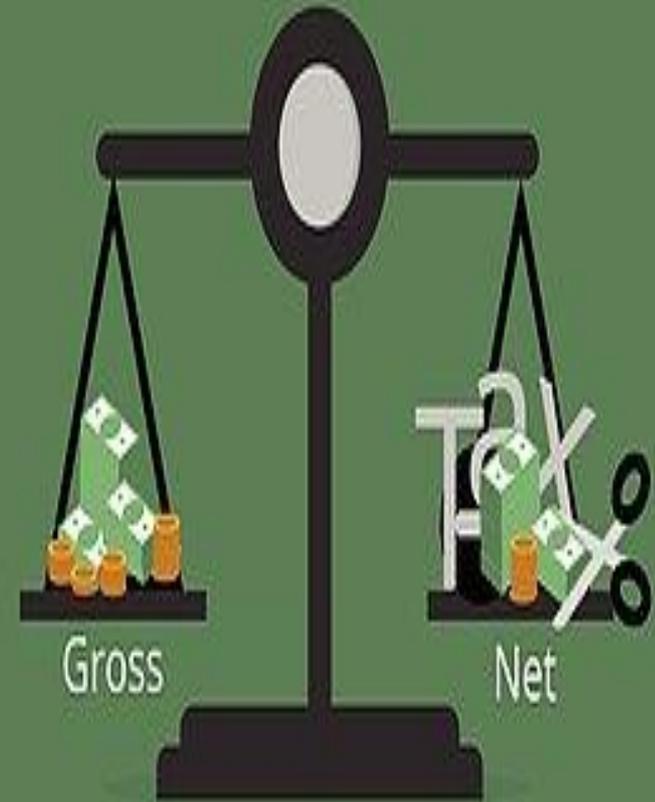
# Gross Income

Section 89A(1): Gross income of a licensee includes:

- **Cost Oil**, - entitlement to production as cost recovery under a petroleum agreement
- Licensee's Share of **profit oil** ; and
- **Credits** earned by the licensee from **Petroleum Operations**.
- Amounts withdrawn from the decommissioning fund and returned to the licensee

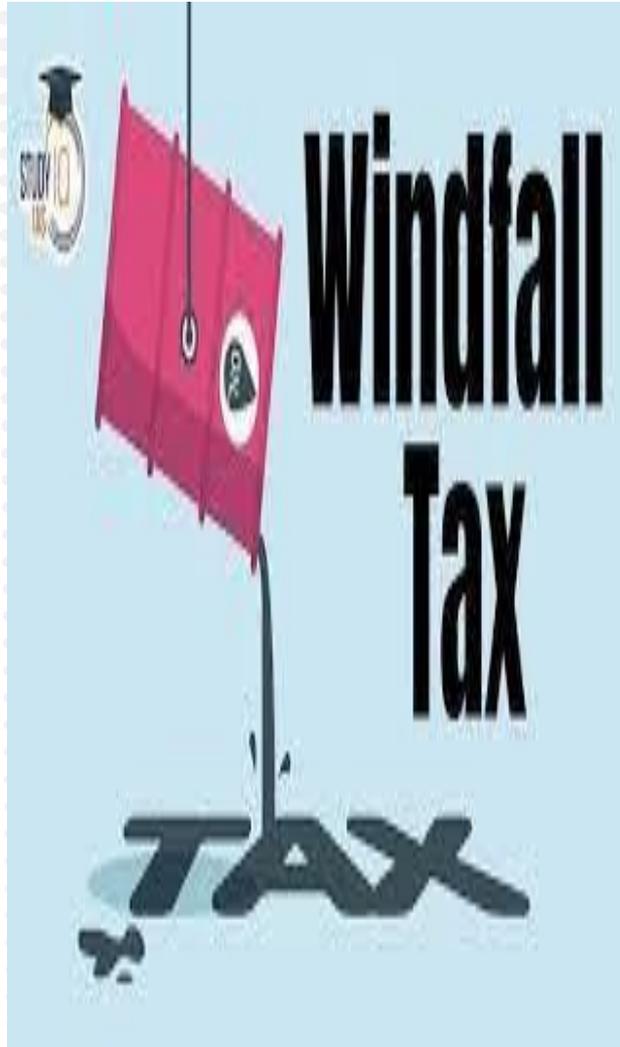
• **The credits may include:**

- a) **Proceeds from Insurance** in connection with the petroleum operations
- b) **Revenue received** for the use of property which was charged to the account of the taxpayer under the PSA
- c) **Rebates/ refunds** and other credits
- d) **Actual net Proceeds** from disposal on an arm's length basis of inventory materials



# Windfall Tax (salient features): Section 89GDA

- Due where the international oil price is equal to or more than 75 *USD per barrel on any day* in a year of income;
- Applies to *licensees* in contract Area 1, Contract Area 3A and License Area 2;
- Due on *net income* after deduction of CIT at a rate of 15%
- **WT** = Rate x (days barrel was 75USD / days in year) x (net income for the year – CIT)



# Special rules for computation of expenses

- **Section 89A(1)/ 89GB: Petroleum Exploration Expenditure:**
  - if depreciable – 100%;
  - intangible- amortized at the rate of 100% (S. 31 ITA)
  - and others are fully allowed as deductions in the year of income in which they are incurred;
- **Section 89A(1)/89GC: Petroleum Development Expenditure:**
  - intangible- amortized per lesser of 6 years or life of the operations,
  - depreciable assets – lesser of life of operations or 6 years – deducted on straight line basis;
  - others are also depreciated as above

# Special rules for computation of expenses...

- **Section 89A(1)/ 89GD: Petroleum Decommissioning Expenditure:**
  - allowed if made to a decommissioning fund per an approved decommissioning plan. Actual expenses incurred in undertaking approved decommissioning works without withdrawing from the fund/account

# Farm Outs S.89GE

- It is a farm-out where:
  - a *licensee* enters into a *farm-out agreement* with a *transferee* for the transfer of the *whole or part* of the interest of the transferor *in a mining or petroleum agreement*; and
  - The **consideration** given by the transferee for the transferred interest *wholly or partly includes* the transferee *undertaking some or all of the work commitments* of the transferor *in respect of the part of the interest retained by the transferor*





Uganda Revenue Authority

# Farm Outs S. 89GE – Consideration

- S. 89GE(2)(a) ITA: Farm-out Consideration is:
  - *Value of work undertaken* by the transferee for the part of the interest retained by the transferee and is included in the *consideration got by the transferee* for the sold interest i.e.
    - [Cash + Value of commitments taken on by the buyer for portion of licensee retained by the seller]; or
  - Gross income of the transferor



# Farm Outs S.89GE – Treatment of monies received by the transferor

## S. 89GE(2)(b) ITA:

- The money is a *recoupment* by the transferor of any *deductions allowed* for expenditure incurred by the seller in respect of the transferred interest;
- If sell consideration (farm-out monies) exceed deducted expenditures, the excess is then treated as consideration for the transferred interest
- Therefore, Excess = Considered for CGT purposes



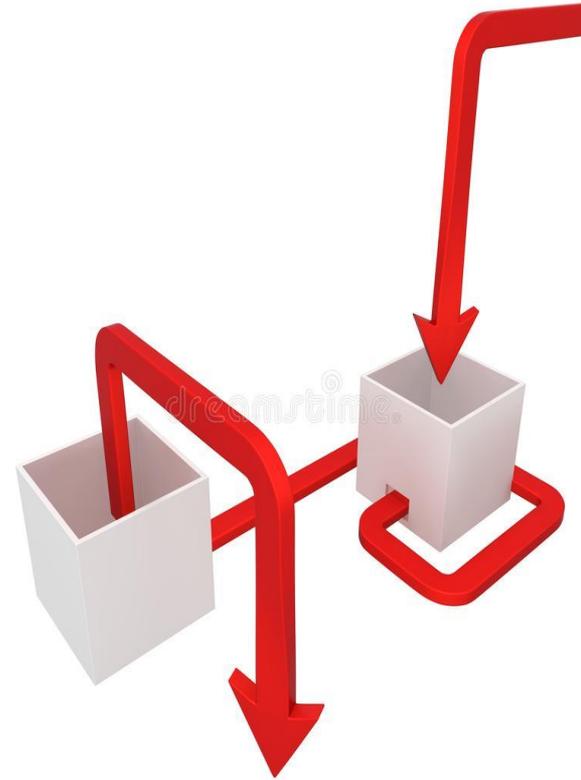


Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

# Indirect transfers of interest S.89GF

- **S. 89GF ITA:**

- Immediate *written notification* to the Commissioner of indirect *changes* in the *underlying ownership* of a licensee must be given;
- If the *indirect disposer* is a *non-resident*, the *licensee is liable as agent for the non-resident person* for any tax payable under the Act by the non-resident person in respect of the disposal



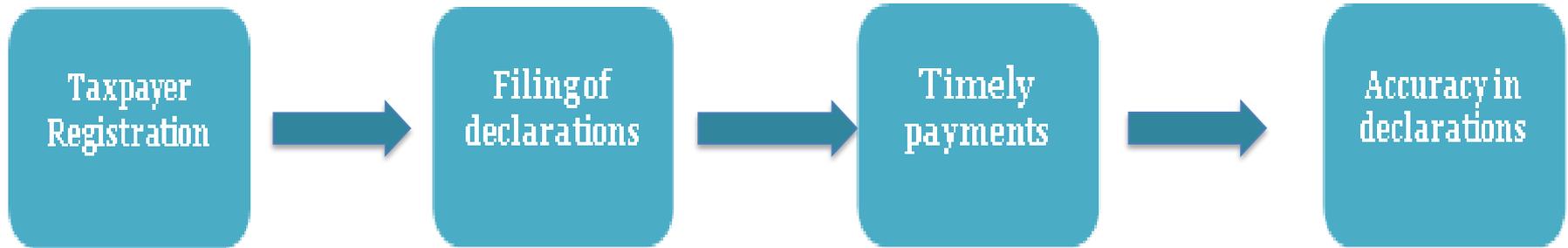


Uganda Revenue Authority

# Tax accounting principles

- Licensees to account on **accrual** basis
- All transactions to be accounted for at **arm's length** prices and these must be disclosed in the return;
- **Maintain accounts** in USD and UGX and in case of a conflict, the accounts in USD shall prevail Arm's length;
- Licensees must use rates prescribed for conversion of currencies;
- Licensees to maintain **records of the exchange rates** used in converting Uganda Shillings, United States Dollars or any other currency

# KEY TAXPAYER OBLIGATIONS



# Key fiscal obligations



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

Registration for Taxes

Transact as per the ALP and keep transfer pricing documentation

Filing of Returns

Fine payable = USD between 50,000-500,000

Notify URA in 30 days of execution of contracts with non-residents; 7 days of names of all persons contracted

Not to engage in tax evasion

Provide information (full and true disclosure/ accuracy in declarations);

Penalty – TPC 20m and 50m for TP inform



Proper record keeping, in the English language

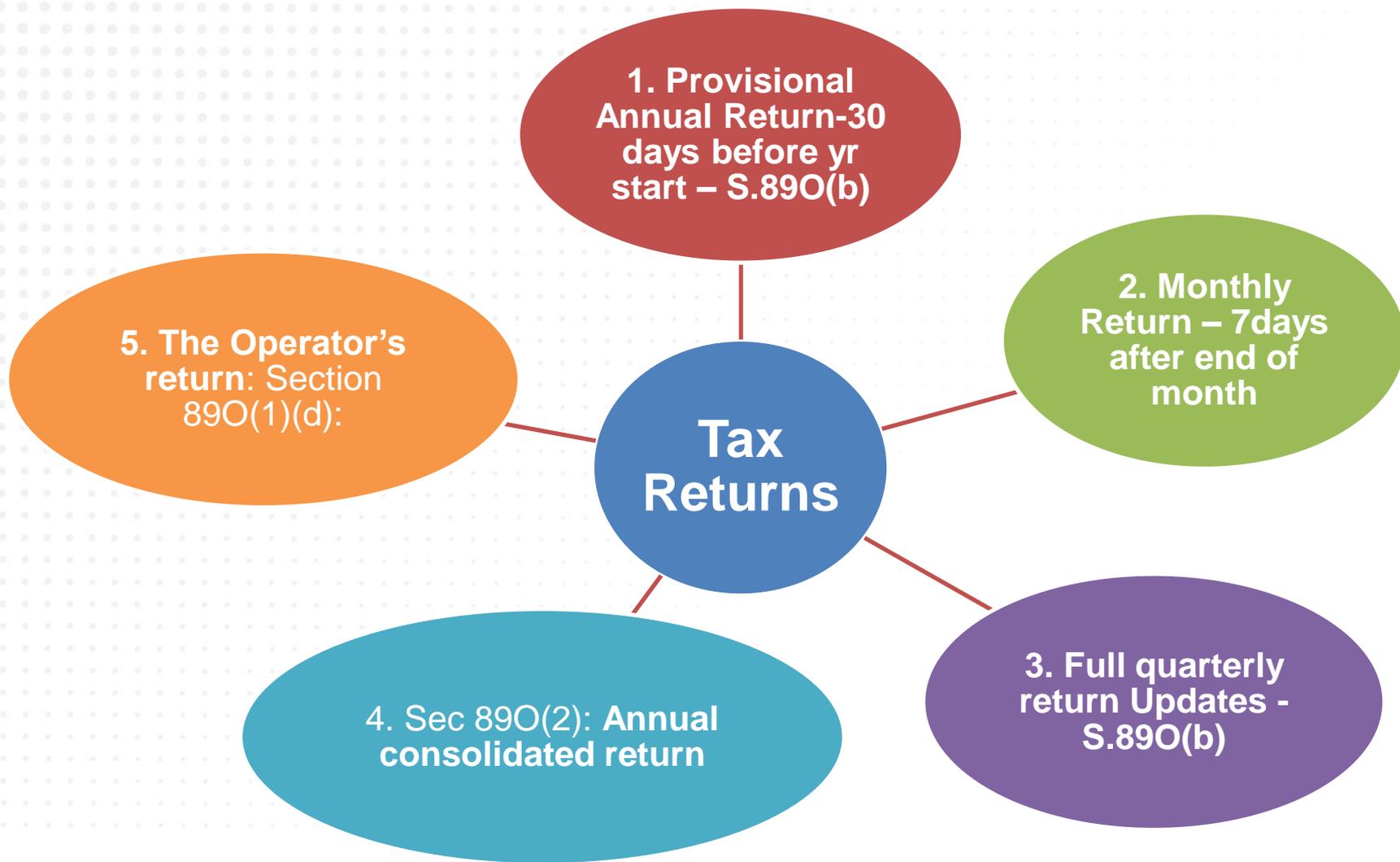
Payment of taxes and other petroleum payments by the due date;

- Section 89P(f) of the ITA:
- Late payment: **for each day the sums are overdue** in any month bear **interest compounded daily** at an annual rate equal to the **average rate published by Bank of Uganda plus 5%**.



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

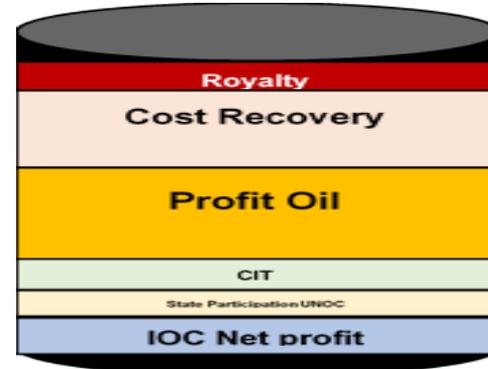
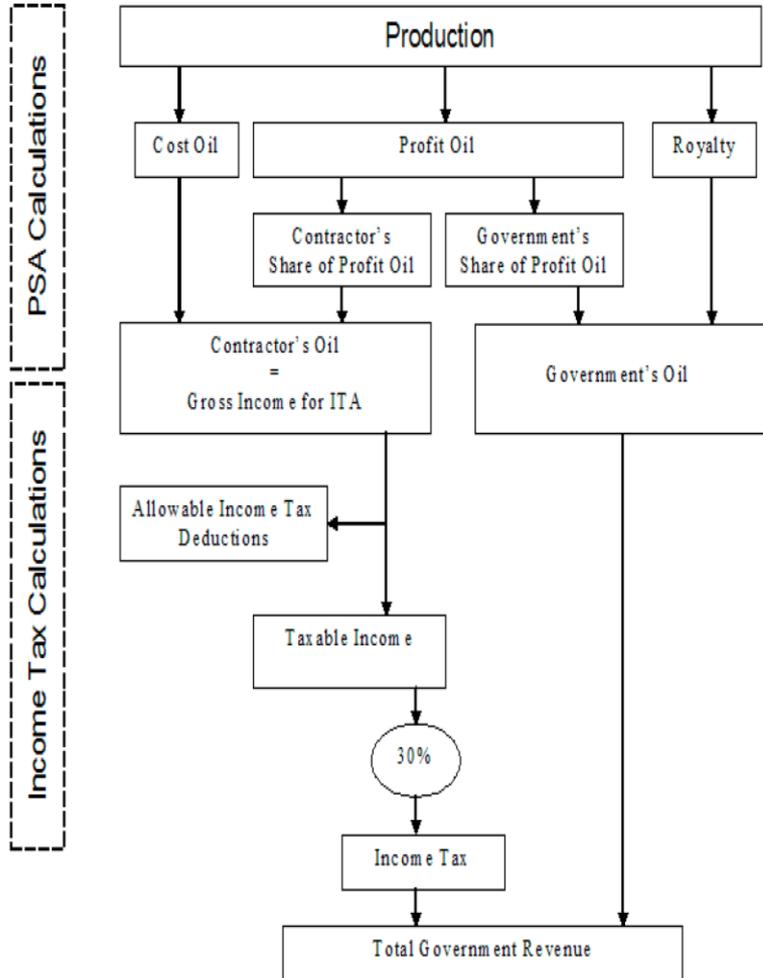
# Returns and timing - S. 890(1)



# REVENUE COLLECTION



# Uganda's Oil & Gas Fiscal Regime



- Royalty based on daily rate of production varies from 5 - 12.5% (incremental sliding scale)
- Cost oil limit – 60 to 70%
- Profit oil which is split based on DROP. GoU share varies from 40 – 67.5% (incremental sliding scale)
- Corporate income tax (CIT) – 30%
- Windfall tax – 15% when International oil price is \$75/bbl and above
- State participation – 15% managed by UNOC
- Government take is the summation of Royalty + Government profit oil + CIT + Windfall tax + UNOC net profit
- Government revenues from oil and gas activities also include training fees, surface rentals, bonus, proceeds from sale of Data, WHT, VAT, PAYEE and other relevant taxes



## ROYALTIES APPLICABLE ON VARIOUS MINERALS

<b>Mineral type</b>	<b>Royalty amounts payable</b>
<b>precious metals; except gold</b>	five (5%) per centum of the gross value
<b>precious stones</b>	ten (10%) per centum of the gross value
<b>base metals and ores, other than iron ore</b>	five (5%) per centum of the gross value
<b>Rare Earth Elements (REE)</b>	Five (5%) per centum of gross value
<b>Graphite</b>	five (5%) per centum of the gross value
<b>Vermiculite</b>	Shs.20,000/ = per tone
<b>coal; including peat</b>	Shs.1,000/ = per tonne;
<b>kaolin, limestone, chalk, diatomite or gypsum</b>	Shs.20,000/ = per ton;
<b>marble, granite, sandstone and other dimension stones</b>	Shs.20,000/= per ton;
<b>pozzolanic materials</b>	Shs.2,000/ = per ton
<b>Phosphates</b>	Shs.20,000/ = per ton
<b>Salt</b>	Shs.5,000/ = per ton

# Cash Flows from petroleum (upstream)



## Government

Bonus payments (signature, production)

Surface rentals

Training levies

Other duties and fees

Royalties

Government Profit oil share

UNOC share of government participation (15% – 20%)

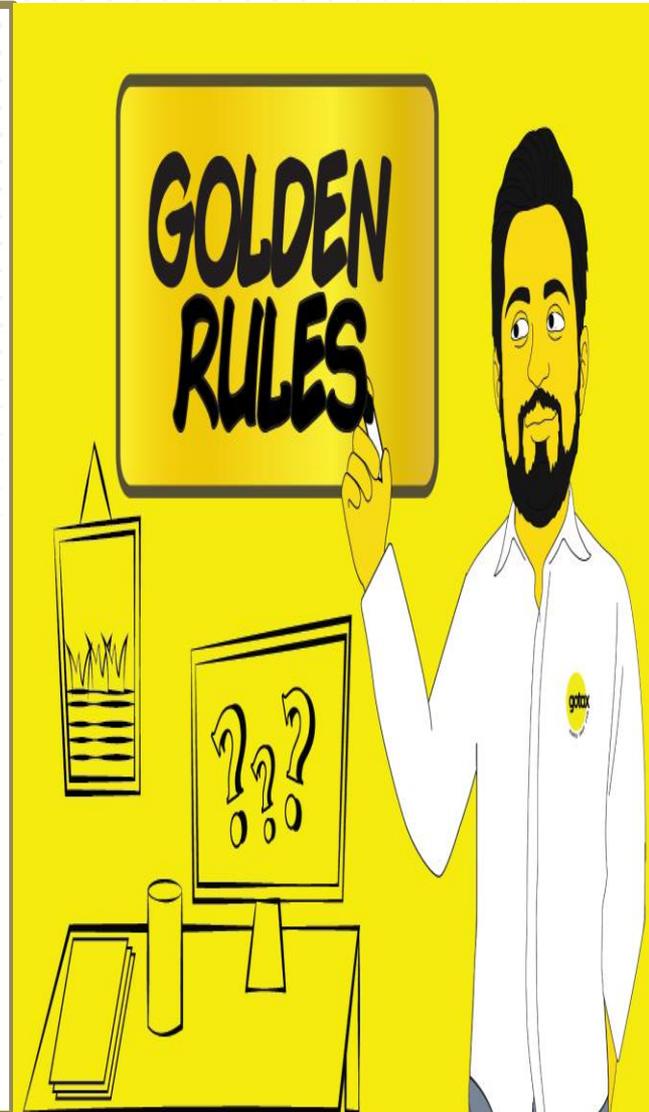
Taxes (WHT, CIT, CGT, windfall tax)



# Income Tax Declaration rules

Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

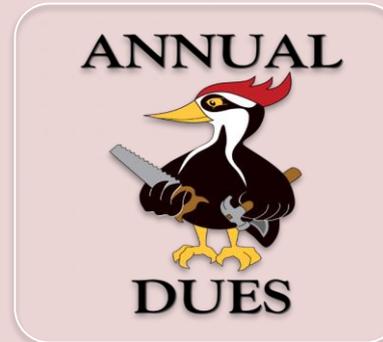
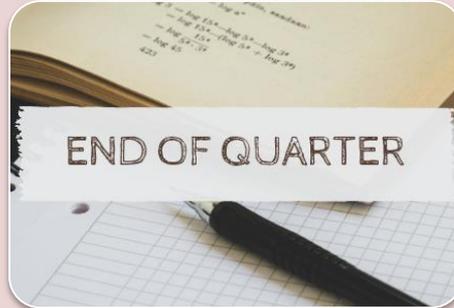
- Ring-fencing principle applies to incomes and expenses per contract area (development and / exploration area) and business type;
- Deductions for expenditure is delayed until Commercial Production of petroleum hydrocarbons is attained
- Cap imposed on allowable deductions for the year (60% or 70% depending on nature of PSA held by the tax payer;
- Balance of expenses can be carried forward indefinitely until fully exhausted starting with loss of earliest year;
- Transact / record transactions based on arms length principles;
- Keep and produce on request transfer pricing documentation;
- Electronic receipts for designated persons (licensees are designated)
- Allocation of costs for straddled discovery areas into neighboring countries or other license areas or both will be based on petroleum reserves attributable to divided proportions





Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

# Tax payment timelines



Monthly payments (S. 89P(a) – 14 days after period

Quarterly provisional payments (Section 89P(b)): 7 days after end of quarter

Annual consolidated return: 7 days after 90 days after end of the year

Penalty for late payments: BOU rate, plus 5% (compounded)

# Revenue Payment configurations

SN	ACTION
1.	<p data-bbox="432 411 788 434"><b>Configuration of Fees</b></p> <p data-bbox="432 456 915 479">Revenues/fees/duties <b>by URA</b></p> <ul data-bbox="479 502 1000 856" style="list-style-type: none"><li data-bbox="479 502 834 525">• Petroleum Royalties</li><li data-bbox="479 548 1000 571">• Government share of Profit Oil</li><li data-bbox="479 594 710 616">• Income Tax</li><li data-bbox="479 639 989 662">• Dividends due to Government</li><li data-bbox="479 685 718 708">• Windfall Tax</li><li data-bbox="479 731 780 753">• Withholding Tax</li><li data-bbox="479 776 718 799">• Stamp Duty</li><li data-bbox="479 822 1039 845">• Revenue received from test crude</li></ul> <p data-bbox="432 879 1232 931">Revenues/fees/duties <b>Through URA to be configured under MEMD</b></p> <ul data-bbox="479 953 915 1308" style="list-style-type: none"><li data-bbox="479 953 788 976">• Signature Bonus</li><li data-bbox="479 999 788 1022">• Discovery Bonus</li><li data-bbox="479 1045 772 1068">• Surface Rentals</li><li data-bbox="479 1090 838 1113">• Production Bonuses</li><li data-bbox="479 1136 741 1159">• Training Levy</li><li data-bbox="479 1182 761 1205">• Guarantee fees</li><li data-bbox="479 1228 718 1250">• Sale of Data</li><li data-bbox="479 1273 915 1296">• Licensee Application fees</li></ul>



# Revenue Payment configurations

The screenshot displays the 'Payment Registration - Uganda' web application. The browser address bar shows the URL: `ura.go.ug/en/domestic-taxes/make-a-payment/generate-a-payment-slip/`. The navigation menu includes: Domestic Taxes | Import & Export | Legal & Policy | Tax Education | Opportunities | Research & Publications.

The main content area is titled 'Other NTR' and contains a 'Taxpayer Details' section with the following fields:

- NIN/BRN
- Taxpayer Name \*
- County/Municipality\* (dropdown: --Select--)
- Parish\* (dropdown: --Select--)

Below this is the 'Details of Other' section with the following fields:

- Ministry/Department/Agency \*
- DEPARTMENT
- TAX HEAD

The 'Tax Head Description' is set to 'SURFACE/RENTAL FEES (AREA OCCUPIED)'. A dropdown menu is open for the 'TAX HEAD' field, listing the following options:

- Select--
- ANNUAL CHARGE IN RESPECT OF PETROLEUM PRODUCTION LICENCE
- DATA PURCHASE
- DISCOVERY BONUS
- GUARANTEE FEES
- PETROLEUM EXPLORATION LICENCE
- PETROLEUM PRODUCTION LICENCE
- PRODUCTION BONUSES
- RENEWAL OF PETROLEUM EXPLORATION LICENCE
- RENEWAL OF PETROLEUM PRODUCTION LICENCE
- SIGNATURE BONUS
- SURFACE/RENTAL FEES (AREA OCCUPIED)** (highlighted)
- TRANSFER PETROLEUM PRODUCTION LICENCE
- SURFACE/RENTAL FEES (AREA OCCUPIED)
- SURFACE/RENTAL FEES (AR

At the bottom of the form, there are fields for:

- Reference Number
- Assessment Date: 02/04/2024
- Amount \*: 0
- Revenue Type: Petroleum Revenue
- Currency Type: US DOLLAR

The bottom of the page features a 'Fees Calculation' section and a 'Chat with us.' button. The Windows taskbar at the bottom shows the system time as 09:21 on 02/04/2024.

# COST STRUCTURE

# The petroleum value chain

## UPSTREAM

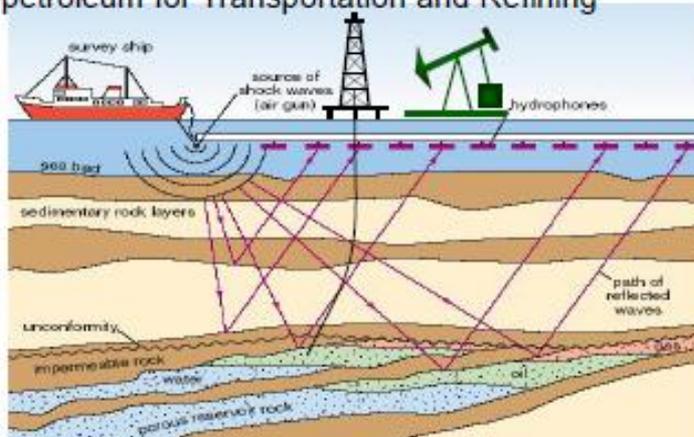
LICENSING  
EXPLORATION  
APPRAISAL

DEVELOPMENT  
PRODUCTION

**Exploration & Appraisal:** Search for petroleum accumulations, Includes Establishing presence, Content ease of flow and Extent of distribution

**Development:** Preparing reservoir for Production, Preparing facilities for Collection and Processing

**Production:** Removal of petroleum from subsurface reservoirs to the surface, Preparing petroleum for Transportation and Refining



## MIDSTREAM

TRANSPORTATION  
REFINING  
GAS PROCESSING

Efficient movement of oil and gas products in bulk mainly by pipeline, road tankers, ocean tankers and rail wagons

Converting oil and gas into marketable products and chemicals



## DOWNSTREAM

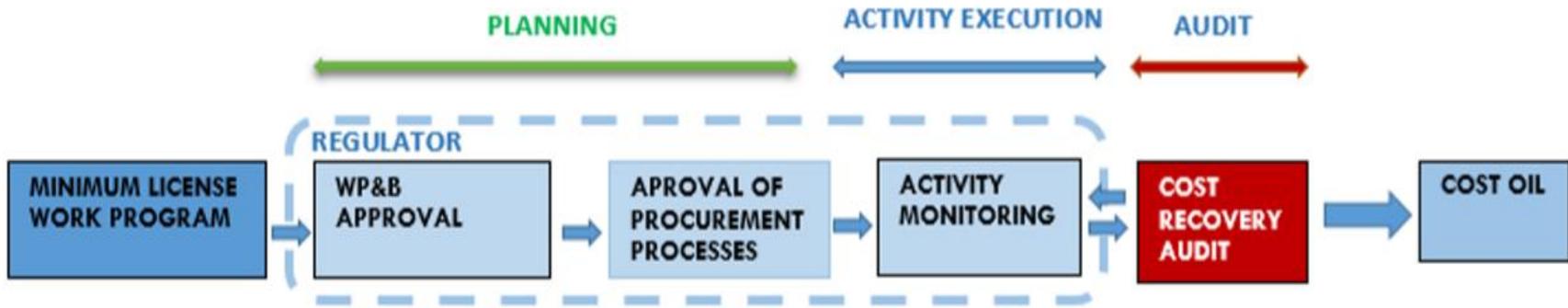
DISTRIBUTION  
MARKETING  
SALES

Marketing and distribution for Customer satisfaction and Profit earning





# Upstream Cost Monitoring



The PSA provides for a minimum work program and budget commitment.

A minimum level of exploration work guaranteed by the PSAs

The Advisory Committee composed of industry and Government reviews and approves work programs and budgets; to ensure that the proposed budget and activity is acceptable.

Licenses are required to submit bid evaluation reports and draft contracts to PAU prior to contract award for the latter's evaluation and approval; to ensure that the procurement process is transparent and the contract offers value for money

Activities of the Licensees are monitored throughout the entire duration of operations; to ensure that work programs are implemented as agreed and in accordance with approved budgets.

The Auditor General (AG) has overall mandate of scrutinizing the costs through a cost recovery audit; The AG finally approves the expenditure that should be recovered by the licensees.

PAU is mandated by law to ascertain cost oil due to licenses. The recoverable costs determined through the cost recovery audit process will form the basis for determining the cost oil due to Licensees.



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

# Memorandums of Understanding

## MEMORANDUM OF UNDERSTANDING ON INFORMATION SHARING AND EXCHANGE ON PETROLEUM SECTOR AUDITS BETWEEN UGANDA REVENUE AUTHORITY AND THE OFFICE OF THE AUDITOR GENERAL

### MEMORANDUM OF UNDERSTANDING ON MUTUAL COOPERATION

BETWEEN

UGANDA REVENUE AUTHORITY

AND

PETROLEUM AUTHORITY OF UGANDA



### MEMORANDUM OF UNDERSTANDING

BETWEEN

UGANDA REVENUE AUTHORITY

AND

UGANDA NATIONAL OIL COMPANY LIMITED



# El companies FS cost structure

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 USD	2019 USD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas assets	9	2,743,700,353	2,130,596,889
Property and equipment	10	2,370,654	2,439,632
Intangible assets	11	6,587	40,586
Pipeline related costs	12	<u>28,381,977</u>	<u>27,207,788</u>
		<b><u>2,774,459,571</u></b>	<b><u>2,160,284,895</u></b>
<b>Current assets</b>			
Inventories	13	8,553,123	1,937,450
Due from related parties	14(a)	144,321	394,949
Due from joint operators	15(a)	-	6,983,423
Prepayments and other receivables	16	39,001,541	37,597,148
Cash and bank balances	17	<u>3,322,927</u>	<u>11,480,609</u>
		<b><u>51,021,912</u></b>	<b><u>58,393,579</u></b>
<b>TOTAL ASSETS</b>		<b><u>2,825,481,483</u></b>	<b><u>2,218,678,474</u></b>



# El companies FS cost structure..

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 US\$	2020 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	7 (a)	1,398,799,300	1,286,928,946
		<b>1,398,799,300</b>	<b>1,286,928,946</b>
<b>Current assets</b>			
Inventories	8	709,639	709,639
Due from related parties	10(a)	400	7,337,694
Prepayments and other receivables	10(b)	213,119	3,953,279
Cash and bank balances	11	28,536,261	185,682
		<b>29,459,419</b>	<b>12,186,294</b>
<b>TOTAL ASSETS</b>		<b>1,428,258,720</b>	<b>1,299,115,240</b>



# El companies CA cost structure

## STATEMENT OF DIRECT EXPENDITURE - SUMMARY

as of 31ST DECEMBER 2020

Budget Line Details (USD)	CA-1 ITD DECEMBER 2019	ACM BUDGET 2020	CA1 YTD DECEMBER 2020	CA-1 ITD DECEMBER 2020
EA1 (JOBI-E/MPYO)	127,221,745	2,000	1,922	127,223,667
GENERAL	127,221,745	2,000	1,922	127,223,667
TILENGA PROJECT DEVELOPMENT	654,880,592	25,783,400	20,500,239	675,380,831
GENERAL	1,860,652	292,400	236,045	2,096,697
PROJECT MANAGEMENT TEAM	97,208,163	0	0	97,208,163
RFS HQ SUPPORT & TOOLS	14,551,600	9,408,000	9,750,979	24,302,579
WORK PROGRAM	411,325,281	11,252,000	7,166,231	418,491,512
GEOSCIENCES	92,884,599	100,000	-5,565	92,879,035
FACTORY DRILLING	234,227,596	445,000	23,515	234,251,111
SURFACE PROJECT	55,307,927	3,135,000	861,162	56,169,089
ENVIRONMENT, SOCIAL & LAND (EXCL.	25,223,330	6,784,000	5,537,963	30,761,293



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

# Oil companies CA cost structure

## KDA Cumulative Expenditure Statement as of December 2020

In US Dollars

Description	PRE-2014 ITD	2014	2015	2016	2017	2018	2019	2020	ITD December 2020
PSA License Fees	744,000	372,000	372,000	372,000	372,000	372,000	372,000	372,000	3,348,000
Geology & Geophysics Study	14,548,448								14,548,448
Seismic	1,977,625	325,101							2,302,726
Appraisal & Development Drilling	607,450	44,918,141	13,765,861	-	-	-			59,291,452
Development Project(Pre-Dev.)	29,715,838	20,555,391	12,437,506	8,723,392	12,582,773	15,429,858	15,407,810	4,579,603	119,432,171
Field Service	8,048,973	34,318,513	15,116,752	2,364,888	4,652,945	3,431,578	1,758,773	1,650,147	71,342,567
General & Administration Expenses	60,930,562	29,544,570	25,965,145	15,321,862	11,773,500	16,006,670	12,427,339	7,859,400	179,829,048
Pipeline & Refinery	5,239,262	(895,023)	1,982,704	-	-				6,326,942
Overheads	1,759,217	2,296,617	1,316,177	528,203	580,184	697,362	591,879	281,783	8,051,422
<b>Total</b>	<b>123,571,374</b>	<b>131,435,310</b>	<b>70,956,144</b>	<b>27,310,344</b>	<b>29,961,402</b>	<b>35,937,469</b>	<b>30,557,801</b>	<b>14,742,933</b>	<b>464,472,777</b>

# El companies Audit cost categorization

## SUMMARY OF THE TOTAL ADJUSTED AUDIT FINDING:

Period	JIB	Cost Category	JIB Amount reviewed (USD)	Allowed (USD)	Disallowed (USD)
Oct. 2001- Dec 2020	1,326,268,738	Third Party	1,088,268,473	1,036,535,413	51,733,060
		Related Party	238,000,265	146,665,384	91,334,881
<b>TOTAL</b>	<b>1,326,268,738</b>		<b>1,326,268,738</b>	<b>1,183,200,797</b>	<b>143,067,941</b>

# COST STRUCTURES FOR MINING COMPANIES

STAGE OF MINING OPERATIONS	EXPECTED MAJOR COSTS
Exploration operations costs	<ul style="list-style-type: none"> <li>• Acquisition of exploration right</li> <li>• Environmental and other permits</li> <li>• Geological and geophysical surveying costs,</li> <li>• Environmental impact assessment costs</li> <li>• Exploration capital expenditure</li> <li>• Personnel costs</li> </ul>
Development operations costs	<ul style="list-style-type: none"> <li>• Capital expenditure,</li> <li>• Construction costs e.g construction of the mine, office blocks etc.</li> <li>• Social Infrastructure costs</li> <li>• Personnel costs</li> </ul>
Extraction operations costs	<ul style="list-style-type: none"> <li>• Acquisition of a mining lease</li> <li>• Mineral extraction, crushing and grinding costs</li> <li>• Waste rock and tailings management.</li> <li>• Transport, handling, storage and marketing of mineral substance extracted.</li> <li>• Repair and maintenance of machinery,</li> <li>• Personnel costs,</li> <li>• Royalties.</li> </ul>
Decommissioning costs	<ul style="list-style-type: none"> <li>• Environmental monitoring costs,</li> <li>• Site rehabilitation costs e.g site clean up, reclamation and rehabilitation</li> </ul>

# Guiding Principles for Audit



Income Tax Act, Cap 340 (ITA)

- Sec 89QD- nothing in the mining right or petroleum agreement limits the right of the Commissioner to execute an audit.

PSA- cost should be:

- Necessary
- Appropriate &
- Economical

# El companies cost structure

## 3<sup>rd</sup> Party Costs

Verify for:

- Occurrence relevance of the transaction  
( contract, PLO, Invoice, field reports and payment )
- Relevance of the transaction  
( fits the definition of petroleum operations

# El companies cost structure

## Related party Costs

Verify for:

- Whether an independent party would pay for such service.
- The service was beneficial to the recipient (not duplication or incidental cost)
- Arm's length (price an independent party would pay under similar circumstances)



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER

# Questions and Answers

