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PART I

Acts, Ordinances, President's Orders and Regulations

NATIONAL ASSEMBLY OF PAKISTAN

Islamabad, the 4th January, 1977

The following Acts of Parliament received the assent of the President on the 31st December, 1976, and are hereby published for general information:—

An Act further to amend the Regulation of Mines and Oil-fields and Mineral Development (Government Control) Act, 1948

WHEREAS it is expedient further to amend the Regulation of Mines and Oil-fields and Mineral Development (Government Control) Act, 1948 (XXIV of 1948), for the purposes hereinafter appearing ;

It is hereby enacted as follows :—

1. Short title and commencement.—(1) This Act may be called the Regulation of Mines and Oil-fields and Mineral Development (Government Control) (Amendment) Act, 1976.

(2) It shall come into force at once.

2. Insertion of new sections 3A and 3B, Act XXIV of 1948.—In the Regulation of Mines and Oil-fields and Mineral Development (Government Control) Act, 1948 (XXIV of 1948), hereinafter referred to as the said Act, after section 3, the following new sections shall be inserted, namely :—

“**3A. Production sharing agreement.**—(1) Notwithstanding anything contained in any other law or rules for the time being in force, the President may enter into an agreement with any company, whether incorporated in Pakistan or outside Pakistan, for the grant of a licence or lease to explore, prospect and mine petroleum on the basis of a Production Sharing Agreement and on such terms and conditions as may be agreed upon between the Federal Government and the company.

(2) Notwithstanding anything contained in the Income-tax Act, 1922 (XI of 1922), a company with which an agreement such as is referred to in sub-section (1) is for the time being in force shall not be liable to pay tax on its income, profits or gains.

3B. **Concessions to petroleum exploration companies.**—(1) Notwithstanding anything contained in any other law for the time being in force, every company, whether incorporated in Pakistan or outside Pakistan, to whom a licence or a lease to explore, prospect and mine petroleum is granted under this Act, not being a company such as is referred to in sub-section (1) of section 3A, shall be entitled to the concessions specified in the Schedule in addition to any concessions for the time being admissible to it under any other law or the rules made under this Act.

(2) The Federal Government may, by notification in the official Gazette, amend the Schedule so as to add any concessions thereto or to improve any concessions therein.”.

3. **Addition of Schedule, Act XXIV of 1948.**—In the said Act, after section 6, the following Schedule shall be added, namely:—

“ SCHEDULE

(See Section 3B)

1. Any provisions of the rules made under section 2, or of any amendment in the Income-tax Act, 1922 (XI of 1922), hereinafter referred to as the Act, made after the effective date of an agreement for the grant of a licence or lease to explore, prospect or mine petroleum, which are inconsistent with the terms of the agreement, shall not apply to the extent of such inconsistency to a company which is a party to the agreement.

2. Royalty shall be charged at a fixed rate of 12½ per cent of the well-head value and shall form part of the sum of payments to the Federal Government and taxes on income which shall neither be more than 55 per cent nor less than 50 per cent of the profits or gains before deduction of “payments to the Government” referred to in sub-rule (2) of rule 4 of the Second Schedule to the Act, hereinafter referred to as the said Schedule.

3. Before commencement of commercial production of petroleum, any expenditure on searching for, or on discovering and testing, a petroleum deposit, or on winning access thereto, allocable to a surrendered area and to the drilling of a dry hole, shall be deemed to be lost at the time of the surrender of the area or the completion of the dry hole, as the case may be, for the purpose of the Second Schedule to the Act. Such lost expenditure shall be allowed in one of the two ways mentioned in sub-rule (1) of rule 2 of the said Schedule.

4. In addition to the net profits, the amount charged in annual financial accounts on account of additional allowance admissible under rule 3 of the Second Schedule to the Act, and depreciation at such rate as may be agreed upon between the President and a licensee or lessee, which is a company incorporated outside Pakistan, including its assignee, shall be allowed to be remitted and retained abroad, provided that the aggregate amount of such additional allowance and depreciation does not exceed an agreed percentage of the investment in assets on which depreciation is charged.

5. The value of crude oil for purposes of royalty and income-tax shall be calculated on the basis of the price realised in transactions with purchasers other

than the subsidiaries or affiliates of the licensee or lessee, including its assignee, and in case of transactions with a subsidiary or an affiliate, the value shall be calculated on such basis as may be agreed upon between the Federal Government and the licensee or lessee.

6. The income derived by the licensee or lessee from the use of any surplus capacity of its pipeline by any other licensee or lessee shall be assessed on the same basis as its income from petroleum produced by it from its concession area.

7. A licensee or lessee which is a company incorporated outside Pakistan, including its assignee, shall be allowed to export its share of petroleum after meeting such portion of the internal requirement of Pakistan as may be agreed upon.

8. Sale proceeds of the share of petroleum exported by a licensee or lessee which is a company incorporated outside Pakistan, including its assignee, shall be allowed to be retained abroad and to be used freely by it, subject to the condition that it shall bring back such portion of these proceeds as is required to meet its obligations under the lease.

9. No customs-duty or sales tax shall be levied on the import of machinery and equipment specified in the agreement for the purposes of exploration and drilling prior to commercial discovery.

10. A concessionary consolidated rate of $5\frac{1}{4}$ per cent customs-duty *ad valorem*, including sales tax and any surcharge related thereto, shall be charged on import of machinery and equipment required for development of each commercial discovery until twenty-four months from the effective date of the mining lease granted with respect to each such discovery, and thereafter the normal rate of customs-duty, sales tax and any other duty shall be applicable.

11. Foreign nationals employed by a licensee or lessee or its contractor shall be allowed to import commissary goods free of customs-duty and sales tax to the extent of \$550 per annum, subject to the condition that the same shall not be sold or otherwise disposed of in Pakistan.

12. Foreign nationals employed by a licensee or lessee or its contractor shall be allowed to import used and *bona fide* personal and house-hold effects, excluding motor vehicles, free of customs-duty and sales tax subject to the condition that the same shall not be sold or otherwise disposed of in Pakistan.

13. Foreign nationals employed by a licensee or lessee or its contractor shall not be charged income-tax for a period of three years from the date of their arrival in Pakistan in accordance with, and subject to the provisions of, clauses (xii) and (xiii) of sub-section (3) of section 4 of the Act as in force on the effective date of the agreement with the licensee or lessee.

14. The data in respect of areas surrendered by a previous licensee or lessee shall be made available for inspection to a prospective licensee free of charge.

15. Initial participation by the Federal Government in exploration shall be to such extent as may be agreed upon between the Federal Government and the licensee."

4. **Repeal.**—The Regulation of Mines and Oil-fields and Mineral Development (Government Control) (Amendment) Ordinance, 1976 (XLIV of 1976), is hereby repealed.