

# The Ministry of Finance: an Implicated Stakeholder in the Petroleum Activities

The most important milestones related to the Ministry of Finance's role



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# Introduction

- **The Ministry of Finance has been working with the drafting team since year 2009**
- **A team of dedicated persons supervised by the Director General of Finance have been actively involved in the process of creating the Lebanese Petroleum Legislation**

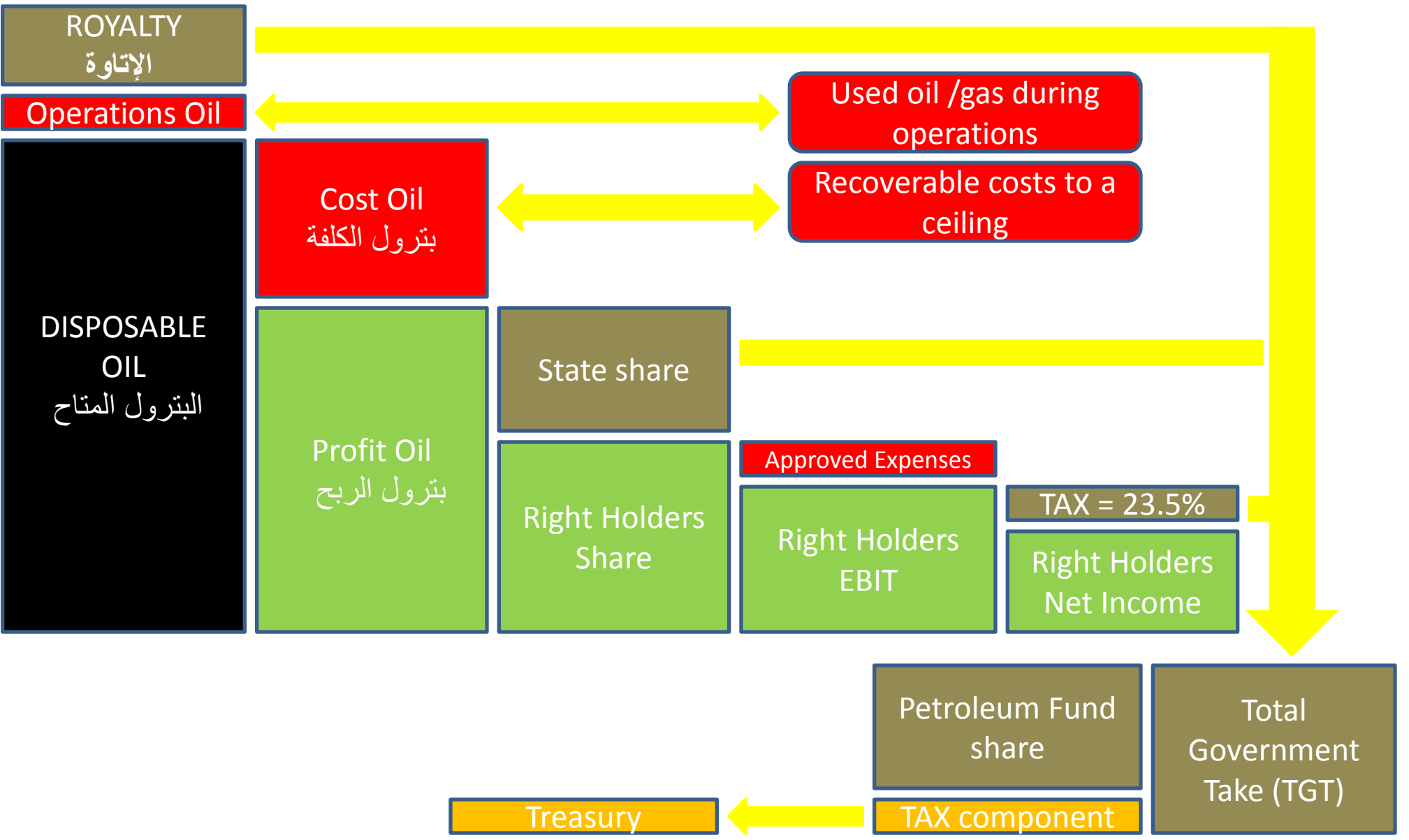




# Fiscal components of the Offshore Petroleum Law

- The Ministry of Finance contributed in drafting and reviewing the Offshore Petroleum Law, mainly through the following:
  - Applying the Lebanese tax regulation on the right holders , art 45 of Offshore Petroleum Law stipulates the following:  
*“Petroleum Activities and Petroleum Rights conducted in Lebanon and its Waters shall be subject to Lebanese tax as stipulated by applicable law”*
    - The above would result in treating the right holders in the same way as any Lebanese joint stock operating in Lebanon from a tax perspective
  - The creation of a sovereign fund
  - Designing the government take system (area fee, royalty, profit split and taxes)
  - State participation

# Lebanese Oil & Gas Fiscal system Today: Before Tax profit split





# Fiscal components of the Petroleum Activities Regulations

- The Ministry of Finance had a major role in reviewing and commenting on all the PAR document mainly on the following:
  - Area fee
  - Calculation of royalty
  - Cost recovery
  - Profit petroleum
  - R factor calculation
  - Valuation of petroleum
  - Decommissioning fund
  - Audit activities



# Fiscal components of the EPA

- **The Ministry of Finance contributed in drafting the EPA main document and was directly involved in setting the following:**
  - **Cost Recovery and Production entitlement**
  - **R-factor table**
  - **Fiscal terms and other charges**
  - **Records, accounting and audits**





# Fiscal components of the Accounting and Financial Procedure

- The ministry of Finance reviewed the AFP to make consistent with the Lebanese laws and to maintain a coherence with the Lebanese tax compliance requirements. The Ministry of Finance was concerned by updating the following:
  - Accounting records and statements submitted by the Right Holders
  - Language and units of accounts
  - Classification, definition and allocation of cost and expenditures
  - Exploration Costs
  - Development and Production Capital Expenditures
  - Operating Costs and service Costs
  - General and Administrative Expenses
  - Costs recoverable with and without approval of the Government
  - Costs not recoverable under the EPA
  - Records and valuation of assets
  - State right to audit





# Major Proposed Tax Amendments

- The Ministry of Finance proposed necessary amendments to the following tax laws in order to create tax incentives that coincide with the proposed before tax profit split:
  - Income tax
  - Value added tax
  - Built property tax
  - Stamp duty
  - Customs duty



Thank you for your  
attention