

SUMMARY OF PETROLEUM INDUSTRY ACT 2021 – GAS FISCALS

OBJECTIVES PIA FISCAL FRAMEWORK - Ref: Chapter 4, Section 258 (1) {a – e}

- To establish a progressive Fiscal framework aimed at encouraging investment in the Oil and Gas Industry; ensuring a risk and reward setting, as well as enhancement of Government revenues.
- To simplify the administration of Petroleum Tax, and promote equity and transparency in the Petroleum Industry Fiscal regime.

ADMINISTRATION OF PIA FISCAL FRAMEWORK - Ref: Chapter 4, Section 258 (2) & 259 {a - c}

- FIRS is responsible for the collection of Hydrocarbon Tax, Companies Income Tax, and Education Tax from the Oil and Gas industry. (Federal Inland Revenue Service – FIRS)
- The “Commission” will determine and collect Royalties, Signature bonuses, Rent, and Related payments of Production shares from the Upstream Petroleum Sector. (The Nigerian Upstream Petroleum Regulatory Commission - The Commission)
- The “Authority” will determine and collect Gas flare penalty arising from Midstream operations. (The Nigerian Midstream & Downstream Petroleum Regulatory Authority - The Authority)

NEW TAXATION SYSTEM - Ref: Chapter 4, Section 260 (1a) & (5)

The introduction of a dual tax system

- **HYDROCARBON TAX:** This is payable by upstream companies on Crude Oil, Field Condensates, Liquid Natural Gas derived from Associated Gas and Produced in the Field upstream of the measurement points - **Ref: Section 260(1); Section 291(1)**
- **COMPANY INCOME TAX:** This is payable by upstream, midstream & downstream companies on their operations asides the tax on products already taxed under hydrocarbon tax. Natural gas transferred or disposed from upstream to midstream or downstream shall be subject to tax under the Companies Income Tax Act - **Ref: Section 302 (1 - 8)**

TAX RATES FOR LICENSE HOLDERS – Ref: Section 93(6) & 93(7)(b); 267 (a – b)

ONSHORE/SHALLOW WATER AREA	Existing & Converted Lease Holders		New License Holders Subsequent to PIA 2021	
	Hydrocarbon Tax	Company Income Tax	Hydrocarbon Tax	Company Income Tax
	30%	30%	15%	30%
DEEP OFFSHORE	No Rate Specified	30%	No Rate Specified	30%

- For the purpose of computing Hydrocarbon Tax, all allowable total costs shall be subjected to CPR limit of 65% of Gross Revenue, excluding production allowances, rent, royalty & contribution to fund or scheme approved by the commission - **Ref: Sixth Schedule: Cost Price Ratio (CPR) Limit 2 (1 – 2 (a-c))**

REPEALED ENACTMENTS & REGULATIONS - Ref: Section 310 (1) (a-h)

- Associated Gas Reinjection Act 1979
- Hydrocarbon Oil Refineries Act 1965
- Motor Spirits (Returns) Act 2004
- Nigerian National Petroleum Corporation (Projects) Act 1993
- Nigerian National Petroleum Corporation Act (NNPC) 1977
- Petroleum Products Pricing Regulatory Agency (Establishment) 2003
- Petroleum Profit Tax Act 2004
- Deep Offshore and Inland Basin Production Sharing Contract Act 2019