

Closer look at the financial incentives introduced in Gabon by the hydrocarbon code

For the purpose of this table, we have focused on the upstream tax regime¹ and on the main differences between the New Hydrocarbon Code and the Former Hydrocarbon Code.

Key²

 Taxes that appear generally more favorable to IOCs under the New Hydrocarbon Code

 Taxes that appear broadly similar to the Former Hydrocarbon Code

 New taxes introduced by the New Hydrocarbon Code

	Former Hydrocarbon Code	New Hydrocarbon Code
Participation of the State	<p>20% interest of the State in the production sharing contract</p> <p>Option:</p> <ul style="list-style-type: none"> for the national company to acquire a maximum of 15% interest in the production sharing contract for the State to acquire a maximum of 20 % in any exploitation company <p>No exploration risk</p>	<p>10% interest of the State in the production sharing contract</p> <p>Option:</p> <ul style="list-style-type: none"> for the national company to acquire a maximum of 15% interest in the production sharing contract for the State to acquire a maximum of 10 % in any exploitation company <p>No exploration risk</p>
Bonus	<ul style="list-style-type: none"> Signature bonus for the technical evaluation contract Signature bonus of the exploration contract Signature bonus of the exploration and production sharing contract Signature bonus of the production sharing contract Bonus for the extension of the validity period of the exploration authorization Bonus for the renewal of the exclusive development and exploitation authorization Bonus for contractual amendments Production Bonus Bonus for performance incentive <p>Determined contractually</p>	<ul style="list-style-type: none"> Signature bonus Bonus for contract amendment Exploration period extension bonus Exploration period allowance bonus Exploitation title renewal bonus Production bonus <p>Determined contractually (but only the signature bonus, contract amendment bonus and production bonus are negotiable)</p>
Surface royalty	<p>Minimum of:</p> <ul style="list-style-type: none"> FCFA 50 per hectare/year during the exploration period FCFA 5,000 per hectare/year during the exploitation period <p>Implementation by regulation</p>	<ul style="list-style-type: none"> FCFA 100 per hectare/year during the exploration period FCFA 1,000 per hectare/year during the exploitation period

¹ The provisions of the Tax Code or other specific regulations have purposely been excluded.

² Subject to negotiation of individual production sharing contract as well as applicable tax legislation.

	Former Hydrocarbon Code	New Hydrocarbon Code
Proportional mining royalty	<p>Triggered by the start of production declaration:</p> <ul style="list-style-type: none"> Onshore: Minimum of 13% /Maximum of 17% Offshore: Minimum of 9%/Maximum of 15% <p>Determined contractually</p>	<p>Triggered by the start of production declaration:</p> <ul style="list-style-type: none"> Onshore: Minimum of 7% /Maximum of 15% (for crude oil)/Minimum of 5%/Maximum of 10% (for gas) - Offshore: Minimum of 5%/Maximum of 12% (for crude oil)/Minimum of 2%/Maximum of 8% (for gas) <p>Determined contractually</p>
Bonus Production share of the State	<p>Minimum of:</p> <ul style="list-style-type: none"> Onshore: 55% Offshore: 50% <p>Determined contractually</p>	<p>Minimum of:</p> <ul style="list-style-type: none"> Onshore: 45% (for crude oil) 25% (for gas) Offshore: 40% (for crude oil) 20% (for gas) <p>Determined contractually</p>
Corporate tax	Paid (in cash or in kind) on top of the production share of the State	Included (in kind) in the production share of the State
VAT	Petroleum operations, as well as goods and services (acquired locally or imported) from a list of subcontractors approved by the State are exempted from VAT	Petroleum operations, as well as goods and services (acquired locally or imported) from a list of subcontractors approved by the State are exempted from VAT
Real estate contribution on built properties	Regime not detailed	Regime not detailed
Registration right and assignments of rights capital gains	<p>Transfer of an interest in a production sharing contract, shareholdings or change of control of local company subject to a 3% registration right of the real value of the rights transferred.</p> <p>Capital gains made in the course of the assignments of rights subject to corporate tax.</p> <p>No tax in the event of transfer between Gabonese sister companies or between the members of the Contractor or between a parent company and its local company in Gabon.</p>	<p>Transfer of an interest in a production sharing contract, shareholdings or change of control of local company subject to a 3% registration right of the real value of the rights transferred.</p> <p>Capital gains made in the course of the assignments of rights subject to corporate tax.</p> <p>No tax in the event of transfer between Gabonese sister companies or between the members of the Contractor or between a parent company and its local company in Gabon.</p>
Contribution to support funds	<ul style="list-style-type: none"> the hydrocarbon support fund the equipment fund of the hydrocarbons administration the training fund the development fund of local communities the fund for mitigating the impact of oil activity on the environment. <p>Implementation by regulation</p>	<ul style="list-style-type: none"> the hydrocarbon support fund the equipment fund of the hydrocarbons administration the training fund the development fund of local communities the fund for mitigating the impact of oil activity on the environment. <p>Implementation by regulation</p>
Provision for diversified investments	1% of a percentage of the annual turnover to be defined in the production sharing contract (applied during the exploitation period)	1% of a percentage of the annual turnover to be defined in the production sharing contract (applied during the exploitation period)
Provision for hydrocarbon investments	2% of a percentage of the annual turnover to be defined in the production sharing contract (applied during the exploitation period)	2% of a percentage of the annual turnover to be defined in the production sharing contract (applied during the exploitation period)
Petroleum tax	No petroleum tax	To be determined in the finance law
Investment incomes	Exemption applicable to the Contractor and its parent company	Exemption applicable to the Contractor and its parent company

	Former Hydrocarbon Code	New Hydrocarbon Code
Cost oil	Maximum of: <ul style="list-style-type: none"> Onshore: 65%/year Offshore: 75 %/year Determined contractually	Maximum of: <ul style="list-style-type: none"> Onshore: 70%/year (for crude oil)/80% / year (for gas) Offshore: 75%/year (for crude oil)/90% / year (for gas) Determined contractually
Customs rights	CEMAC custom regime <p>The contractor and its sub-contractor benefit from:</p> <ul style="list-style-type: none"> the importation under the temporary administration regime, under the conditions provided for in the CEMAC Customs Code, of all materials, products, machinery, equipment, spare parts and tools required for oil operations that are not owned by the State and provided that these goods are exclusively intended and actually used for oil operations and that they will be re-exported at the end of their use Admission free of all import duties and taxes, equipment, materials, products, machinery, equipment, spare parts, consumables and tools exclusively intended and actually used for prospecting and oil exploration on the demarcated area , in accordance with the regulations of the Customs Code of CEMAC. This exemption applies to imports made directly by the contractor himself, by third parties on his behalf and by his subcontractors, subject to the production of a certificate of end-use admission at rates reduces to 5% of the duties and taxes levied on imports, equipment, materials, products, machinery, tools, spare parts, consumables and equipment which, not falling within the category of goods referred to in two paragraphs above, are intended and used for the production, storage, processing, transport, shipment and processing of hydrocarbons in the area of exploitation and provided that they are included in a program of approved development. 	CEMAC custom regime <p>The contractor and its sub-contractor benefit from:</p> <ul style="list-style-type: none"> the importation under the temporary administration regime, under the conditions provided for in the CEMAC Customs Code, of all materials, products, machinery, equipment, spare parts and tools required for oil operations that are not owned by the State and provided that these goods are exclusively intended and actually used for oil operations and that they will be re-exported at the end of their use Admission free of all import duties and taxes, equipment, materials, products, machinery, equipment, spare parts, consumables and tools exclusively intended and actually used for prospecting and oil exploration on the demarcated area , in accordance with the regulations of the Customs Code of CEMAC. This exemption applies to imports made directly by the contractor himself, by third parties on his behalf and by his subcontractors, subject to the production of a certificate of end-use admission at rates reduces to 5% of the duties and taxes levied on imports, equipment, materials, products, machinery, tools, spare parts, consumables and equipment which, not falling within the category of goods referred to in two paragraphs above, are intended and used for the production, storage, processing, transport, shipment and processing of hydrocarbons in the area of exploitation and provided that they are included in a program of approved development.