

SECOND SCHEDULE

(section 10 (6))

MODIFICATIONS TO THIS ACT IN RESPECT OF INCOME ARISING OUT OF OR IN CONNECTION WITH PETROLEUM OPERATIONS UNDER THE PETROLEUM (EXPLORATION, DEVELOPMENT AND PRODUCTION ACT, 2004

PART I - PRELIMINARY

1. (1) In this Schedule, unless the context otherwise requires-

"cumulative resource expense" means, at any time, the amount obtained from performing the following calculation:

$$(A + B) - (C + D + E)$$

where-

- A** is the total of all amounts each of which is a resource expense made or incurred by the person before that time;
- B** is the total of all amounts required by paragraph 6 of this Schedule to be included in computing net income from petroleum operations for a person's tax years ending before that time;
- C** is the total of all amounts of cumulative resource expense claimed as a deduction in accordance with paragraphs 4 and 5 of this Schedule in computing a person's net income from petroleum operations for the person's tax years ending before that time;
- D** is the total amount of any government assistance received or receivable by the person before that time; and
- E** is the total amounts received or receivable by the taxpayer with respect to the disposition of all or a portion of the person's licence or permit, net of any reasonable outlays or expenses incurred in connection with the disposition;

"direct operating costs" means any outlay or expense directly incurred by a person for the purposes of producing petroleum from a particular licence area, including any royalties paid or payable to the Government for those purposes, provided that the outlays or expenses-

(a) are incurred during a tax year in which the person has gross income from petroleum operations;

(b) does not include costs or expenses in satisfaction of environmental obligations pursuant to the Petroleum Act;

(c) does not include any fines or other penalties incurred pursuant to the Petroleum Act;

(d) does not include any exploration, appraisal or development costs, drilling or completing costs, costs of equipping wells, planning, engineering, project management, procurement or construction costs overhead, general administration, management or interest expenses or any costs similar to any of the foregoing; and

(e) does not include any excess operating costs;

"excess operating costs" means, in a tax year, the amount (if any) by which a person's direct operating costs in the tax year exceeds the person's gross income from petroleum operations for the same tax year;

"gross income from petroleum operations" means, in a tax year, any and all amounts received or receivable by a person in connection with-

- (a) any licence, permit or petroleum operations in The Gambia;
- (b) the sale of rights or assets in respect of sub-paragraph (a) or petroleum or petroleum products; or
- (c) circumstances or activities in connection with sub-paragraphs (a) and (b), but does not include any amount received or receivable by the person for the disposition of a licence or permit which constitutes amount E in the definition of "cumulative resource expense";

"income after operating costs" means, in a tax year, the amount, if any, by which a person's gross income from petroleum operations for the tax year exceeds the person's direct operating costs for the same tax year;