



# The Philippine Petroleum Fiscal Regime

<b>Contract Area</b>	<b>800-15,000 sq km (offshore); 500-7,500 sq km (onshore)</b>
<b>Contract Term</b>	<b>7 yrs. exploration + 3 yrs. extension + 25 yrs. production + 15 yrs. extension</b>
<b>Signature Bonus</b>	<b>USD 50,000 - 250,000</b>
<b>Royalties</b>	<b>None</b>
<b>Income Tax</b>	<b>Tax rate: 32% - paid out of Government share</b>
<b>Cost Oil/Gas</b>	<b>Cost oil limit: 70% of gross income; Capital expenditures depreciated over 5 to 10 yrs.</b>
<b>Profit Oil/Gas</b>	<b>Government share: 60% FPIA up to 7.5% of gross proceeds with at least 15% Filipino participation</b>
<b>State Participation</b>	<b>None</b>

*FPIA- Filipino Participation Incentive Allowance*



# SC Profit Sharing

\$ 100.00	Gross Proceeds
7.50	less FPIA (to Contractor)
70.00	less Cost Recovery (to Contractor)
<u>22.50</u>	Net Proceeds
\$ 13.50	60% Government Share
\$ 9.00	40% Contractor's Share



# Incentives

- Service fee of up to 40% of net production
- Cost reimbursement of up to 70% gross production with carry-forward of unrecovered costs
- FPIA grants of up to 7.5% of the gross proceeds for service contract with minimum Filipino company participation of 15%
- Exemption from all taxes except income tax
- Income tax obligation paid out of government's share



# Incentives

- Exemption from all taxes and duties for importation of materials and equipment for petroleum operations
- Easy repatriation of investments and profits
- Free market determination of crude oil prices, i.e., prices realized in a transaction between independent persons dealing at arms-length
- Special income tax of 8% of gross Philippine income for subcontractors
- Special income tax of 15% of Philippine income for foreign employees of service contractors and subcontractors



# FPIA Schedule of Percentage Incentive

<u>Filipino Participation</u>	<u>Allowance (%)</u>
30% - above	7-1/2
27.5% but less than 30%	6-1/2
25% but less than 27.5%	5-1/2
22.5% but less than 25%	4-1/2
20% but less than 22.5%	3-1/2
17.5% but less than 20%	2-1/2
15% but less than 17.5%	1-1/2
Below 15%	0%