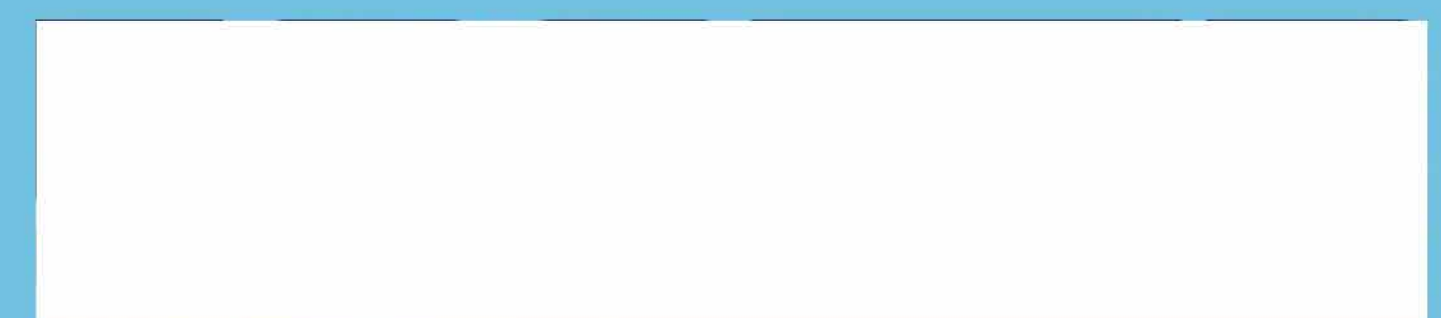

Capital Gains Tax in the Nigerian Oil & Gas Sector



**Research on the Administration of Capital
Gains Tax in the Nigerian Oil and Gas Sector**

(Oil & Gas Sales 2005 - 2015)

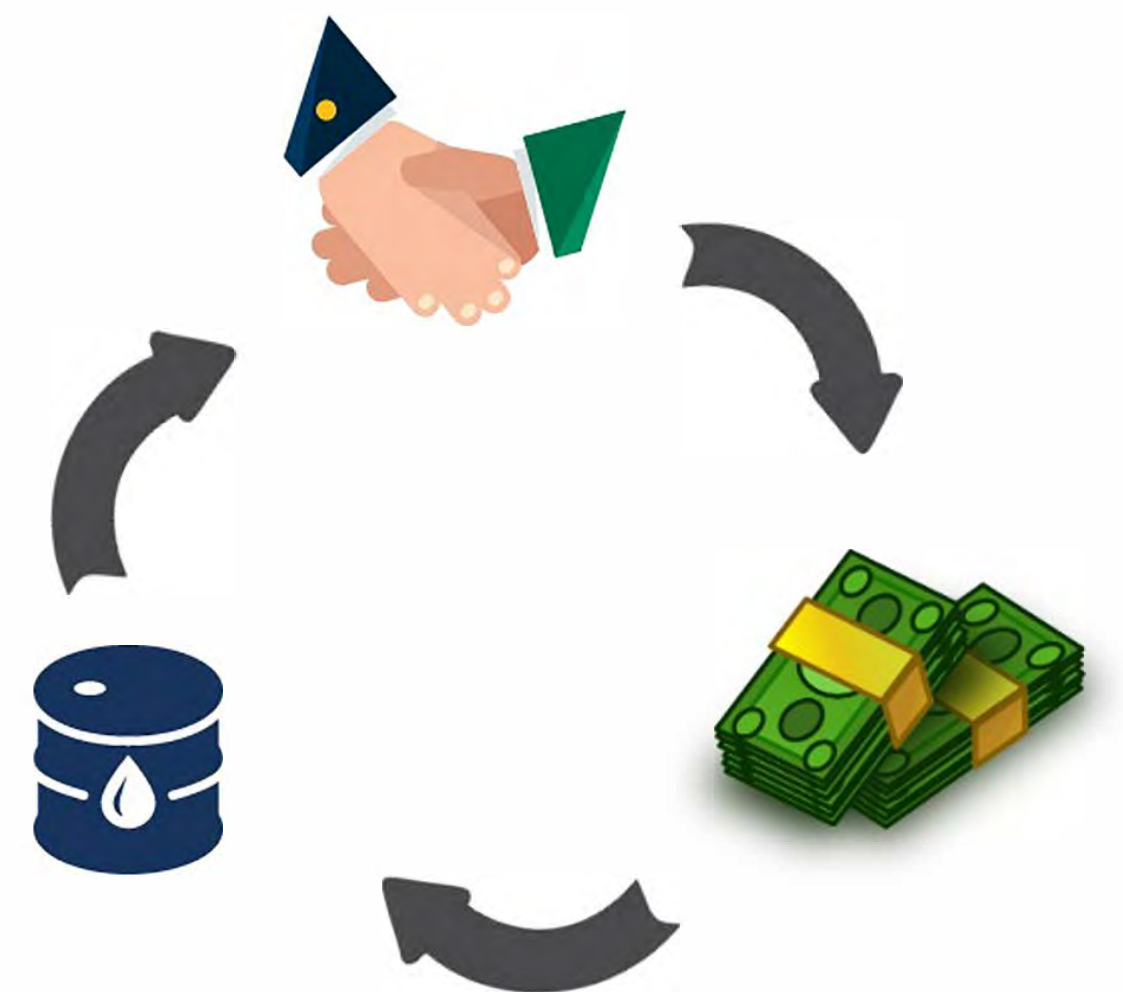


VALUE OF ASSETS DIVESTED

\$8.6

billion

Total worth of Onshore Fields Assets sold to Nigerian entities between 2005 and 2015.



 **ADDAX
PETROLEUM**

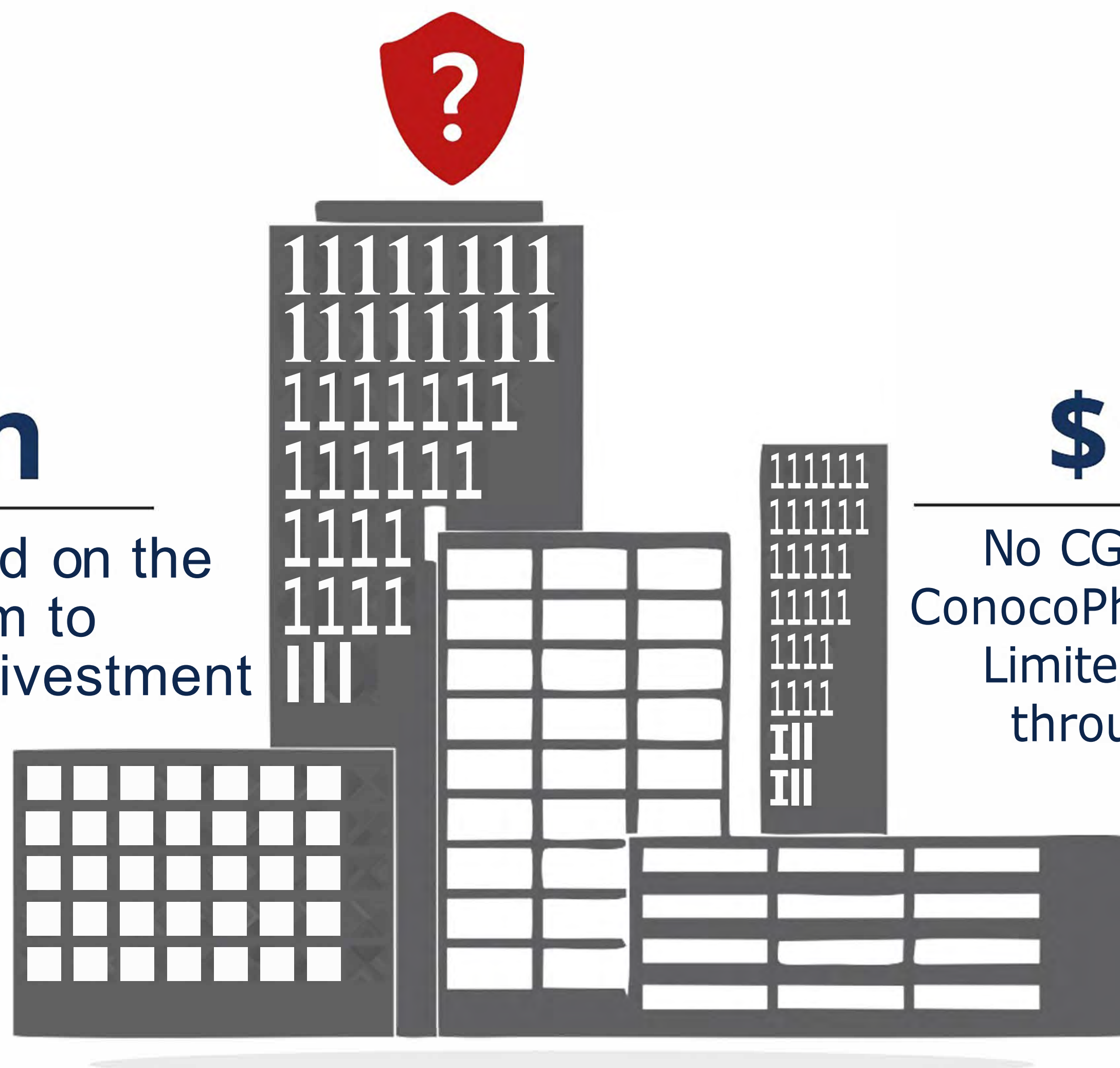
\$2.5 billion

No Capital Gain Tax paid on the sale of Addax Petroleum to Sinopec in 2009 from divestment of Assets worth \$2.Sb.

 **ConocoPhillips**

\$1.79 billion

No CGT paid on the transfer of ConocoPhillips Oil Company Nigeria Limited to Oando Hydrocarbon through the acquisition of the shares US\$1.79billion.



The claims of divestment by sale of shares by the Addax Petroleum and ConnocoPhillips Oil Company were **NOT** verified and confirmed by the FIRS. The sale and purchase agreement (the major document that could reveal the basis for the divestment) is yet to be provided by both parties even after the deal has been concluded.

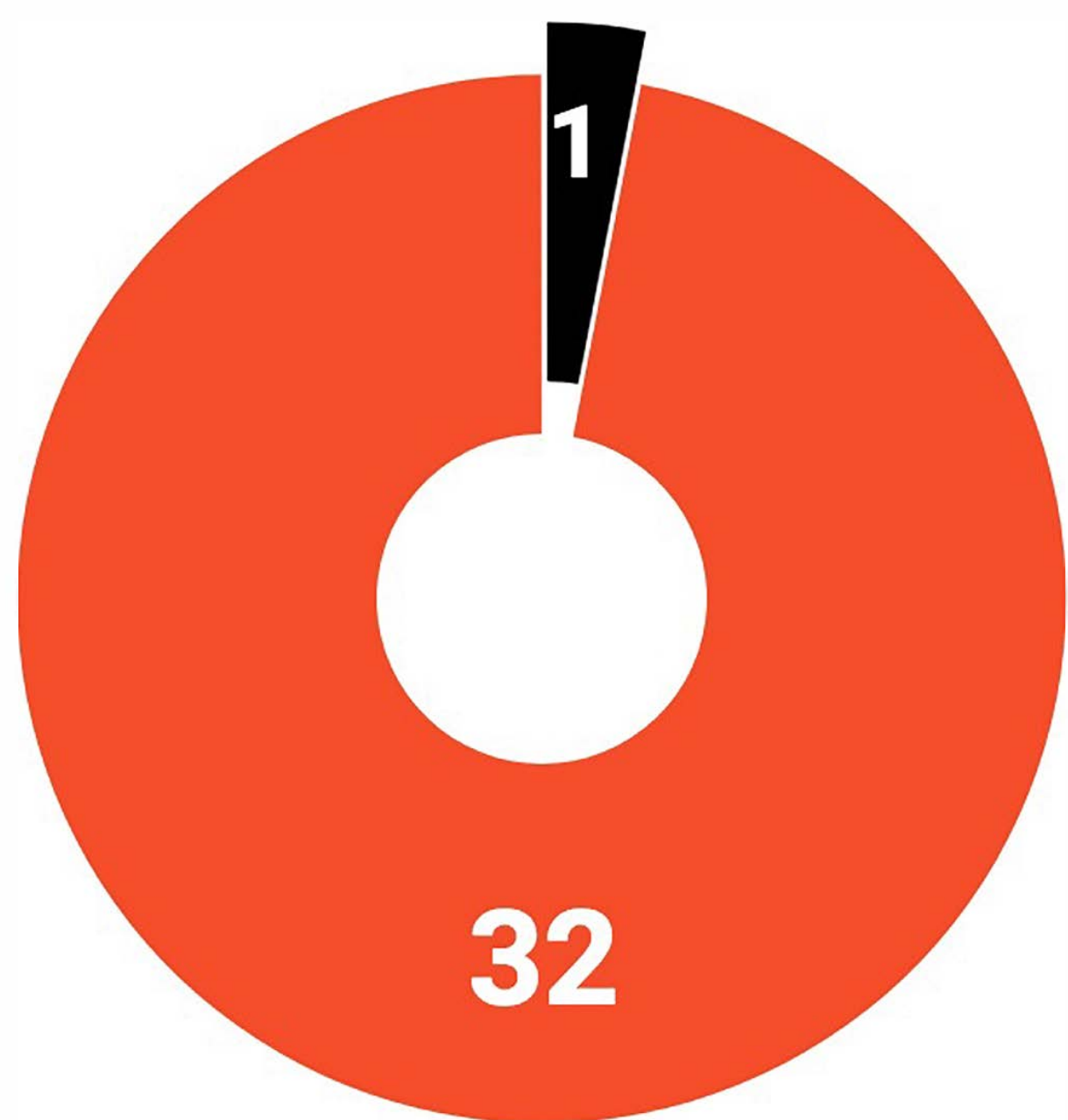
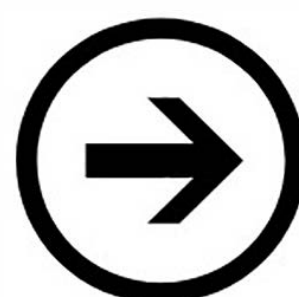
Analysis of Assets Disposed from 2005 to 2015



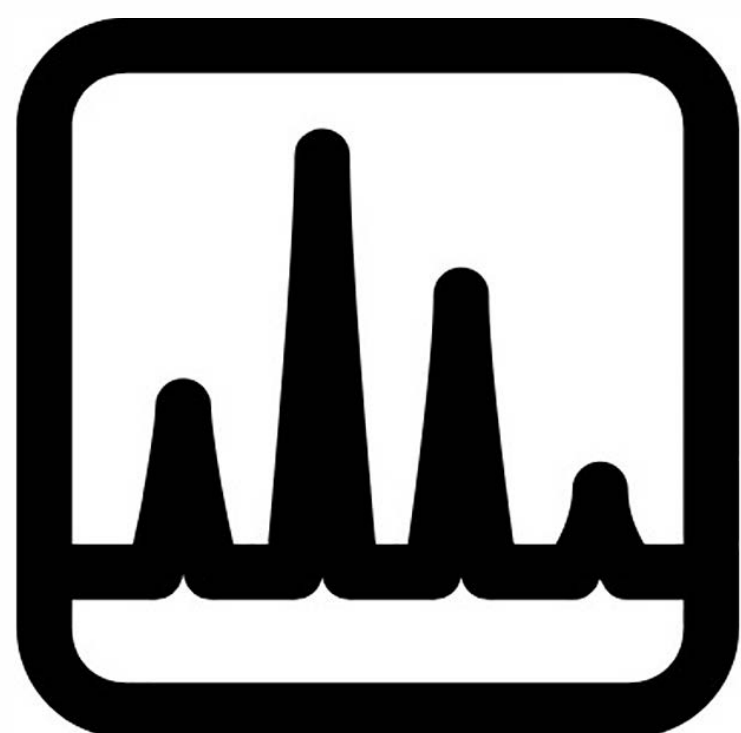
2005 - 2015
Duration of Disposal



34
No. of Assets Disposed



• Govt Backright • Filed CGT Paid by Seller



\$1.5 billion
Total Value of Assets Disposed by Shares



\$4.75 billion
Capital Gain over the period



\$475 million
Estimated Capital Gain Tax

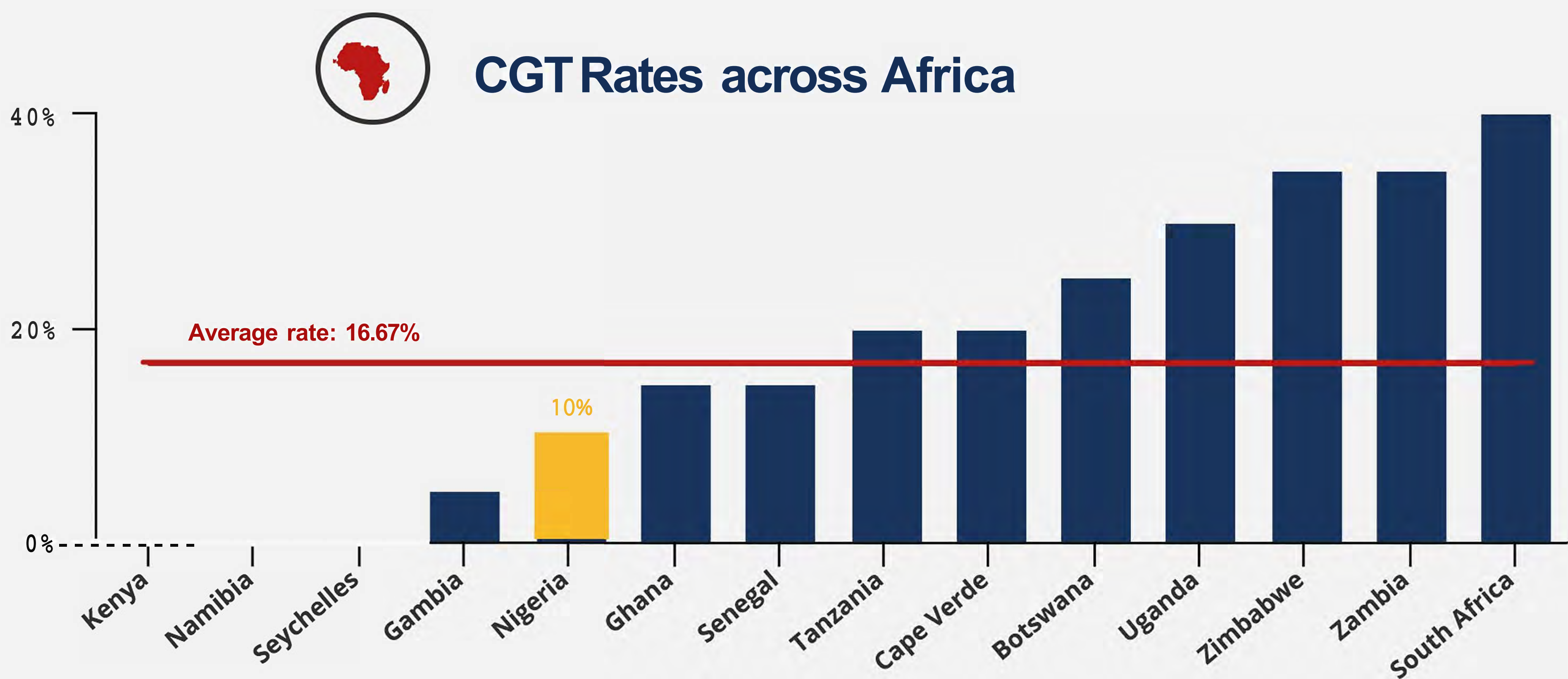
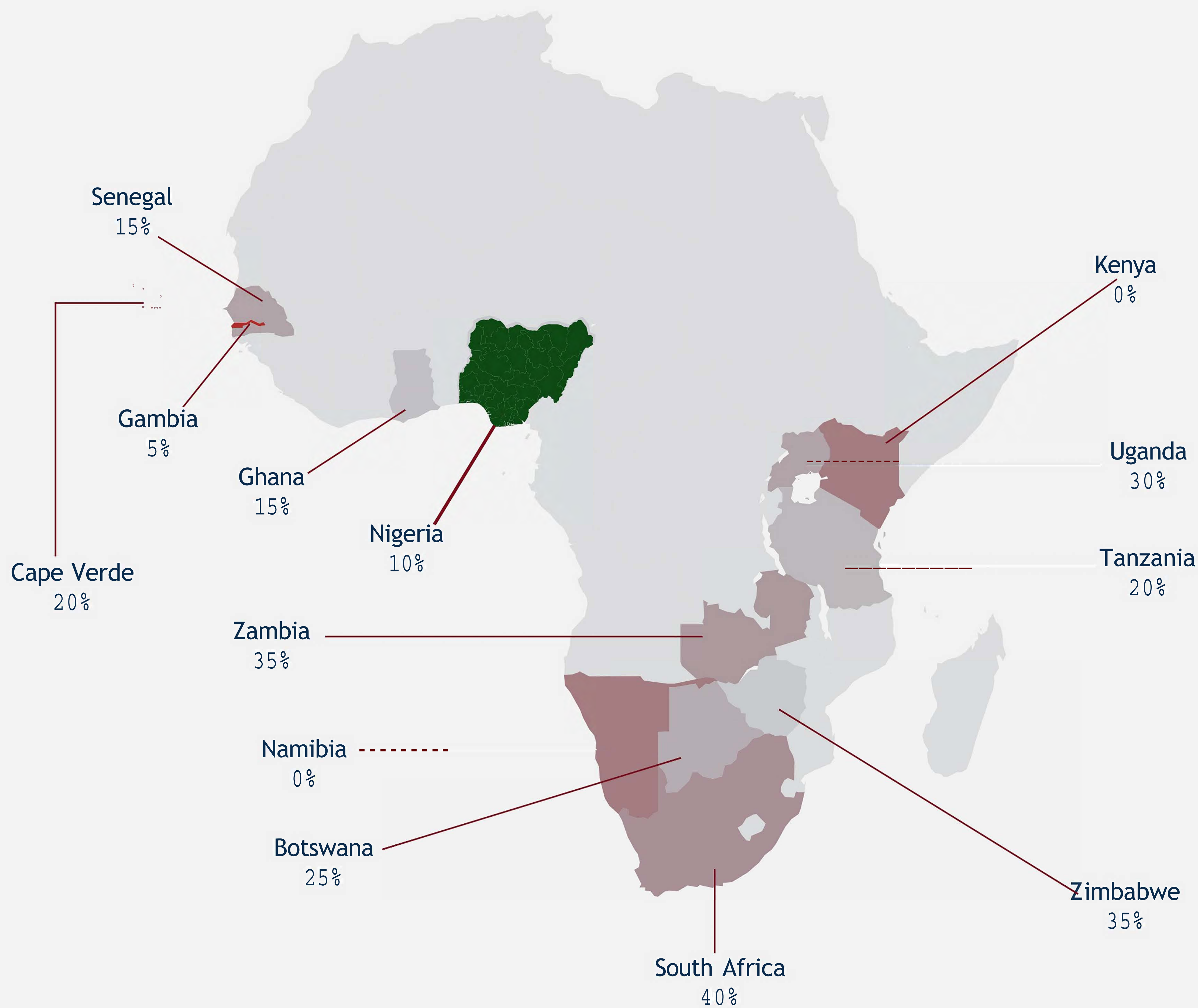


\$503.6 million
Capital Gain Tax Collected



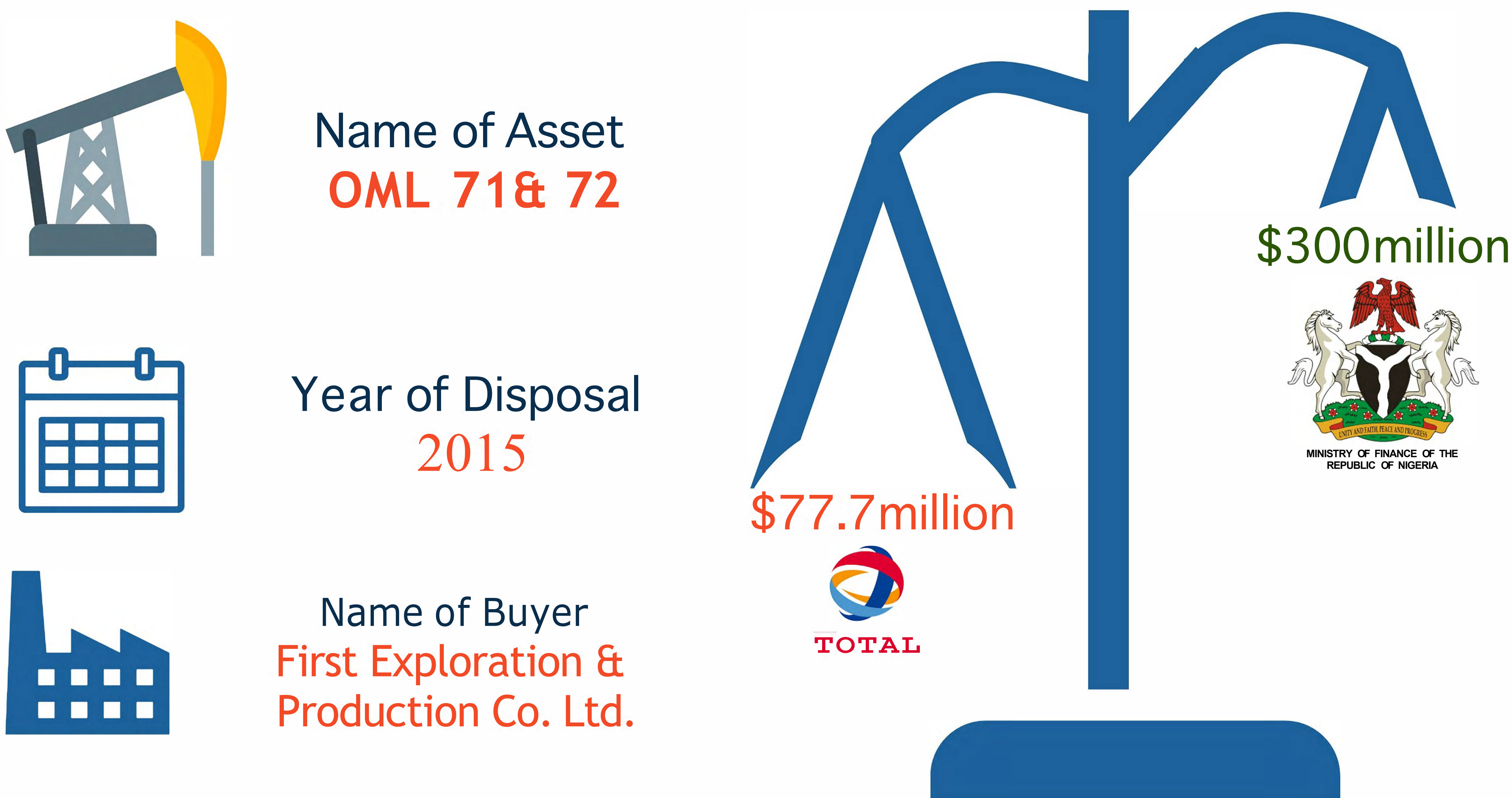
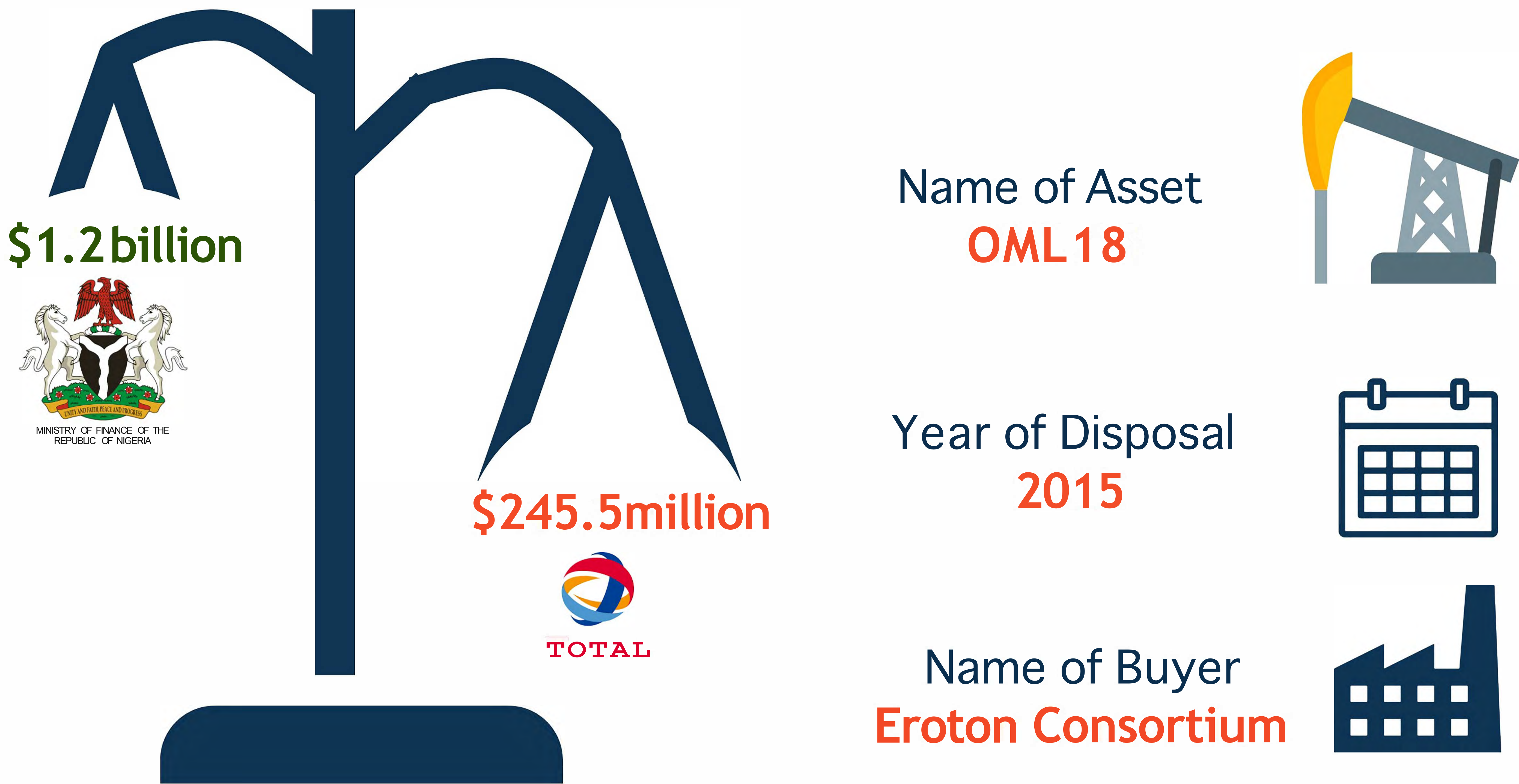
\$4.47 billion
Total Cost Claimable

CGTRates across Africa



Asset Values to be Investigated

OMLs 18, 71 & 72 should be closely reviewed as the values reported on the schedule from Finance Ministry is so **much higher** than the amounts reported by the transacting companies in their tax returns



Recommendations

1 CGT Review



Nigeria should review CGT to apply to all divestments in the Oil & Gas sector including those based on share exchange

The 30% rate on the Capital Gains realized on disposal being proposed under the National Petroleum Fiscal Policy Document should be amended as a rate change in the CGT Act for the oil & gas sector

2 Process Review

Strongly advocate for mandatory review of any proposed divestment contract by the FIRS and the issuance of appropriate clearance before DPR can give its final approval in respect of any divestment.

"The Administrative process in Nigeria tends to impose the burden of CGT on the buyer by price escalation instead of the seller or varying levies and charges being applied to bridge the gap."



3 CGT Review

Nigeria should review CGT to apply to all divestments in the Oil & Gas sector including those based on share exchange.

"Rate of Capital Gains Tax should be increased for the Oil Sector ONLY"

The 30% rate on the Capital Gains realized on disposal being proposed under the National Petroleum Fiscal Policy Document should be amended as a rate change in the CGT Act for the oil & gas sector

**30%
CGT**

4 Inquiry

OMLs 18, 71,72 should be closely reviewed as the values reported on the schedule received from MoF is so much higher than the amounts reported by the transacting companies in their tax returns

