

BILLS SUPPLEMENT

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Bill No. 2

Income Tax (Amendment) Bill

2017

THE INCOME TAX (AMENDMENT) BILL, 2017

MEMORANDUM

The object of this Bill is to amend section 89GA of the Income Tax Act, Cap. 340 relating to limitations on deductions on petroleum operations to bring it in conformity with the Production Sharing Agreements and to make consequential amendments by introducing a definition of “cost oil” and amending the definitions of “contract area” and “petroleum development expenditure”.

MATIA KASAJA, (MP)

Minister of Finance, Planning and Economic Development.

A Bill for an Act

ENTITLED

THE INCOME TAX (AMENDMENT) BILL, 2017.

An Act to amend the Income Tax Act, Cap. 340 to provide for a cap on allowable deductions in relation to petroleum operations undertaken by a licensee in any given year of income; and for related matters.

BE IT ENACTED by Parliament as follows:

1. Commencement.

This Act shall be deemed to have come into force on 1st July, 2015.

2. Amendment of Cap. 340.

The Income Tax Act, in this Act referred to as the principal Act, is amended in section 89A as follows—

- (a) by inserting the following definition immediately after the definition of “contractor”—

““cost oil” means a licensee’s entitlement to production as cost recovery under a petroleum agreement;”;

- (b) by substituting for the definition of “contract area” the following—

““contract area” means the area described and shown in a petroleum agreement on the effective date of the agreement; and where any part of the area is relinquished under the petroleum agreement, the whole or any part of such area which at any particular time remains subject to the petroleum agreement;”;
and

(c) by substituting for the definition of “petroleum development expenditure” the following—

““petroleum development expenditure” means expenditure incurred by a licensee in undertaking operations authorized under a petroleum production licence;”.

3. Amendment of section 89GA of principal Act.

The principal Act is amended by substituting for section 89GA, the following—

“89GA Limitation on deductions relating to petroleum operations.

(1) An amount that a licensee may deduct under this Act in relation to petroleum operations undertaken by a licensee in a contract area in a year of income shall not exceed the cost oil derived by the licensee from those operations in the contract area for that year.

(2) Where, in any year of income, the total deductions of a licensee in relation to petroleum operations undertaken in a contract area exceed the cost oil for that year of income arising from those operations in the contract area, the excess shall be carried forward to the next following year of income and is deductible for that year of income against the cost oil for that year of income arising from the petroleum operations in the contract area until the excess is fully deducted or the petroleum operations in the contract area cease.

(3) If a licensee has a loss carried forward from a contract area under subsection (2) for more than one year of income, the loss of the earliest year shall be allowed as a first deduction.”