



Extractive Industries Taxation

Eric Nii Yarboi Mensah

***Coordinator of the Subcommittee on Extractive Industries
Taxation Issues for Developing Countries***

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<http://www.un.org/esa/ffd/events/event/ie-2016-ictm.html>

Extractive Industries

- Play a substantial role in the economy of many developing countries
- In more than 20 countries petroleum revenues comprise at least 10% of national GDP; in some cases this fraction rises as high as 80% or even more
- Even where resources are abundant, the government's share depends on how the tax regime impacts the sector
- Need to find a balance between attracting investment to explore and develop natural resources and ensuring the government receives a fair share of the country's resource wealth

Addis Ababa Action Agenda

- Recognize that countries relying significantly on natural resources face particular challenges
- Encourage investment in value addition and processing of natural resources and productive diversification
- Stress the need to address excessive tax incentives related to the extractive industries
- Encourage countries to implement measures to ensure corporate transparency and accountability of all companies, notably in the extractive industries
- Recognize the importance of sharing best practices and promoting peer learning and capacity-building for contract negotiations and revenue and royalty agreements

Subcommittee on Extractive Industries Taxation Issues

- Identify and consider the most pressing issues where guidance may most usefully assist developing countries in this area
- Draft policy and administrative guidance for developing countries at a very practical level
- Engage with other organizations active in the field

Membership of Subcommittee

Membership comprised a broad range of experts:

- Some members of the Tax Committee
- Private business
- Civil society organizations
- Academics

Guidance Notes

1. Overview of extractive industries taxation issues
2. Capital gains taxation and taxation of indirect asset transfers
3. Selected treaty issues in relation to the extractive industries
4. Tax treatment of decommissioning for the extractive industries
5. Tax aspects of negotiation and renegotiation of contracts

Guidance Notes (cont'd)

6. Value added tax in the extractive industries
7. Permanent establishment issues for the extractive industries
8. Government fiscal take

The Subcommittee's work

Subcommittee has had a number of meetings:

- Arusha
- Johannesburg
- Bratislava
- Lusaka
- New York

Subcommittee Deliverables

The Tax Committee has approved a number of completed guidance notes by the Subcommittee:

- An overview note on taxation issues in the Extractive industries;
- Selected tax treaty issues in relation to the Extractive industry;
- Guidance notes on capital gains taxation and indirect sales;
- Guidance note on the tax treatment of decommissioning for the Extractive industry;
- Tax aspects of the negotiation and renegotiation of Extractive industry contracts.

Subcommittee Deliverables

Other guidance notes being developed:

- VAT issues in the Extractive industry;
- Permanent establishment issues for the Extractive industry;
- Types of government take.

Subcommittee Future work

- Development of other guidance notes on the Extractive industry;
- Publication of a handbook incorporating guidance notes approved by the Committee.