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TECHNICAL

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**Direct Tax**

**PETROLEUM (INCOME TAX) (EXEMPTION) ORDER 2014**

The (Income Tax) (Exemption) Order 2014 [P.U.(A)305] is deemed to have come into effect on 30 November 2010.

The following are some of the main provisions of the Order:

**Exemption**

PETRONAS (Petroleum Nasional Berhad) is exempted from the payment of petroleum income tax in respect of statutory income derived from petroleum operations in a PETRONAS marginal field in the basis period for a year of assessment.

“PETRONAS marginal field” is defined as a field as determined under paragraph 3 of the Order, which states as follows:

*“ The Minister may determine a PETRONAS marginal field which is a field operated solely by PETRONAS which has potential crude oil reserves not exceeding thirty million stock tank barrels or natural gas reserves not exceeding five hundred billion standard cubic feet.”*

**Computation of exempt income**

The amount of statutory income exempted is computed using the formula:

$$\frac{A}{B} \times C$$

- Where
- |   |   |
|---|---|
| A | is the chargeable tax of PETRONAS in respect of its petroleum operations in a PETRONAS marginal field which is equal to 38% of its chargeable income reduced by the chargeable tax which is equal to 25 % of its chargeable income; |
| B | is the chargeable income of PETRONAS in respect of a PETRONAS marginal file which is equal to 38% of its chargeable income; and   |
| C | is the amount of such chargeable income.  |

Members may read the Order in full at the official website of the [Attorney-General's Chambers](#).

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