TECHNICAL

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](#).