

DECISION No. 216/1998/QĐ-TTg OF NOVEMBER 7, 1998 ENCOURAGING INVESTMENT IN PETROLEUM ACTIVITIES IN DEEP SEA, OFFSHORE AREAS AND AREAS WITH PARTICULARLY DIFFICULT GEOGRAPHICAL, GEOLOGICAL, ECONOMIC AND TECHNICAL CONDITIONS

THE PRIME MINISTER

Pursuant to the Law on Organization of the Government of September 30, 1992;

Pursuant to the Law on Petroleum of July 6, 1993;

Pursuant to the Law on Foreign Investment in Vietnam of November 12, 1996;

In order to encourage investment in petroleum activities in deep-sea, offshore areas and areas with particularly difficult geographical, geological, economic and technical conditions:

At the proposal of the Minister of Finance (in Official Dispatch No. 3398-TC/TCDN of 5th September 1998),

DECIDES:

Article 1.- Organizations and/or individuals conducting petroleum activities shall be entitled to the investment preference policy, provided that they satisfy one of the three following conditions:

1. Conducting petroleum activities in sea waters of over 200 m water deep.
2. Conducting petroleum activities in offshore areas.
3. Conducting petroleum activities in areas with special difficulties in terms of geographical, geological, economic and technical conditions.

Based on decisions by competent State management agencies, the Vietnam Oil and Gas Corporation (Petrovietnam) shall announce deep-sea and offshore areas and areas with special difficulties in terms of geographical, geological, economic and technical conditions when offering bids to blocks open for petroleum exploration.

Article 2.- Organizations and/or individuals conducting petroleum activities in areas provided in Article 1 of this Decision shall be entitled to the following tax preferences:

1. Reduction of profit tax (enterprise income tax) from 50% to 32%.
2. Preferential tax rate of 5% on profit transfer abroad according to the provisions of the Law on Foreign Investment in Vietnam.
3. Non-payment of export duties on petroleum share paid as natural resource tax to the State.

Article 3.- Based on each specific project, parties to a petroleum contract may agree with each other in such petroleum contract on the non-collection of signature bonus and data review fees.

Article 4.- Parties to a petroleum contract may agree with each other in such petroleum contract on the duration and the mode of temporary cessation of the performance of the contractual rights and obligations in case of unforeseeable and irremediable incidents. The temporary cessation duration shall not be counted into the petroleum contract.

If a natural gas field of commercial value is discovered while the gas outlets are not available, the operator may retain the contractual area for a period of time approved by the Government.

Parties to a petroleum contract may agree in such petroleum contract on conditions related to such temporary cessation or retaining of the contractual area.

Article 5.- At the proposal of PetroVietnam, the competent State management agency(ies) can redelimit the prospection and exploration blocks as provided for in Item 4, Article 38 of Petroleum Law, so that they are large enough to meet the requirement of a petroleum contract area.

Article 6.- The cost recovery level applicable to petroleum activities conducted in the areas provided in Article 1 of this Decision is 70% of actual gross petroleum output from the contractual area.

Article 7.- Having found that the domestic gas demand is met, and/or that the domestic market has not fully met conditions for gas consumption, the Government may allow organizations and/or individuals producing gas to export gas.

Article 8.- The State Bank of Vietnam ensures that foreign organizations and/or individuals conducting petroleum exploitation can change the Vietnamese currency amounts they earn from the sales of their petroleum shares on the domestic market into foreign currency(ies).

Article 9.- In case of serious incident(s), organizations and/or individuals conducting petroleum activities are temporarily exempt from

routine customs procedures with regard to personnel, means, material and equipment for response to such incident(s).

Article 10.- This Decision takes effect 15 days after its signing.

The ministers, the heads of the ministerial-level agencies, the heads of the agencies attached to the Government, the presidents of the People's Committees of the provinces and centrally-run cities, the Chairman of the Management Board and General Director of the Vietnam Oil and Gas Corporation shall have to implement this Decision.

Prime Minister

PHAN VAN KHAI

THE PRIME MINISTER OF GOVERNMENT

Phan Van Khai