



Ras Al Khaimah – UAE – Royalty/Tax Fiscal Terms Guide

Prepared by Palantir

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Fiscal Terms

The United Arab Emirates as a whole is one of the ten largest oil and gas producers in the world holding approximately 100 billion barrels of oil reserves. The majority of these reserves are located in Abu Dhabi (94%). Ras al Khaimah has only small oil reserves with somewhat more gas, but remains a small player in oil and gas within the UAE.

In the UAE as a whole the hydrocarbon industry accounts for 80% of the Government revenues. However, oil and gas taxation is directed by each of the Emirates independently, each operating similar royalty/tax systems.

The exploration of hydrocarbons in Ras Al Khaimah has continued since 1967 with the Saleh field first production recorded in 1984 and is now nearing the end of its economic life.

Major companies active in exploration and production of hydrocarbon include DNO, Dahan Petroleum (Subsidiary of Lime Petroleum Plc), RAK Gas LLC and Edison International Spa.

RAK Petroleum Plc is an investment company which holding ownership interests in Oslo Bors listed DNO ASA and privately held Foxtrot International LDC.

Type	Concessionary (Royalty/Tax)
Royalty	Royalty payments are based on C-Factor
Bonuses	None
Revenue Taxes	None
Fees	None
Special Tax	None
Corporate Tax	Tax rate based on C-Factor
State Participation	Generally up to 51%

Activity

Current activity in Ras Al khaimah is as follows:

Field/ Licence	Ownership	Status
Saleh (Offshore)	DNO, RAK Gas LLC	Development Production
RAK B (Offshore)	DNO, RAK Gas LLC, Dahan Petroleum Ltd.	Exploration Appraisal
RAK Onshore	DNO, Edison International Spa	Exploration

State Participation

State participation is conducted through RAK Gas LLC which holds rights to back-in after declaration of commerciality.

RAK Gas is mainly active in gas marketing with it being the sole supplier of natural gas in Ras Al Khaimah. The company sources its gas from fields in Oman, Umm al Quwain, Qatar, Sharjah and Ras Al Khaimah itself.

Royalty

Royalty is applicable to all production. Royalty rates are dependent on a calculated C-Factor. Royalty payments are calculated as a percentage of total revenue resulting from production.

The calculation of C-Factor is analogous to the calculation of a generic R-Factor where:

$$R \text{ Factor} = \frac{\text{Cumulative Revenue}}{\text{Cumulative Investment}}$$

C Factor	Royalty Rate (%)
$C \leq 1$	0%
$C \leq 2$	7.5%
$C > 2$	15%

Capital Depreciation

Exploration costs are expensed immediately after production start.

Development costs are depreciated on a straight line method over varying periods of time (5-10 years). Palantir has depreciated the development costs on a straight line basis for a period of 5 years.

Corporate Tax

Petroleum companies are taxed at a rate of up to 50% on the Contractor's profit. All costs and expenses incurred in the exploration and development of hydrocarbons are treated as deductions.

Income tax is applicable on the Contractor's net income, after permissible deductions.

Taxable deductions for income tax includes:

- Operating costs
- Royalty
- Exploration capital (expensed at production start)

- Development capital depreciation (straight line in range from 5 to 10 years)
- Abandonment costs

The corporate tax rate is calculated based on a C-Factor which is assumed to mirror the calculation of the R-Factor as above. Applicable tax rates are summarised in the table below:

C-Factor	Tax Rate (%)
$C \leq 1$	0%
$C \leq 2$	40%
$C > 2$	50%