

Template to Collect Data on Government Revenues from Extractive Companies

Draft Guidance Note

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- 1. This Guidance Note is designed to facilitate the task of assigning the various revenue streams in the EITI reports for each country to the corresponding category or sub-category in the template¹.** The template aims to improve the consistency of data across countries by presenting national revenue streams according to a uniform classification and presentation. In principle, the template is comprehensive, which means that there is a category or sub-category for each revenue stream that falls within the scope. If you think this is not the case please consult the EITI Secretariat.
- 2. The template is designed to capture all possible government revenues from extractive companies; however, at this stage, it is likely that data for only a subset of these revenues will be collected.** In this sense, please bear in mind that the template is not intended to result in the collection of additional data, but only to summarize the data currently presented in EITI reports. In other words, figures should only be entered for the revenue streams currently reported, and all remaining categories and sub-categories should be left blank. Should one have access to the figures available through other sources than the EITI Report, they may be included here, with a note stating the source of origin.
- 3. The template is based on the IMF's Government Finance Statistics Manual 2014 (GFSM 2014), which is the internationally accepted standard for compiling fiscal statistics.** The *Summary data template* is a tool to bridge your revenue streams with the GFS nomenclature. For each of the categories listed under the worksheet *A GFS classification of revenue streams*, one should indicate if such revenue streams (a) are included in the EITI Report, (b) do not exist in the country, e.g., not applicable, or (c) do exist, but are not included in the EITI report, for instance if they are not found to be material.
- 4. Government revenues may be received in cash or in kind.** The recording of revenues received in cash is straightforward, but the recording of revenues received in kind may present complications. In principle, the revenues received in kind should be recorded at their market value, preferably on the date the transaction takes place. This issue is particularly relevant for all production entitlements, but is also relevant to any

¹ The template itself can be found in worksheet "3. Revenues" in the *Summary data template*, available at [URL].

other payment (taxes, fees, etc.) that an extractive company may make in kind. Note that EITI Requirement 4.1 also requires such valuation of payments made in kind.

5. **Only payments made by companies on their own behalf should be recorded.** Frequently companies make payments to government on behalf of their employees, typically in connection to personal income tax or social security contributions. These payments should be excluded from the template.
6. **Withholding taxes do not constitute a separate type of taxes.** Withholding is a method of tax collection, always associated with, and recorded with the underlying tax (e.g., income tax). In some cases, it may be necessary to obtain additional information to identify the specific tax associated with a withholding tax.
7. **A short description of each category and sub-category is provided below.²** The description provided describes in a general way the characteristics of the revenues that belong in a given category or sub-category of the template. Information about the nature of each revenue stream to be assigned a category or sub-category in the template may be needed to ensure correct assignment. The name of the revenue streams often provides a strong indication as to their nature, but may be misleading at times. Care must be exercised to confirm the nature of the revenue stream. The description of the fiscal regime under Requirement 3.2 should be sufficiently detailed to support the chosen classification of country-specific taxes and contributions.
8. **Ordinary taxes on income, profits, and capital gains (1112E1):** These are tax payments to the general government according to the country's corporate tax rate that applies to all companies, regardless of their activity.
9. **Extraordinary taxes on income, profits, and capital gains (1112E2):** These are also taxes on income, but apply only to extractive companies. These are taxes generally classified as profit taxes, for example, resource rent taxes, which are often imposed on profits earned above a defined rate of return allowed by the government for the corporation to earn. These taxes could be imposed pre- or post-corporate income tax. These taxes differ from royalties as they take into account the profit of the mining/energy operation, whereas a royalty is generally imposed on the production level irrespective of profitability.
10. **Taxes on payroll and workforce (112E):** These are taxes paid either as a proportion of payroll size or as a fixed amount per person, that are not earmarked for social security schemes. These taxes should not be confused with income/wage taxes

² A more detailed description of the revenue categories can be found in chapter 5 of the *Government Finance Statistics Manual 2014 (GFSM 2014)*, available at <<http://www.imf.org/external/data.htm#GovFin>>.

and social security contributions withheld by companies from the compensation of their employees, such as under PAYE.

11. **Taxes on property (113E):** These are taxes paid on the use, ownership, or transfer of wealth. The taxes may be levied at regular intervals, one time only, or on a change of ownership. These taxes are often paid to local governments.
12. **General taxes on goods and services (VAT, sales tax, turnover tax) (1141E):** These are taxes levied on the production, leasing, delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services. These taxes may be levied regardless of whether the goods and services are produced domestically or imported, and they may be imposed at any stage of production or distribution. Refunds of these taxes when goods and services are exported are recorded as a reduction of the taxes within this category.
13. **A value-added tax is a tax on goods and services collected in stages by enterprises, but which is ultimately charged in full to the final purchaser.** Companies usually collect the VAT from purchasers on their sales, and deduct the VAT paid on their purchases. In the majority of cases, companies are able to claim input tax credits as the companies' purchases are for intermediate and not for final consumption. In some countries, natural resource enterprises do not have input tax credits available to reclaim any value-added taxes paid, and therefore receive no refunds.
14. **Excise taxes (1142E):** Excises are taxes levied on individual products (e.g., hydrocarbon oils, tobacco goods, sugar), or on a limited range of products, that are not classifiable under general taxes on goods and services (1141E); profits of fiscal monopolies (1143E); customs and other import duties (1151E); or taxes on exports (1152E). Taxes on the use of utilities, such as water, electricity, gas, and energy are regarded as excise taxes.
15. **Profits of natural resource fiscal monopolies (1143E):** This item covers that part of the profits of fiscal monopolies that is transferred to the government. Fiscal monopolies are public corporations or quasi-corporations that exercise the taxing power of government by the use of monopoly powers over the production or distribution of a particular kind of good or service. The monopolies are created to raise government revenue that could otherwise be gathered through taxes on private sector production or distribution of the commodities concerned. Typical commodities subject to fiscal monopolies are tobacco products, petroleum products, salt, etc. Depending on the specific circumstances of a given country, the profits transferred to the government by a public company would be classified as dividends (when no monopoly exists) or as profits of fiscal monopolies (when a monopoly exists).
16. **License fees (114521E):** These are payments where no specific service is attached or, in general, the amount of the fee is significantly disproportionate to the service

provided. These taxes may be levied on a one-time basis, at regular intervals, or each time goods are used. Examples include licenses for exploration or extraction. If there is a specific service attached to the fee and the payment is proportionate to the service, it should be recorded as a sale of a service under the subcategory Administrative fees for government services (1422E).

- 17. Emission and pollution taxes (114522E):** These are taxes levied on the emission or discharge into the environment of noxious gases, liquids, or other harmful substances. Amounts payable to government for the collection and disposal of waste or noxious substances are excluded from this category, as they constitute sales of goods and services. These taxes include mandatory contributions to environmental funds that are calculated on the basis of the amounts discharged of a particular pollutant. Mandatory general contributions to environmental funds, without regard to amount of pollutants discharged, would be classified under the category Other taxes paid by extractive companies (116E).
- 18. Motor vehicle taxes (11451E):** These are taxes on the use of motor vehicles or permission to use motor vehicles. It does not include taxes on motor vehicles as property or net wealth, or tolls for use of roads, bridges, and tunnels.
- 19. Customs and other import duties (1151E):** This category covers all taxes paid by extractive companies on goods because they are entering the country or services because they are delivered by nonresidents to residents. The duties may be determined on a specific or ad valorem basis, but they must be restricted by law to imported products. Included are duties levied under the customs tariff schedule and its annexes, including surtaxes that are based on the tariff schedule, consular fees, tonnage charges, statistical taxes, fiscal duties, and surtaxes not based on the customs tariff schedule.
- 20. Taxes on exports (1152E):** This category includes all levies on goods that are transported out of the country, or services that are provided to nonresidents by residents.
- 21. Profits of natural resource export monopolies (1153E):** Governments may establish companies with the exclusive right to export natural resource products to nonresidents to raise revenue that could be gathered through taxes on exports. When such monopolies exist, the profits remitted to governments by the monopolistic enterprise or marketing board are considered to be taxes. Such profits are recorded as tax revenue when transferred to the government and do not include the retained reserves of the enterprises or marketing boards.
- 22. Other taxes paid by extractive companies (116E):** This item covers revenue from taxes levied predominantly on a base or bases not elsewhere classified under the preceding tax headings, and unidentified taxes. Also included in this category are interest and penalties collected for late payment or non-payment of taxes but not

identifiable by tax category. Stamp taxes that do not fall exclusively or predominantly on a single class of transactions would be included here.

- 23. Social security employer contributions (1212E):** Social contributions (12E) are actual or imputed receipts either from employers on behalf of their employees or from employers, self-employed, or unemployed persons on their own behalf that secure entitlements to social benefits for the contributors, their dependents, or their survivors. The contributions may be compulsory or voluntary. Social security contributions are compulsory social contributions to social security schemes. This category includes the contributions paid directly by employers on behalf of their employees, and excludes the contributions deducted from employees' wages and salaries and other compensation and transferred by employers on their behalf.
- 24. Dividends (1412E):** Dividends refer to payments to general government units, in their capacity as owners and/or shareholders in an enterprise. Equity funds do not entitle shareholders to a fixed or predetermined income. General government units may receive dividends from private or public companies. Distributions of profits by public companies may take place irregularly and may not be explicitly labeled as dividends. Dividends include all distributions of profits by companies to their owners or shareholders (except withdrawals from income of quasi-corporations). Dividends from natural resource companies may take two forms: dividends from state-owned enterprises (**1412E1**), and dividends from government participation (equity) in natural resource companies (**1412E2**).
- 25. When payments are received from public companies (e.g., oil companies or mining companies) it can be difficult to decide whether they are dividends or withdrawals of equity.** It is important to distinguish between the return of the equity investment by the enterprise to its owner and the payment of income in the form of dividends. Only regular distributions from the entrepreneurial income are recorded as property income, either as dividends or withdrawals of income from quasi-corporations. Large and irregular payments, based on accumulated reserves or sale of assets are recorded as a withdrawal of equity, a financing transaction. An enterprise may, however, smooth the dividends it pays from one period to the next so that in some periods it pays more in dividends than it earns from its productive activities.
- 26. In some cases, the government may receive dividend payments in kind.** These should be valued at the market price for the goods in kind at the time of the transaction. Note that for in-kind transactions to be recorded under this category, the amount should be set by the enterprise of its own volition and not mandated by the government. If the amount of in-kind payment is predetermined or fixed, it should be recorded under the sub-category production entitlements.

- 27. Withdrawals from income of quasi-corporations (1413E):** Conceptually the withdrawal of income is equivalent to the distribution of company income (dividends), except that the company making the payment is not legally established as a company.
- 28. Rent (1415E):** Rent is the property income received by the owners of a natural resource for putting the natural resource at the disposal of another institutional unit (e.g., a company). General government units may grant leases that permit other units to extract deposits over a specified period of time in return for a payment or series of payments. These payments are often described as “royalties.” The rents may take the form of periodic payments of fixed amounts or, more usually, will be derived according to the quantity, volume, or value of the asset extracted. Companies engaged in exploration may make payments to general government units in exchange for the right to undertake test drilling or otherwise investigate the existence and location of subsoil assets. Such payments are also treated as rents even though no extraction may take place. Rents are the sum of royalties, bonuses, production entitlements, compulsory transfers to government (infrastructure and other), and other rent payments. Note that this definition of rent is narrower than the concept of ‘resource rent’, which often is understood to include also revenue streams such as extraordinary taxes.
- 29. The proper recording of rent presents practical challenges because payments to governments described as rent or royalties often include a mix of payments.** Some may effectively be rent and others may be taxes or fees. The latter should be classified in the corresponding sub-category and not under rent. A further complicating factor for the proper recording of rent is that in some cases payments to government not described as rent or royalties (e.g. taxes, fees) should actually be classified as rent. The key to determine whether a given payment is rent is whether the payment is made to the government as owner of the natural resource.
- 30. Royalties (1415E1):** These are payments to the government (as owner of the subsoil asset) based on the production or extraction levels of a commodity. The royalties will usually be derived according to the quantity, volume, or value of the asset extracted. For example, the royalty will be levied as a dollar amount per ton (or equivalent) or as a percentage of the value of the resource extracted. If the general government does not own the subsoil assets but similar taxes are levied, then these payments should be recorded under other taxes on goods and services.
- 31. Bonuses (1415E2):** These are payments to general government units that are related to awards, grants, or transfer of extraction rights. These payments are sometimes called signature, discovery, or production bonuses. In the case of signature payments, these do not have to be linked to either the discovery or extraction of resources. Payments can also be tied to the achievement of certain production levels or targets. Bonus payments can also be for the discovery of additional mineral reserves or deposits. Payments can be in the form of periodic payments or a fixed amount. Bonuses are payments made to

the government because it is the owner of the subsoil asset and has given a company the right to extract the resource.

- 32. Production entitlements (1415E3):** Production entitlements are the volumes of output the general government is entitled to receive as mandated in any agreement or license. These mandated volumes can be paid in cash or in kind, and can be net of any other royalty payments. The production entitlements may be delivered (physical) or paid (monetary) directly to government (**1415E31**), or they may be delivered (physical), or paid (monetary) to a state-owned enterprise (**1415E32**). For in-kind payments, these should be valued at market price (or cost of extraction).
- 33. If a state-owned enterprise receives production entitlements from private companies, the revenue from production entitlements should be attributed to the general government.** Production entitlements are generally stipulated in Production Sharing Contracts or Production Sharing Agreements. These contracts can be with either the general government or a government-owned corporation. In either case, the revenue from production entitlements should be attributed to the general government. Any production entitlement that is received by a public enterprise should be rerouted to be shown as being received by the general government unit. The rerouting is done to properly record the underlying economic event that it is the government as owner of the resource that is the true recipient of the production entitlements, which it then chooses to transfer to a public enterprise.
- 34. Compulsory transfers to government (infrastructure and other) (1415E4):** These are payments where extractive companies are required to provide social infrastructure or other transfers as part of their contractual arrangements to exploit the resource. Payments can either be cash or in-kind (completed infrastructure). The value of the payment should in principle be equal to the value of the infrastructure.
- 35. For social infrastructure payments, the timing of the recording of the payment should be as the work on the infrastructure is being performed.** If this is not feasible, the recording of the transaction may occur on completion of the infrastructure project, or when ownership is handed to the government. The compulsory nature of the infrastructure payments means that they are not grants, because grants are non-compulsory transfers.
- 36. Other rent payments (1415E5):** This sub-category covers any payments by extractive companies to the government as owner of the resource not included in the previous four sub-categories of rent.
- 37. Sales of goods and services by government units (1421E):** This category covers all sales of goods and services by government units to extractive companies.

- 38. Administrative fees for government services (1422E):** This category includes fees for compulsory licenses and other administrative fees that are sales of services by government. Most are applicable to all sectors and industries of an economy (such as passports, visas, court fees). There may be specific licenses that apply only to resource extraction. Typical examples are licenses for specialized equipment operation or licenses linked to qualifications to operate a mine. For these fees to be considered a sale of a service, the general government unit must exercise some regulatory function—for example, checking the competence or qualifications of the person concerned, checking the efficient and safe functioning of equipment in question, or carrying out some other form of control that it would otherwise not be obliged to do. If a payment is clearly out of proportion to the cost of providing the service, then the fee is classified as taxes on use of goods and on permission to use goods or perform activities.
- 39. Fines, penalties, and forfeits (143E):** This category includes compulsory transfers imposed by courts of law or quasi-judicial bodies for violations of laws or administrative rules, and forfeits. Out of court agreements are also included. Transfers of these types related to taxes are classified under the related tax.
- 40. Voluntary transfers to government (donations) (144E1):** This category includes gifts and voluntary donations from companies to governments (usually local). These include transfers for the construction or purchase of cultural centers, hospitals, museums, schools, and theatres, and gifts of land, buildings, or intangible assets such as patents and copyrights. Buildings could be extended to include roads, bridges, dams, and other civil infrastructure. If the transfer is in the form of a gift that is a completed structure rather than a voluntary payment for construction work, the value recorded should be at either the cost of producing the structure or a fair market value.