

DECREE No.48/2000/ND-CP OF SEPTEMBER 12, 2000 DETAILING THE IMPLEMENTATION OF THE PETROLEUM LAW

THE GOVERNMENT

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

Pursuant to the Petroleum Law of July 6, 1993;

Pursuant to the June 9, 2000 Law Amending and Supplementing a number of Articles of the Petroleum Law;

At the proposal of the Minister-Director of the Government's Office,

DECREES:

Chapter I

GENERAL PROVISIONS

Article 1.- Scope of regulation

This Decree details the implementation of the Petroleum Law passed on July 6, 1993 by the IXth National Assembly of the Socialist Republic of Vietnam and the Law Amending and Supplementing a Number of Articles of the Petroleum Law passed on June 9, 2000 by the Xth National Assembly of the Socialist Republic of Vietnam (hereinafter referred collectively to as the Petroleum Law).

Article 2.- Objects of application

This Decree shall apply to the activities of prospecting and exploring oil and gas, developing oil and gas fields and exploiting oil and gas, including processing, gathering, storing and transporting oil and gas from the exploitation areas to the places of delivery and the petroleum service activities in the inland, islands, inland waters, territorial waters, exclusive economic zones and continental shelf of the Socialist Republic of Vietnam, as well as on projects, means and facilities in service of petroleum activities as provided for in Article 47 of the Petroleum Law.

Article 3.- Subjects entitled to carry out petroleum activities

Organizations and individuals entitled to carry out petroleum activities shall include:

1. Vietnam Oil and Gas Corporation;
2. Other State enterprises set up under the Law on State Enterprises;
3. Enterprises set up under the Enterprises Law;
4. Foreign-invested enterprises in Vietnam;
5. Foreign organizations and individuals making direct investments in Vietnam;
6. Overseas Vietnamese making investments in Vietnam.

Organizations and individuals defined in Clauses 2, 3, 4, 5 and 6 of this Article may conduct petroleum activities on the basis of petroleum contracts signed with the Vietnam Oil and Gas Corporation.

Where petroleum activities are carried out arbitrarily, the Vietnam Oil and Gas Corporation shall have to draw up plans to submit them to the Prime Minister for approval and have to abide by the provisions of the Petroleum Law, the State Enterprises Law, this Decree as well as other relevant provisions of Vietnamese laws.

Article 4.- Term definition

In this Decree, the following terms shall be understood as follows:

1. "Fixed works" are works built and installed fixedly and used in service of petroleum activities.
2. "Contractual area" is the area determined on the basis of prospection and exploration lots as agreed upon in the petroleum contracts or the remaining area after the return of area.
3. "Place of delivery" is the place agreed upon in the petroleum contract, where the oil and gas ownership is transferred to parties to the petroleum contract.
4. "Fair transaction contract" is the transaction contract between the buyer and the seller in the market relationship, excluding internal sale and purchase contracts of a company, between Governments, between Governmental organizations, or any transaction and exchange affected by irregular trade relations.
5. "Accompanied gas" is hydrocarbon in gaseous form, which is separated in the course of crude oil exploitation and processing.
6. "Field development" is the process of preparing and investing in the project construction, exploitation drilling, equipment installation in order to put oil and gas fields into exploitation as from the time such fields are declared having commercial value.
7. "Net oil and gas output" is the output of oil and gas exploited and retained from the contractual area and measured at the place of delivery.

Chapter II

PETROLEUM ACTIVITIES

Article 5.- Work plans and programs

1. Organizations and individuals, when conducting oil and gas prospection, exploration and exploitation activities must draw up general plans, detailed plans for such activities, and submit them to the oil and gas State management body for consideration and approval.

The time limit for consideration and approval shall not exceed sixty (60) days for a general plan and thirty (30) days for detailed plan from the date of receiving such plans.

2. Organizations and individuals, when conducting oil and gas prospection, exploration and exploitation activities, shall have to draw up yearly working plan corresponding to each period in conformity with the commitments in the petroleum contracts regarding the time limit, work contents, financing, and send them to the Vietnam Oil and Gas Corporation for agreement on the implementation thereof.

Article 6.- Applicable criteria

Organizations and individuals, when conducting petroleum activities, shall have to apply Vietnamese criteria on safety, environment, relevant techniques and technologies.

Where the Vietnamese criteria are not available, the organizations and individuals carrying out petroleum activities may apply the criteria defined in the international agreements which Vietnam has acceded to or signed.

The application of other criteria must be permitted by the Ministry of Science, Technology and Environment.

Article 7.- Documents on environment and safety

Organizations and individuals, before conducting oil and gas prospection, exploration and exploitation activities, shall have to compile and submit to the competent State bodies the following documents:

- The report on assessment of environmental impacts;
- The safety control program and the evaluation of risks enclosed with measures to limit incidents and damage;
- The contingency plans, including technical solutions and the use of means and equipment to overcome incidents.

Article 8.- Requirements on environment protection and safety

Organizations and individuals conducting oil and gas prospection, exploration and exploitation activities shall have to perform the following tasks to protect the environment and ensure the safety:

1. Setting up safety zones and maintain safety signals for petroleum projects and machinery as well as equipment as provided for in Article 11 of this Decree;
2. Applying measures to ensure safety according to the approved safety control program;
3. Implementing programs for observation of environmental changes, realizing environment protection plans and measures in order to prevent pollution and overcome consequences of incidents which caused environmental pollution according to the provisions of the environment protection legislation;
4. Minimizing adverse or bad impacts on environment such as soil, water, forest and/or air pollution, causing harms to the flora and fauna systems, causing ecological imbalance or badly affecting the living environment of people;
5. Updating data and finalizing the report on evaluation of risks, the report on implementation of contingency plans;
6. Fully recording incidents and accidents which have occurred;
7. Issuing emergency notices and promptly applying remedial measures in case of accidents or incidents;
8. Applying measures to ensure labor safety.

Article 9.- Responsibilities when incidents occur

Organizations and individuals conducting petroleum activities shall be held responsible before law for the human, material and environmental damage as well as for cleaning up and restoring the environment which has been directly or indirectly affected by petroleum activities.

Article 10.- Requirements on natural resources preservation

Organizations and individuals conducting oil and gas prospection, exploration and exploitation activities must abide by the regulations on preservation of natural resources as well as oil and gas resources and exploit oil and gas with the optimum recovery coefficients suitable to international practices in the oil and gas industry.

Article 11.- Oil and gas safety zones

The distance of safety zone for drilling and exploiting works on the sea is five hundred meters (500m) outwards from the outmost edge of the works or from the anchoring position for floating facilities, except for special cases decided by the Prime Minister. Within two (2) nautical miles from the outmost edge of the works, means and vessels are not allowed to anchor. Persons who have no responsibility are not allowed to infiltrate into the safety zones, except for special cases to be decided by the Prime Minister.

The safety zone around the oil and gas prospection, exploration and exploitation works on land shall be defined by the oil and gas State management body, depending on the geographical and social conditions of the places where petroleum activities are carried out.

Article 12.- Regulations on drilling

While conducting the drillings, organizations and individuals shall have to observe the following regulations:

1. Drilling according to designs or altered designs which have already been approved;
2. Not to carry out drillings outside the contractual areas;
3. Keeping all documents and specimen collected in the course of drilling and submit them to the Vietnam Oil and Gas Corporation;
4. Promptly notifying Vietnam Oil and Gas Corporation of other natural resources discovered while drilling.

Organizations and individuals conducting petroleum activities shall also have to abide by other provisions of the current regulations.

Article 13.- Regulations on oil and gas exploitation

Organizations and individuals exploiting oil and gas shall have to abide by the current regulations on oil and gas exploitation, strictly comply with the contents of the general plans as well as the field development plans, which have already been approved; apply advanced technical measures and use advanced equipment for optimum oil and gas recovery without causing harms to the earth's substrata, the ecological environment and the field safety.

Article 14.- Right to use equipment and means

The Vietnamese Government has the right to use equipment and means in service of petroleum activities, including pipelines and depots being managed and used by oil and gas exploiting organizations or individuals, provided that they shall not obstruct petroleum activities and not increase the costs for contractors.

Article 15.- Obligation to dismantle works

Organizations and individuals conducting oil and gas prospection, exploration and exploitation activities must draw up programs, plans and cost estimates for the dismantlement of fixed works in service of oil and gas prospection, exploration and exploitation activities and submit them to the oil and gas State management body for approval. The dismantling expenses shall be calculated into the costs of oil and gas recovery.

At the request of the oil and gas State management body, organizations and individuals carrying out oil and gas prospection, exploration and exploitation activities may not dismantle or may dismantle only part of the above-said fixed works.

Article 16.- Petroleum insurance

Organizations and individuals carrying out petroleum activities shall have to buy insurance in accordance with the provisions of Vietnamese law and international practices in the oil and gas industry, particularly insurance for projects in service of petroleum activities, environmental pollution insurance, human life insurance, property insurance and the third party's civil liability insurance.

They are encouraged to buy insurance at Vietnamese insurance companies.

Article 17.- Vietnam Oil and Gas Corporation's responsibility to report

The Vietnam Oil and Gas Corporation shall have to forward to the oil and gas State management body the following documents:

1. Annual and long-term planning and plans on petroleum activities;
2. Quarterly and annual sum-up reports on the work performance and results of the petroleum activities;
3. The reports on implementation of economic and/or technical projects for petroleum activities;
4. Reports on important events and incidents related to petroleum activities;
5. Other reports at the request of the oil and gas State management body.

The time limit and content for each type of document shall be stipulated by the oil and gas State management body.

Article 18.- Information supply

Contractors shall have to fully supply information, data and reports on petroleum activities according to regulations of the oil and gas State management body.

The competent State management bodies may request contractors to supply information and reports when necessary, in accordance with their respective State management functions.

Article 19.- Keeping confidential information

Reports and information must be kept confidential according to the provisions of Vietnamese law.

Organizations and individuals conducting petroleum activities may use and keep in Vietnam the original documents, specimen and reports; may temporarily export for re-import such documents and specimen according to the regulations of competent State bodies.

Chapter III

PETROLEUM CONTRACTS

Article 20.- Forms of petroleum contract

Petroleum contracts shall be signed in the following forms:

- Production-sharing contracts;
- Joint operation contracts;
- Joint-venture contracts.

Besides the above contractual forms, the Vietnam Oil and Gas Corporation and partners may opt for other contractual forms.

Article 21.- Operators

The nomination or hiring of operators shall be agreed upon in the petroleum contracts or made in a separate document.

The scope of authorized operators' activities shall be agreed upon by contractual parties in the petroleum contracts or documents on nomination or hiring of the operators.

The operators may represent the contractual parties to conduct oil and gas prospection, exploration and exploitation activities, exercise the rights and perform the obligations within the scope of authorization under the agreement on nomination or hiring of operators, and abide by other relevant provisions of Vietnamese law.

Article 22.- Joint operation companies

A joint operation company is established to represent the contractual parties to conduct oil and gas prospection, exploration and exploitation activities, exercise the rights and perform the obligations within the scope of authorization under the agreement on joint operation, and abide by other relevant provisions of Vietnamese law.

The joint operation companies have their own seals, may open accounts, recruit labor, sign economic contracts and conduct other activities as authorized.

The Ministry of Planning and Investment shall prescribe the organization and operation of the joint operation companies.

Article 23.- Bidding for lots

The oil and gas State management body shall organize lots bidding according to the regulations on bidding for oil and gas prospection, exploration and exploitation lots, issued by the Vietnamese Government.

Where only one partner participates in bidding or for other special cases, the Prime Minister shall decide the appointment of bidders at the proposal of the oil and gas State management body.

Article 24.- Prospection and exploration stage

The prospection and exploration stage defined in Article 17 of the Petroleum Law may be divided into small phases. The time limits of small phases shall be agreed upon by the contractual parties.

Article 25.- Prolongation of the prospection and exploration stage

Where the prospection and exploration stage expires while the contractors have not yet fulfilled their working programs, the time limit of the prospection and exploration stage may be prolonged according to the provisions in Article 17 of the Petroleum Law. The contractors and the Vietnam Oil and Gas Corporation must submit the documents stating clearly the reasons for the prolongation to the Ministry of Planning and Investment for consideration and approval before the end of the prospection and exploration stage.

Article 26.- Retaining areas where gas is discovered

The gas discovery of commercial value as stipulated in Article 17 of the Petroleum Law means the gas discovery where, through the reserve evaluation and preliminary assessment by the contractors, the investment in exploitation shall yield results.

The contractors and the Vietnam Oil and Gas Corporation shall have to compile documents stating clearly the reasons therefor and the duration for temporary retaining of the areas where gas is discovered, and submit them to the Prime Minister for consideration and decision. If the duration for retaining the area where gas is discovered has prolonged for up to five (5) years and the contractor still fails to find the gas outlets, the Prime Minister may permit further prolongation for two (2) more years at the request of the contractor and the Vietnam Oil and Gas Corporation.

Where the contractor deliberately delays or lacks goodwill in reaching the agreement on the gas purchase and sale contract, the permitted retaining of the area where gas is discovered may be suspended or may not be considered for prolongation.

Article 27.- Temporarily ceasing the exercise of a number of rights and obligations in the petroleum contracts

1. Temporary cessation in case of force majeure.

Parties to a petroleum contract may agree upon the mode of temporary cessation of exercising a number of rights and obligations in the petroleum contract in case of force majeure circumstances under the provisions in Article 17 of the Petroleum Law. The force majeure circumstances shall be agreed upon by the contractual parties in the petroleum contract.

Where the force majeure circumstance ends but its consequences have not yet been overcome, the continuation of the temporary cessation of exercising a number of rights and obligations in the petroleum contract shall be considered and decided by the Prime Minister.

2. Temporary cessation in special cases.

Special cases of temporary cessation of exercising a number of rights and obligations in petroleum contracts under the provisions in Article 17 of the Petroleum Law mean cases of temporary cessation for defense, security or other special reasons. The Prime Minister shall consider and decide case by case at the proposal of the contractors and the Vietnam Oil and Gas Corporation.

Article 28.- Return of prospection and exploration areas

The contractors shall have to return the prospection and exploration areas under the following regulations:

1. Not less than 20% of the initial contractual area shall be returned by the end of each small phase of prospection and exploration.

2. The entire remaining contractual area shall be returned after the conclusion of the prospection and exploration stage, excluding areas being under deposit appraisal, field development or oil and gas exploitation areas and areas retained under the provisions of Article 17 of the Petroleum Law.

Contractors may voluntarily return areas at any time during the prospection and exploration stage. The voluntarily returned areas shall be subtracted from the obligation to return areas. The voluntary return of areas shall not reduce the obligations already committed in the petroleum

contracts.

The returned areas must create simple geometric forms.

Fixed works must be dismantled from the returned areas under the provisions in Article 15 of this Decree.

Article 29.- Work commitments

Contractors and the Vietnam Oil and Gas Corporation must reach agreement on work programs in the prospection and exploration stage with minimum commitments regarding the geographic survey volume, drilling well volume and other general researches as well as commitments regarding training, recruitment and technology transfer.

The cost estimate for the above-mentioned minimum work commitments shall be considered the minimum financial commitment. A contractor shall be considered as having fulfilled the minimum financial commitment when the minimum work commitments have already been fulfilled.

Where contractors ask for the termination of the petroleum contracts but have not yet fulfilled the minimum work commitments, they shall have to return to the Vietnam Oil and Gas Corporation a sum of money corresponding to the work volume committed to perform but not yet completed, which is calculated according to the minimum financial commitment.

Article 30.- Early exploitation

During the prospection and exploration stage, if contractors conduct early exploitation in the contractual areas, they shall have to submit to the oil and gas State management body the early exploitation plans for approval as stipulated by the Petroleum Law and this Decree.

Article 31.- Work to be done after discovery of oil and gas

After discovering oil and gas, contractors shall have to promptly notify and report on the research results, evaluation and relevant documents to the oil and gas State management body and the Vietnam Oil and Gas Corporation.

Contractors and the Vietnam Oil and Gas Corporation shall have to reach agreement in the petroleum contracts on terms regarding grounds to determine wells of commercial value, time limit for submitting the well reserve appraisal programs, outline plans and field development plans.

Contractors shall have to notify the reserve appraisal results to the Vietnam Oil and Gas Corporation. If the appraisal results show that the wells are of commercial value, the contractors are entitled to declare commercial discovery.

Contractors and the Vietnam Oil and Gas Corporation shall have to submit to the oil and gas State management body the deposit reports and the field development plans for submission to the Prime Minister for approval.

After the field development plans are approved, if the contractors fail to proceed with the field development and oil and gas exploitation according to the time limits prescribed in the written approval, the oil and gas State management body is entitled to recover the fields.

Article 32.- Using petroleum for exploitation activities

In the course of oil and gas exploitation, contractors may use oil and gas exploited from the contractual areas for prospection, exploration and exploitation activities at the levels suitable to the international practices in petroleum industry.

Article 33.- Periodical reports

In the course of oil and gas exploitation, contractors shall have to submit periodical reports on exploitation output, constituents and percentage of oil and gas exploited from each well, each subject conducting exploitation to the Vietnam Oil and Gas Corporation.

The above reports must also include information on oil and gas volume used in service of exploration and exploitation, the volume of oil and gas lost or burned off.

Article 34.- Using accompanied gas

Contractors may use accompanied gas exploited in the contractual areas as fuel in service of petroleum activities at fields or for back injection into wells.

Accompanied gas shall be burnt off only when so permitted by the oil and gas State management body.

The Vietnamese Government shall be entitled to use the accompanied gas free of charge, which the contractors intend to burn off if this does not obstruct the contractors' activities. In that case, the contractors shall have to create conditions for the above work to go smoothly.

Article 35.- Oil and gas field stretching beyond the contractual areas

Where oil and gas fields stretch beyond the contractual areas to blocks neither opened to bidding nor having bidders appointed, the Vietnam Oil and Gas Corporation and the contractors shall elaborate projects for cooperation in exploiting such entire fields and submit them to the Prime Minister for approval.

Article 36.- Field consolidation

Where oil and gas fields of the contractual areas stretch into the areas of blocks already opened to bidding, having bidders already appointed or with petroleum contracts being already signed, the concerned parties shall agree to draw up projects for joint exploitation of the entire field and submit them to the Prime Minister for approval.

Chapter IV

RIGHTS AND OBLIGATIONS OF ORGANIZATIONS AND INDIVIDUALS CONDUCTING PETROLEUM ACTIVITIES

Article 37.- Right to sign contracts in service of petroleum activities

Organizations and individuals conducting oil and gas prospection, exploration and exploitation activities shall have the right to sign goods purchase and sale contracts, petroleum service contracts with subcontractors or with other organizations and individuals in service of petroleum activities

Contractors and subcontractors shall have to prioritise the purchase of goods made and supplied by Vietnam; prioritise the signing of service contracts with Vietnamese organizations and/or individuals on the principle of ensuring the competitiveness in prices and quality.

Article 38.- Regimes towards laborers

Contractors must work out the labor rules, wage scales, regime of bonus and allowance payment and other regimes for the laborers in conformity with the provisions of Vietnamese legislation on labor, taking into account international practices in the petroleum industry; work out the payroll tables, the annual plans for labor recruitment and training.

Article 39.- Recruitment and signing of labor contracts

Foreign organizations and individuals conducting petroleum activities must prioritise the employment of Vietnamese laborers and may recruit foreigners to perform jobs which Vietnamese laborers remain unable to do, but have to channel funding and work out plans for training so that Vietnamese laborers can soon replace the foreigners.

The labor recruitment must comply with the provisions of Vietnamese legislation on labor.

Foreign organizations and individuals conducting petroleum activities may directly recruit and sign labor contracts with persons who have work permits.

Article 40.- Rights to open accounts and buy foreign currencies

1. Contractors being foreign organizations or individuals may open accounts in Vietnam and overseas. When opening accounts overseas, the contractors shall have to register it with Vietnam State Bank.
2. After fulfilling the tax obligations under the provisions of Vietnamese law, the contractors being foreign organizations and individuals may transfer or retain abroad their incomes from the sale of oil and gas belonging to recovery costs, their profits and other lawful incomes in the course of petroleum activities.
3. Contractors being foreign organizations and individuals may buy foreign currencies at commercial banks or credit institutions licensed to trade in foreign currencies in Vietnam to satisfy the requirements of current transactions or other licensed transactions under the provisions of Vietnamese legislation on foreign exchange management.

Article 41.- Ensuring the balance of foreign currencies

1. Important projects ensured with foreign currency balance are oil and gas exploitation projects of contractors being foreign organizations and individuals, with all or part of oil and gas being sold on the Vietnamese market in service of particularly important projects investing under the Vietnamese Government's programs, and projects with oil and gas sold at the request of the Vietnamese Government as provided for in Clause 9 of Article 30 of the Petroleum Law.
2. The foreign currency amounts balanced by the Vietnamese Government under the provisions in Clause 1 of this Article are the foreign currency deficit amounts after the contractors being foreign organizations and individuals have bought at commercial banks and credit institutions licensed to trade in foreign currencies in Vietnam, which, however, must not exceed the amounts of Vietnam dong earned by the contractors from the sale of oil and gas on the Vietnamese market.
3. The conversion of Vietnam dong into freely convertible foreign currency(ies) shall be made at the exchange rates of the commercial banks announced at the time of conversion.

Article 42.- The duty to sell crude oil on the Vietnamese market

In emergency cases, at the request of the Vietnamese Government, the contractors have the duty to sell part of crude oil under their ownership on the Vietnamese market.

The crude oil volume to be sold on the Vietnamese market at the request of the Vietnamese Government is determined in percentage (%) between the crude oil volume under such contractors' ownership and the total crude oil volume owned by all contractors exploiting oil and gas in Vietnam.

The price of crude oil sold at the request of the Vietnamese Government is the selling price at the international competitive price.

Article 43.- Rights and obligations of joint-venture enterprises

Where a petroleum contract is signed in form of joint-venture contract, the joint-venture enterprises may enjoy rights and perform obligations agreed upon in the joint-venture contract, the rights and obligations of the contractors are prescribed in this Chapter and the corresponding provisions of the Law on Foreign Investment in Vietnam.

Chapter V

PROVISIONS ON TAXATION AND FINANCE

Article 44.- Natural resource tax on crude oil

Organizations and individuals exploiting crude oil shall have to pay natural resource tax.

The natural resource tax on crude oil shall be determined on the basis of gradual progress of the total crude oil output actually exploited in each tax payment period, calculated according to the average daily crude oil output of the entire contractual area.

The index of natural resource tax on crude oil is stipulated as follows:

Exploitation output	Investment encouragement projects	Other projects

Up to 20,000 barrels/day	4%	6%
Over 20,000 to 50,000 barrels/day	6%	8%
Over 50,000 to 75,000 barrels/day	8%	10%
Over 75,000 to 100,000 barrels/day	10%	15%
Over 100,000 to 150,000 barrels/day	15%	20%
Over 150,000 barrels/day	20%	25%

Article 45.- Natural resource tax on natural gas

Organizations and individuals exploiting natural gas shall have to pay the natural resource tax.

The natural resource tax on natural gas shall be determined on the basis of gradual progress of the total gas output actually exploited in each tax payment period, calculated according to the average daily gas output exploited from the entire contractual area.

The index of natural resource tax on natural gas is stipulated as follows:

Exploitation output	Investment encouragement projects	Other projects
Up to 5 million m3/day	0%	0%
Over 5 million m3 to 10 million m3/day	3%	5%
Over 10 million m3/day	6%	10%

Article 46.- Natural resource tax calculation prices

The price for calculation of natural resource tax on crude oil is the average price of crude oil sold at the time of receipt and delivery under the fair transaction contracts in the tax payment period.

The price for calculation of natural resource tax on natural gas is the selling price under the fair transaction contract at the time of receipt and delivery in the tax payment period.

Where oil or gas is not sold under the fair and straight transaction contract, the natural resource tax calculation price shall be determined by the Finance Ministry on the basis of the market price, taking into account the oil or gas quality, location and other relevant factors.

Article 47.- Natural resource tax payment mode

The natural resource tax shall be paid in oil and gas or in cash, or partly in cash and partly in oil and gas, depending on the tax offices' options.

The tax offices shall notify organizations and individuals exploiting oil and/or gas 6 months in advance of the natural resource tax payment in cash or in oil and gas.

The natural resource tax shall be temporarily paid monthly and settled quarterly.

If the natural resource tax is collected in oil and/or gas, the tax payment location shall be the delivery place. Where the tax office request that the natural resource tax be paid at other location, the tax payers shall be entitled to subtract the transport expenses and other direct expenses arising from the change of tax payment location from the natural resource tax amount to be paid.

Article 48.- Enterprise income tax

Organizations and individuals conducting oil and gas prospection, exploration and exploitation shall have to pay enterprise income tax.

The bases for calculation of enterprise income tax shall be the total taxable income in the tax payment period and the tax rates prescribed in Article 33 of the Petroleum Law.

The total taxable income shall include the income from the oil and gas prospection, exploration and exploitation activities and other incomes.

The income from oil and gas prospection, exploration and exploitation activities is equal to the turnover minus the expenses related to oil and gas prospection, exploration and exploitation activities in the tax payment period as prescribed in Articles 49 and 50 of this Decree.

Other incomes shall include:

1. Difference between security purchase and sale;
2. Income from property ownership and use rights;
3. Proceeds from assignment;
4. Earnings from deposits, capital lending;
5. Difference from foreign currency sale;
6. Recovered bad debts which had been written off from accounting books;
7. Collection of payable debts whose creditors cannot be identified;
8. Income from other turnovers related to oil and gas prospection, exploration and exploitation activities after subtracting the expenses for creation of such income;
9. Other incomes.

Article 49.- Turnover

Turnover from oil and gas prospection, exploration and exploitation activities, which serve as basis for determination of the income liable to enterprise income tax is the total value of oil and gas sold under a fair transaction contract.

Where oil and gas is sold not according to the fair transaction contract, the turnover used for determination of income liable to enterprise income tax shall be determined by way of multiplying the sold oil and gas volume by the price set by the Finance Ministry according to the provisions in Article 46 of this Decree.

Article 50.- Expenses subtracted for determination of income liable to enterprise income tax

The expenses to be subtracted for determination of income liable to enterprise income tax shall include:

1. Expenses permitted to be recovered under the agreement in the petroleum contracts;
2. Natural resource tax;
3. Export tax;
4. Petroleum royalty agreed upon in the petroleum contracts;
5. Contributions as financial support for social and charity purposes.

Article 51.- Expenses not to be calculated into recoverable expenses

The expenses not to be calculated into recoverable expenses shall include:

1. Expenses arising before the petroleum contracts take effect, except where they have been agreed upon in the petroleum contracts or approved by the competent State management bodies;
2. Assorted petroleum royalties and other commitments, which shall not be recovered as agreed upon in the petroleum contracts;
3. The interests on loans for investment in exploration, field development and oil and gas exploitation;
4. Fines and compensation for damage and losses incurred due to the faults of such organizations or individuals;
5. The payment of natural resource tax, export tax, value added tax, enterprise income tax in Vietnam and foreign countries and tax on profit transfer abroad;
6. Losses indemnified by the insurance;
7. Financial support for social and charity purposes;
8. Unreasonable or invalid expenses which cannot be evidenced in the auditing, tax settlement and inspection.

Article 52.- Enterprise income tax exemption and reduction

Organizations and individuals conducting oil and gas exploration and exploitation under projects where investment in oil and gas activities is encouraged shall be entitled to enterprise income tax exemption for the first year after the taxable income is generated and fifty-percent (50%) reduction of their taxable enterprise income tax amount for the following year.

The Prime Minister shall decide the specific cases entitled to enterprise income tax exemption for the first two years after the taxable income is generated and fifty-percent (50%) reduction of the taxable enterprise income tax amount for two subsequent years.

Article 53.- Mode of enterprise income tax payment

The enterprise income tax shall be collected in cash and temporarily paid every quarter and settled every year.

Article 54.- Import tax exemption

1. The following goods items which are imported directly by organizations and/or individuals conducting oil and gas prospection, exploration and exploitation activities or by entrusted agents shall be exempt from import tax:

- Equipment, machinery, special-use transport means necessary for petroleum activities, special-use transport means for conveyance of workers (cars of 24 or more seats, water transport means), including components, details, spare parts, support auxiliaries, moulds, accessories accompanying machinery, special-use transport means, the above-said transport means;
- Supplies necessary for petroleum activities, which cannot be produced at home yet;
- Medical equipment and emergency medicines for use on drilling platforms and floating works when they are approved by the Health Ministry;
- Goods temporarily imported for re-export in service of petroleum activities;
- Office furniture and equipment in service of petroleum activities.

2. Goods prescribed in Clause 1 of this Article, which are imported by subcontractors and/or other organizations and/or individuals for supply to organizations and individuals conducting oil and gas prospection, exploration and exploitation activities through petroleum services contracts or goods supply contracts, shall be exempt from import tax.

Article 55.- Value added tax

1. The following goods items imported directly by organizations and/or individuals conducting oil and gas prospection, exploration and exploitation activities or by entrusted agents shall not be liable to value added tax:

- Equipment, machinery and their spare parts, special-use transport means which cannot be produced at home yet, but are necessary for oil and gas prospection, exploration and exploitation activities.

Where a complete synchronous equipment and machinery line, which is imported and not liable to value added tax, include equipment and/or machinery which can be produced in the country, the value added tax shall not be imposed on such complete synchronous equipment and machinery line;

- Imported supplies which cannot be produced in the country but are necessary for exploration and exploitation activities as well as field development;
- Goods temporarily imported for re-export in service of oil and gas prospection, exploration and exploitation activities.

2. Goods prescribed in Clause 1 of this Article, which are imported by subcontractors as well as other organizations and/or individuals for supply to organizations and/or individuals conducting oil and gas prospection, exploration and exploitation activities through oil and gas services contracts or goods supply contracts, shall not be liable to value added tax.

Article 56.- Retrospective collection of tax arrears

Goods exempt from import tax under the provisions of Article 54 or not liable to value added tax under the provisions of Article 55 of this Decree, if being:

1. Assigned in Vietnam not for the purpose of servicing the petroleum activities, they must be permitted by the Trade Ministry and subject to retrospective payment of import tax as well as other kinds of tax according to the provisions of Vietnamese law.
2. Assigned in Vietnam for the purpose of servicing the petroleum activities, they must be permitted by the Trade Ministry, exempt from retrospective payment of import tax but subject to the payment of other kinds of tax according to the provisions of Vietnamese law;
3. Transferring the ownership over supplies and equipment to the Vietnam Oil and Gas Corporation as agreed upon in the petroleum contracts, the contractors shall be exempt from retrospective payment of import tax and other taxes, but the Vietnam Oil and Gas Corporation shall have to pay taxes and charges related to the property ownership transfer and pay the levies for use of capital with regard to the amount of capital being the value of assets received from the contractors.

Article 57.- Determination of lists of equipment, machinery and supplies, which can be produced in the country

The Ministry of Planning and Investment shall issue the lists of equipment, machinery, special-use transport means and supplies, which can be produced in the country, for use as basis for import tax exemption under the provisions in Article 54 and the determination of goods not liable to value added tax under the provisions in Article 55 of this Decree.

Article 58.- Export tax exemption

1. Goods temporarily imported or goods imported but not used up shall be exempt from export tax when they are re-exported.
2. The oil and gas volume belonging to the natural resource tax of the State, when being exported, shall not be liable to export tax.

Article 59.- Enterprise income tax paid due to transfer of petroleum contract- participating capital

1. Contractors being foreign organizations or individuals conducting oil and gas prospection, exploration and exploitation activities shall have to pay enterprise income tax on income generated from the transfer of capital participating in the petroleum contracts according to the provisions of the Law on Foreign Investment in Vietnam.
2. Vietnamese organizations and individuals conducting oil and gas prospection, exploration and exploitation activities shall have to pay enterprise income tax on the income generated from the transfer of the capital participating in the petroleum contracts according to the Enterprise Income Tax Law.

Article 60.- Taxes to be paid by subcontractors

Subcontractors and other organizations or individuals that sign contracts for supply of goods and services to organizations and/or individuals conducting oil and gas prospection, exploration and exploitation activities shall have to pay assorted taxes according to the current law provisions, except for case of import of goods prescribed in Article 54 and Article 55 of this Decree.

Article 61.- Tax calculation year

The tax calculation year for organizations and individuals conducting oil and gas prospection, exploration and exploitation activities shall commence on January 1st and end on December 31st of the calendar year.

Organizations and individuals conducting oil and gas prospection, exploration and exploitation activities may request the Finance Ministry to permit the application of their own 12-month fiscal years for the enterprise income tax calculation and payment.

Article 62.- Accounting regime registration

Organizations and individuals conducting oil and gas prospection, exploration and exploitation activities shall have to register their applicable accounting regimes with the Finance Ministry and submit to the inspection of the financial bodies.

Article 63.- Financial reports

Organizations and individuals conducting oil and gas prospection, exploration and exploitation activities shall have to sent their annual financial reports to the investment license- granting bodies, the oil and gas State management body, the Finance Ministry and the General Department of Statistics within 3 months from the end of the fiscal year.

Before being sent to the above-said bodies, the financial reports must be audited by a Vietnamese auditing company or other independent auditing companies licensed to operate in Vietnam according to the provisions of Vietnamese legislation on audit.

Chapter VI

THE STATE MANAGEMENT OVER PETROLEUM ACTIVITIES

Article 64.- The Government's and the Prime Minister's competence for State management over petroleum activities

1. The Government shall exercise the unified State management over petroleum activities. The Government shall perform the following tasks and exercise the following powers:

- Issuing legal documents on management of petroleum activities;
- Deciding on strategies, policies and planning for development of petroleum industry;
- Deciding on cooperation in petroleum activities in areas overlapping with foreign countries;
- Deciding plans for international cooperation on oil and gas prospection, exploration and exploitation;
- Considering and deciding other matters according to its competence.

2. The Prime Minister shall perform the following tasks and exercise the following powers:

- Issuing lists of blocks; determining and adjusting boundaries of blocks;
- Representing the Government in approving petroleum contracts;
- Representing the Government in considering and deciding on the transfer of rights and obligations of petroleum contracts;
- Considering and deciding on appointment of bidders in order to select partners for signing petroleum contracts;
- Considering and deciding on other matters according to his/her competence.

Article 65.- Competence of the oil and gas State management body

The oil and gas State management body in charge of petroleum shall perform the function of State management over petroleum activities according to the Government's regulations; have the following tasks and powers:

1. Drafting and submitting to the competent State bodies for promulgation or promulgating according to its jurisdiction the legal documents on petroleum;
2. Drafting and submitting to the Government for approval the strategies and planning for development of petroleum industry;
3. Drafting and submitting to the Government for approval development plans and important petroleum investment projects;
4. Submitting to the Government the policies of encouraging oil and gas exploration and exploitation;
5. Submitting to the Prime Minister for decision the appointment of bidders to select partners for signing petroleum contracts;
6. Examining, inspecting and supervising petroleum activities;
7. Deciding on other matters under its competence for State management over petroleum activities.

Article 66.- Competence of the ministries, the ministerial-level agencies, the agencies attached to the Government and the provincial-level People's Committees for State management over petroleum

1. The Ministry of Planning and Investment shall appraise and submit to the Prime Minister for approval the bidding results for oil and gas exploration and exploitation blocks; assume the prime responsibility for the appraisal, granting investment licenses and adjusting investment licenses for petroleum investment projects according to the provisions of legislation on foreign investment in Vietnam; submit to the Prime Minister for permission the transfer of rights and obligations of petroleum contracts; report to the Prime Minister on the situation of investment license granting in the field of petroleum in Vietnam; perform other tasks under the Prime Minister's authorization.

2. The ministries, the ministerial-level agencies, the agencies attached to the Government and the provincial-level People's Committees shall, within the ambit of their respective jurisdiction, have to settle or coordinate with the oil and gas State management body, the Ministry of Planning and Investment and concerned bodies in settling matters regarding land, rational use of water sources, particularly aquaculture areas, marine creature preservation areas, health resort and tourist areas and other matters related to the carrying out of petroleum activities.

Chapter VII

INSPECTION OF PETROLEUM ACTIVITIES

Article 67.- Specialized inspection

Petroleum activity inspection is the specialized inspection which aims to ensure the observance of the Petroleum Law and legal documents related to petroleum activities. The oil and gas State management body shall perform the function of petroleum specialized inspection and issue decisions on petroleum activity inspection.

An inspection decision shall include the following principal contents:

- The composition of the inspection team;
- The inspected subjects;
- The inspection contents;
- The inspection place;
- The inspection duration;
- The requirements on inspected subjects.

Article 68.- Rights and responsibilities of inspection teams

1. The inspection teams shall have the following rights:

- To bring along necessary technical means in service of inspection activities.
- To request the inspected subjects to supply necessary documents within a given time limit. If past such time limit the inspections' requests are not met, the inspection teams shall issue decisions on application of other necessary measures to gather materials according to the provisions of Vietnamese law.
- To issue decisions on temporary suspension of petroleum activities when there appear dangers of accidents, serious human and material losses and damage to environment.

The temporary suspension duration must not exceed 15 days. Within 24 hours from the time the decision is issued, the inspection team shall have to notify its decision to the competent State management bodies and propose handling measures. Within 15 days from the date the inspection team issues the suspension decision, the competent State management bodies shall have to issue the handling decision.

- To propose the competent State management bodies to handle acts of breaching the legislation on petroleum.

2. When conducting the inspection, the inspection teams shall have to abide by the law provisions and take responsibility before law for their decisions.

Article 69.- Decisions of inspection teams

Upon the conclusion of inspection, the decisions of the inspection teams shall be notified to the inspected subjects and sent to the competent State management bodies.

Where the inspected subjects disagree with the decisions of the inspection teams, the former shall, within 30 days after the receipt of such decisions, be entitled to lodge their complaints to the competent State management bodies.

Within 30 days after the receipt of the written complaints, the competent State management bodies shall have to reply about the settlement of such complaints.

Article 70.- Executing decisions of the inspection teams

The inspected subjects must abide by the decisions of the inspection teams. In case of complaint, the inspected subjects still have to abide by the decisions of the inspection teams while awaiting the results of complaint settlement.

Where the inspection teams' decisions are not executed by the inspected subjects, the latter shall be handled according to the provisions of legislation on handling of administrative violations.

Chapter VIII

HANDLING OF VIOLATIONS

Article 71.- Levels of sanction against acts of violation

1. The levels of pecuniary penalty against acts of violation prescribed in Article 43 of the Petroleum Law are detailed as follows:

- a) Conducting illegal petroleum activities shall be subject to a fine of up to USD 100,000 (one hundred thousand);
- b) Failing to abide by the technical process, criteria and regulations on oil and gas exploration and exploitation, causing damage to petroleum natural resources or environment, or damage to the property of the State and/or individuals shall, apart from the compensation to the damage, be subject to a fine of up to USD 100,000 (one hundred thousand).
- c) Conducting oil and gas prospection, exploration and exploitation activities beyond the contractual areas without permission of the oil and gas State management body shall be subject to a fine of up to USD 50,000 (fifty thousand);
- d) Falsely declaring and/or evading natural resource tax, enterprise income tax and other kinds of tax shall, apart from the full payment of outstanding tax amounts, be subject to the payment of fines for false declaration and/or evasion of tax under the provisions of Vietnamese law;

e) Failing to notify the oil and gas State management body and the Vietnam Oil and Gas Corporation of other natural resources than petroleum or antiques, valuable property discovered in the contractual areas shall be subject to a fine of up to USD 10,000 (ten thousand) and the confiscation of such specimen, antiques and/or property;

f) Obstructing inspection activities shall be subject to a fine of up to USD 10,000 (ten thousand).

2. In addition to the above-prescribed fine levels, organizations and individuals committing acts of administrative violation shall also be subject to other forms and measures of administrative sanction under the provisions of the legislation on handling of administrative violations.

Article 72.- Competence to handle violations

The competence to handle the above violations is stipulated as follows:

1. The head of the oil and gas State management body shall handle the violations and decide the fine levels prescribed at Points a, b, c, d and e of Clause 1, Article 71 of this Decree.

2. Heads of inspection teams shall handle the violations and decide the fine levels prescribed at Point f, Clause 1, Article 71 of this Decree.

Chapter IX

IMPLEMENTATION PROVISIONS

Article 73.- Law application

For petroleum contracts signed before the June 9, 2000 Law amending and supplementing the Petroleum Law comes into force, the contractual parties shall continue with the rights and obligations agreed upon in the petroleum contracts.

The provisions of the June 9, 2000 Law amending and supplementing the Petroleum Law shall also apply to petroleum contracts already signed; such application shall be effected only after this Law takes effect.

Article 74.- Effect of Decree

This Decree takes effect 15 days after its signing and replaces Decree No.84/CP of December 17, 1996. The previous regulations on petroleum activities which are contrary to this Decree shall all be annulled.

The State management bodies shall, within the scope of their respective functions and powers, have to guide the implementation of this Decree.

Article 75.- Responsibility for implementation

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 and the Vietnam Oil and Gas Corporation shall have to implement this Decree.

On behalf of the Government
Prime Minister
PHAN VAN KHAI

THE GOVERNMENT

Phan Van Khai