



THE REGULATION OF MINES AND OIL-FIELDS AND MINERAL DEVELOPMENT (GOVERNMENT CONTROL) ACT, 1948.



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SCHEDULE.

THE PAKISTAN CODE

THE REGULATION OF MINES AND OIL-FIELDS AND MINERAL DEVELOPMENT (GOVERNMENT CONTROL) ACT, 1948.

¹ACT NO. XXIV OF 1948

[8th January, 1949]

An Act to make provision for certain matters connected with the regulation of mines and oil-fields and mineral development.

WHEREAS it is expedient to make provision for certain matters connected with the regulation of mines and oil-fields and mineral development under ²[Government Control];

AND WHEREAS it appears to the ³[Federal Government] to be expedient in the public interest to make such provision to the extent hereinafter appearing; it is hereby enacted as follows:—

1. Short title, extent and commencement.— (1) This Act may be called the Regulation of Mines and Oil-fields and Mineral Development ²[Government Control] Act, 1948.

⁴[(2) It extends to the whole of Pakistan.]

(3) It shall come into force on such date³ as the ³[Federal Government] may, by notification in the official Gazette, appoint in this behalf.

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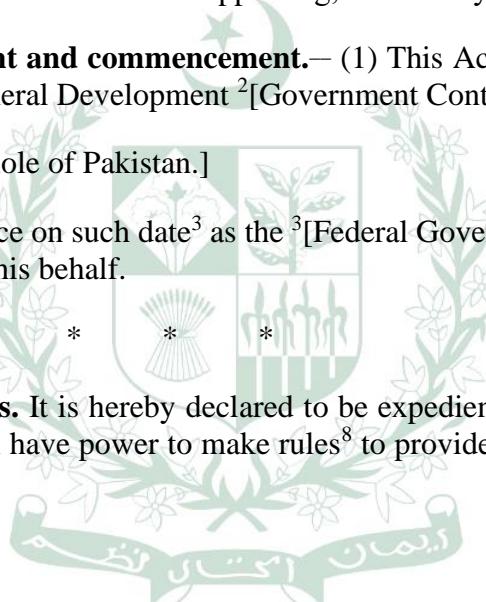
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2. Power to make rules. It is hereby declared to be expedient in the public interest that the ⁷[appropriate Government] shall have power to make rules⁸ to provide for all or any of the following matters, namely:—

¹ For Statement of Objects and Reasons, see Gaz. of P., 1948, Pt. V, p. 127.

The Act has been applied—

(i) to Baluchistan, see Gaz. of P., 1949, Pt. I, p. 408;

(ii) in the Federated Areas of Baluchistan, see *ibid.*, Ext., 1950, p. 512;

(iii) to the excluded areas of West Pakistan, with effect from the 21st March, 1956 see Gazette of West Pakistan, 1956, Ext., p. 239; and

(iv) to the Special Areas of West Pakistan, with effect from the 22nd March, 1956, *see ibid.*, p. 243.

It has been extended to—

(a) the Leased Areas of Baluchistan, see the Leased Areas (Laws) Order, 1950 (G. G. O. 3 of 1950);

(b) the Baluchistan States Union, see the Baluchistan States Union (Federal Laws) (Extension) Order, 1953 (G. G. O. 4 of 1953);

(c) the Khairpur State, see the Khairpur (Federal Laws) (Extension) Order, 1953 (G. G. O. 5 of 1953); and

(d) the State of Bahawalpur, see the Bahawalpur (Extension of Federal Laws) Order, 1953 (G. G. O. 11 of 1953).

The Act has been and shall be deemed to have been brought into force in Gwadur with effect from the 8th September, 1958, by the Gwadur (Application of Central Laws) Ordinance, 1960 (37 of 1960), s. 2.

² Subs. by A.O., 1964, Art. 2 and Sch., for "Federal Control".

³ Subs. by F.A.O. 1975, Art. 2 and Table, for "Central Government".

⁴ Subs. by the Central Laws (Statute Reform) Ordinance, 1960 (21 of 1960), s. 3 and 2nd Sch., for the original sub-section (2) (with effect from the 14th October, 1955).

⁵ Section IA, which was ins. by the Regulation of Mines and Oil fields Mineral Development (Federal Control) (Amdt.) Ordinance, 1955: (31 of 1955), s. 2, has since been lapsed.

⁶ The Amendment in section 2, by Ord. 31 of 1955, s. 3, has since been lapsed.

⁷ Subs. by A. O., 1964, Art. 2 and Sch., for "Central Government".

⁸ For the Pakistan Petroleum (Production) Rules, 1949, see Gaz. of P., 1949, Ext., pp. 501-552; for the Natural Gas Rules, 1960, *see ibid.*, 1960 Ext., pp. 949-956; and for the Pakistan Mining Concession Rules, 1960, see *ibid.*, pp. 1107-1166.

⁹ The 1st June, 1949, see Gaz. Of P.1949, I.P.246.

(1) the manner in which, and the authority to whom, application for the grant or renewal of an exploration or prospecting licence, a mining lease or other mining concession shall be made, and the prescribing of the fees to be paid on such application;

(2) the conditions in accordance with which the grant or renewal of an exploration or prospecting licence, a mining lease or other mining concession may be made, and the prescribing of forms for the execution or renewal of such licence, lease, and concession;

(3) the circumstances under which renewal of a licence, lease or concession as aforesaid may be refused, or any such licence, lease or concession whether granted or renewed may be revoked;

(4) the determination of the rates at which and the conditions subject to which royalties, rents and taxes shall be paid by licensees, lessees and grantees of mining concessions;

(5) the refinement of ores and mineral oils;

(6) the control of production, storage and distribution of minerals and mineral oils;

(7) the fixation of the prices at which minerals and mineral oils may be bought or sold; and

(8) any matter ancillary or incidental to the matters set out in the foregoing clauses of this section,

and the ¹[appropriate Government] may, by notification in the official Gazette, make rules accordingly.

²[3. Penalties etc.] Any rules made under section 2 may provide—

- (a) that any powers and functions in relation to any of the matters referred to in that section may be exercised and performed, either generally or in specified cases, and in compliance with any general or special Instructions given by the ³[Federal Government] in that behalf, by an officer or authority specified in the rules; and
- (b) that the breach of any of them shall be punishable with imprisonment for a term which may extend to three years, or with fine, or with both.].

⁴[3A. Production sharing agreement.]—(1) Notwithstanding anything contained in any other law or rules for the time being in force, the President may enter into an agreement with any company, whether incorporated in Pakistan or outside Pakistan, for the grant of a licence or lease to explore, prospect and mine petroleum on the basis of a Production Sharing Agreement and on such terms and conditions may be agreed upon between the Federal Government and the company.

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⁵3B. Concessions to petroleum exploration companies.]—(1) Notwithstanding anything contained in any other law for the time being in force, every company, whether incorporated in Pakistan or outside Pakistan, to whom a licence or a lease to explore, prospect and mine petroleum is granted under this Act,

¹Subs. by A. O., 1964, Art. 2 and Sch., for "Central Government".

²Subs. by the Regulation of Mines and Oil-fields and Mineral Development (Government Control) (Amendment) Ordinance, 1971 (8 of 1971), s. 2.

³Subs. by F.A.O. 1975, Art. 2 and Table, for "Central Government".

⁴Ins. by the Regulation of Mines and Oil-fields and Mineral Development (Government Control) (Amendment) Act, 1976 (83 of 1976), s. 2.

⁵The Original sub-section (2) omitted by the Finance Act, 1998 (3 of 1998), s. 2A.

not being a company such as is referred to in sub-section (1) of section 3A, shall be entitled to the concessions specified in the Schedule in addition to any concessions for the time being admissible to it under any other law or the rules made under this Act.

(2) The Federal Government may, by notification in the official Gazette, amend the Schedule so as to add any concessions thereto or to improve any concessions therein.]

4. Effect of rules etc., inconsistent with other enactments. Any rule made under this Act, and any order made under any such rule, shall have effect notwithstanding anything inconsistent therewith contained in any enactment or in any instrument having effect by virtue of an enactment other than this Act.

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5. Power to exempt. The ²[appropriate Government] may, by notified order, declare that any mineral or mineral oil or any class or description thereof shall be exempt from all or any of the provisions of the rules made under this Act, or that such provisions shall apply thereto with such modification or subject to such conditions as may be specified in the order.

³[6. Definitions of appropriate Government.] In this Act, “appropriate Government” means, in relation to mines of nuclear substances, oil-fields and gas fields, and development of such substances, mineral oil and gas, the ⁴[Federal Government] and, in relation to the other mines and mineral development, the Provincial Government.]

⁵[SCHEDULE]

(See Section 3B)

1. Any provisions of the rules made under section 2, or of any amendment in the ⁶[Income-tax Ordinance, 1979 (XXXI of 1979)] hereinafter referred to as the ⁶[Ordinance] made after the effective date of an agreement for the grant of a licence or lease to explore, prospect or mine petroleum, which are inconsistent with the terms of the agreement, shall not apply to the extent of such inconsistency to a company which is a party to the agreement.

2. ⁷[In case of onshore Pakistan, royalty shall be charged at a fixed rate of twelve and half per cent of well-head value and income tax on profits or gains derived from petroleum operations shall be at the rate of forty per cent of profits and gains as determined and assessed in accordance with the provisions of the Income Tax Ordinance, 1979 (XXXI of 1979), and rules contained in Part I of the Fifth Schedule to the said Ordinance.]

⁸[The limit of the sum of payment to the Federal Government and taxes on income shall be fixed at the time of grant of the permit or licence in accordance with the Petroleum Policy of the Federal Government from the effective date of the permit or licence, as the case may be. Income from pipeline

¹Section 4A, which was ins. by the Regulation of Mines and Oil fields Mineral Development (Federal Control) (Amdt.) Ordinance, 1955 (31 of 1955), s. 4, has since been lapsed.

²Subs. by A. O. 1964, Art. 2 and Sch., for “Central Government”.

³Section 6 added *ibid.*,

⁴Subs. by F.A.O. 1975, Art. 2 and Table, for “Central Government”.

⁵Ins. by the Regulation of Mines and Oil-Fields and Mineral Development (Government-Control) (amdt.) Act, 1976 (83 of 1976), s. 3. r

⁶Subs. by the Federal Laws (Revision and Declaration) Ordinance, 1981, (27 of 1981), s. 3 and 2nd Sch.

⁷Subs. by S.R.O. 698 (I)/2001, dt. 2-10-2001.

⁸Added by S.R.O. 254 (I)/95, dated 29th March 1995, see Gaz. of P., 1995, Ext. Pt. II. pp. 450—452.

operations, the sale of LPG, CNG and from refined products, where such refined products are produced from field due to their specific development needs (as approved by the Central Board of Revenue) shall be considered part of a licensee's or lessee's income under the said Schedule.];

¹[3. Before commencement of commercial production of petroleum, any expenditure incurred by an undertaking of a licensee or lessee covered by the same or separate agreement with the Federal Government on searching for or on discovering and testing a petroleum deposit or winning access thereto, allocable to a surrendered area of areas and to drilling of a dry hole, shall be deemed to be lost at the time of the surrender of the area or the completion of the dry hole, as the case may be, for the purpose of the Fifth Schedule to the Income Tax Ordinance, 1979. Such lost expenditure shall be allowed to be set off against the income of the undertaking of the licences or lessee covered by the same or separate agreement with the Federal Government or of other activities excluding income from dividends on fully consolidated basis in one of the two ways mentioned in sub-rules (2) and (3) of rule 2 of the said Schedule.]

4. In addition to the net profits, the amount charged in annual financial accounts on account of additional allowance admissible under rule 3 of the ²[Fifth Schedule to the Ordinance] and depreciation at such rate as may be agreed upon between the President and a licensee or lessee, which is a company incorporated outside Pakistan, including its assignee, shall be allowed to be remitted and retained abroad, provided that the aggregate amount of such additional allowance and depreciation does not exceed an agreed percentage of the investment in assets on which depreciation is charged.

³[5. The value of petroleum for the purposes of royalty and income tax shall be calculated on the basis provided for in the rules read with terms of any agreement entered into between the Federal Government and licensee or, as the case may be, the lessee, including their assignees.]

6. The income derived by the licensee or lessee from the use of any surplus capacity of its pipeline by any other licensee or lessee shall be assessed on the same basis as its income from petroleum produced by it from its concession area.

7. A licensee or lessee which is a company incorporated outside Pakistan, including its assignee shall be allowed to export its share of petroleum after meeting such portion of the internal requirement of Pakistan as may be agreed upon.

8. Sale proceeds of the share of petroleum exported by a licensee or lessee which is a company incorporated outside Pakistan, including its assignee, shall be allowed to be retained abroad and to be used freely by it, subject to the condition that it shall bring back such portion of these proceeds as is required to meet its obligations under the ³[licensee or, as the case may be,] lease.

³[9. Concession available in respect of import duties, licence or authorization fees shall be as are specified in Notification Nos. S.R.O. 336 (I)/94, dated the 26th April, 1994, and S.R.O. 367 (I)/94, dated the 9th May, 1994 ⁴[and S.R.O. 400 (I)/97, dated the 31st May, 1997]. and as amended from time to time.

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¹Subs. by S.R.O. 291 (I)/87 dated 14th April 1987, see Gaz. of P., 1987, Ext. Pt. II, p. 442.

²Subs. by the Federal Laws (Revision and Declaration) Ordinance, 1981 (27 of 1981), s. 3 and 2nd Sch.,

³Subs. and Ins by S.R.O. 254 (I)/95, dated 29th March, 1995, see Gaz. of P., 1995, Ext., Pt. II, pp. 450-452.

⁴Ins & omitted by S.R.O. 86 (KE)/ 2000, dated 27th April, 2000.

¹[11. Foreign nationals employed by the Operator, its contractors or sub-contractors or consultants shall be allowed to import commissary goods free of customs-duty, *iqra* surcharge, other surcharges and sales tax to the extent of one thousand two hundred United States Dollars (US \$ 1,200) per annum per employee or such greater amount as may be notified, from time to time, subject to the condition that the said goods shall not be sold or disposed of in Pakistan and no foreign exchange from Pakistan shall be incurred.

¹[12. Subject to declaration to the customs authorities at the port of entry for residence in Pakistan and on certification by a responsible representative of the Operator as to the entitlement of the employees, each of the expatriate employees of the operator, its contractors and sub-contractors shall be permitted to import used and *bona-fide* personal and household effects, excluding passenger vehicles and shall be exempted from all customs-duties, sales tax, *iqra* surcharge and taxes on imports, licence and authorization fees with respect to the importation of such personal and household effects:

Provided that such personal and household effects are imported for the use of the employee or a member of his family :

Provided further that such personal and household effects were acquired or were in possession of the employee or members of his family before his or their arrival in Pakistan and are imported within six months after arrival in Pakistan of the employee or member of the employee's family, whichever is earlier, and all such effects may thereafter be exported by the individual who imported the same. Such personal and household effects shall, however, not be sold or disposed of or transferred in Pakistan, except with the prior permission of the Central Board of Revenue (CBR) and on payment of customs-duty and taxes at the rate and value operating on the date the goods were first imported into Pakistan less depreciation at the rate of ten per cent (10%) per annum or such higher rate as may be allowed by the Federal Government.]

13. Foreign nationals employed by a licensee or lessee or its contractor shall not be charged income-tax for a period of three years from the date of their arrival in Pakistan in accordance with, and subject to the provisions of, clauses ²[(7) and (8) of the Second Schedule to the Ordinance] as in force on the effective date of the agreement with the licensee or lessee.

³[14. All forms of data pertaining to free acreage shall be available for inspection to a prospective licensee free of charge and such licensee may have the copies of such data for further examination on payment of reproduction costs and subject to such conditions as may be determined by the Federal Government.]

⁴[15. Participation by the Federal Government or its hundred percentage owned holding company in exploration and production and other terms and conditions and incentives shall be as specified in the Petroleum Policy in vogue and as incorporated in any agreement with the Federal Government including production sharing agreement at the time the licensee is granted. The taxation of income of participating companies shall be governed by the provisions of Income Tax Ordinance 1979" (XXXI of 1979;]

⁵[16. The Operator, its contractors and sub-contractors shall not be liable to pay any tax, levy, Octroi or charge imposed or levied on the transportation or movement of the machinery and equipment to and from the area or on any item imported in pursuant to a permit, licence or lease.]

¹Subs. and Ins by S.R.O. 254 (I)/95, dated 29th March, 1995, see Gaz. of P., 1995, Ext., Pt. II, pp. 450-452.

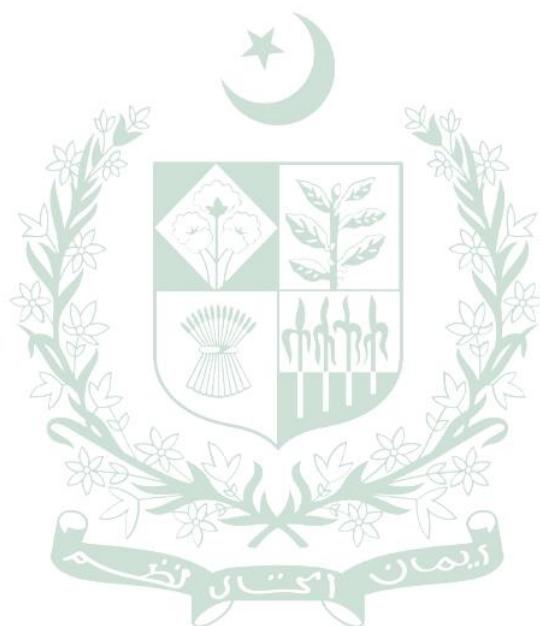
²Subs. by the Federal Laws (Revision and Declaration) Ordinance, 1981 (27 of 1981), s. 3 and Sch. II.

³Subs. by S.R.O. 67 (KE)/ 92 dated 29th Feb. 1992, see G2. of P., 1992., Ext., Pt. II dated 12-4-92 p. 689.

⁴Subs. and added by S.R.O. 86 (KE)/2000, dated 27-4-2000.

⁵Subs. and added by S.R.O 254 I/95dt. 29-3-95, see Gaz., of P. 1995, Ext., pt., 450-452.

¹[17. The above concessions in respect of Offshore Pakistan shall remain valid for a period of five years with effect from the 1st January, 1998.]



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¹Subs. and added by S.R.O. 86 (KE)/2000, dated 27-4-2000.