of the final processed data, which may be more than one year after acquisition of the data. Subject to certain contractual documentation improvements and clarifications and consistent with former accounting applied throughout the seismic industry that differentiates original participants from after sales revenue recognition, we concluded that original participants contracts contain two different performance obligations. The first is an obligation to provide services for which revenue should be recognized over time based on the data acquisition and processing progress of the survey. The second obligation is to deliver the license for the final processed data, for which revenue should be recognized at final delivery. The value of the license delivery would represent 10% of the total contract on average, potentially rising to 20% or falling to 5% depending on the complexity level of the survey. This conclusion has been shared and discussed with other seismic companies. However, this conclusion has not yet been endorsed by our auditors and the regulators of the financial markets where our securities are publicly listed.

Our revenues related to multi-client original participants amounted to US$269 million in 2017. The implementation of IFRS 15 could have a material effect on our results of operations and financial condition by delaying recognition of revenue from multi-client original participants in 2018 and future years and by applying the impact of delayed recognition during prior periods with limited retrospective effect. Furthermore, the description of the application of IFRS 15 above is subject to change as a result of exchanges with auditors, regulators or other relevant stakeholders. See note 1 to our consolidated financial statements for more information.

RISKS RELATED TO TAXATION

We are subject to complex tax rules in various jurisdictions, and our interpretation and application of these rules may differ from those of relevant tax authorities, which could result in additional tax liabilities.

We operate in a number of countries, and will accordingly be subject to the tax laws of several jurisdictions. The tax rules to which the Group is subject are complex, and we must make judgements (including based on external advice) as to the interpretation and application of these rules. Our total tax expense could be affected by changes in tax rates in various jurisdictions, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. Additionally, our tax affairs will in the ordinary course be reviewed by tax authorities. Those tax authorities may disagree with our interpretation and/or application of relevant tax rules. There can be no assurance as to the outcome of these examinations. If a taxing authority disagrees with the positions we have taken, we could face additional tax liability, including interest and penalties, which could adversely affect our financial results.

U.S. federal income tax reform could adversely affect us.

On December 22, 2017, the United States enacted new tax legislation, the “Tax Cuts and Jots Act of 2017” (“U.S. Tax Reform”) which provides for substantial changes to the U.S. taxation of businesses and individuals. U.S. Tax Reform, among other things, significantly reduces the U.S. federal tax rate applicable to corporations, imposes significant additional limitations on the deductibility of interest, imposes a new base erosion anti-abuse tax (intended to prevent international groups from ‘earnings stripping’ through certain payments to non-U.S. affiliates), temporarily allows for the expensing of certain capital expenditures, and limits the deduction for net operating losses and net operating loss carryforwards (“U.S. NOLs”) to 80% of current year taxable income and eliminates net operating loss carrybacks, in each case, for losses arising in taxable years beginning after December 31, 2017 (though any such U.S. NOLs may be carried forward indefinitely).

We do not expect, for the time being, U.S. Tax Reform to have a material adverse impact on our projected cash taxes payable or on our net operating losses. However, since the legislation is new and unclear in many respects, we expect additional rules and regulations to be issued in the medium term. This could entail risks that cannot be fully assessed at this point in time. We continue to examine the impact U.S. Tax Reform may have on our business. For additional information on the impact of U.S. Tax Reform on the Group for 2017, see note 24 to our consolidated financial statements. The impact of U.S. Tax Reform on holders of our shares is uncertain and could be adverse. We urge investors to consult with their legal and tax advisors with respect to such legislation and the potential tax consequences of investing in our shares.

Our ability to use U.S. NOLs to offset future income may be limited.

We have generated significant U.S. NOLs. We generally are able to carry U.S. NOLs forward to reduce our tax liability in future years. Federal U.S. NOLs generated on or before December 31, 2017 can generally be carried back two years and carried forward for up to twenty years and can be applied to offset 100% of taxable income in such years. Under U.S. Tax Reform, however, federal U.S. NOLs incurred in 2018 and in future years may be carried forward indefinitely, but may not be carried back and the deductibility of such federal U.S. NOLs is limited to 80% of taxable income in such years. It is uncertain whether state and local laws governing the treatment of NOLs will follow the federal treatment under U.S. Tax Reform.

In addition, our ability to use existing U.S. NOLs generated is subject to the rules of Section 382 of the U.S. Internal Revenue Code of 1986, as amended (the “IRC”). This section generally restricts the use of U.S. NOLs for corporations that experience an “ownership change” as defined under Section 382 of the IRC. In general, an “ownership change” occurs if a corporation’s “5-percent shareholders,” as defined under Section 382 of the IRC, collectively increased their ownership in us by more than 50 percentage points over a rolling three-year period. CGG Holding (US) Inc. and its subsidiaries (the “Holding U.S. Group”) likely underwent a change of ownership on the effective date of CGG’s financial restructuring. A corporation that experiences an ownership change generally will be subject to an annual limitation on the use of its pre-ownership change U.S. NOLs equal to the equity value of the corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate for the month in which the ownership change occurs, and increased by a certain portion of any “built-in-gains.”

The application of IRC Section 382 will be materially different from that described above if Holding U.S. Group is subject to special rules provided under IRC Section 382(l)(5) that apply to certain corporations who undergo an ownership change while under the jurisdiction of a bankruptcy court. Holding U.S. Group generally would qualify for these special rules if the historic holders of CGG common stock and certain holders of Holding U.S. Group’s debt, taken together, own equity interests representing at least 50% of the voting power and equity value of Holding U.S. Group following CGG’s financial restructuring. In that case, the Holding U.S. Group’s ability to use its pre-effective date U.S. NOLs would not be limited as described in the preceding paragraph. However, several other limitations would apply to the Holding U.S. Group under IRC Section 382(l)(5), including (a) the Holding U.S. Group’s U.S. NOLs would be calculated without taking into account deductions for interest paid or accrued in the portion of the current tax year ending on the effective date and all other tax years ending during the three-year period prior to the current tax year with respect to the debt securities that are exchanged pursuant to the financial restructuring, and (b) if the Holding U.S. Group undergoes another ownership change within two years after the effective date, the Holding U.S. Group’s Section 382 limitation following that ownership change will be zero. It is uncertain whether the provisions of Section 382(l)(5) are available and, if available, how they would apply to the Holding U.S. Group. If the Holding U.S. Group qualifies for the special rule under Section 382(l)(5), the use of the Holding U.S. Group’s U.S. NOLs will be subject to Section 382(l)(5) of the IRC unless the Holding U.S. Group affirmatively elects for the provisions not to apply. The Holding U.S. Group has not yet determined whether, if it qualifies for the special rules under Section 382(l)(5), it would be advantageous for Section 382(l)(5) to apply to the ownership change resulting from consummation of the financial restructuring, or whether the Holding U.S. Group will elect not to have the provisions of Section 382(l)(5) apply to the ownership change arising from the consummation of the financial restructuring.

If the Holding U.S. Group does not qualify for, or elects not to apply, the special rule under Section 382(l)(5) of the IRC described above, the provisions of IRC Section 382(l)(6) applicable to corporations under the jurisdiction of a bankruptcy court may apply in calculating the annual Section 382 limitation. Under this rule, the limitation will be calculated by reference to the lesser of the value of the Holding U.S. Group’s equity (with certain adjustments) immediately after the ownership change or the value of the Holding U.S. Group’s assets (determined without regard to liabilities) immediately before the ownership change. Although such calculation may increase the annual Section 382 limitation, the Holding U.S. Group’s use of any U.S. NOLs or other tax attributes, including tax credits, remaining after implementation of the financial restructuring may still be substantially limited after an ownership change.