

Ministry of Finance

Oil & Gas Transition Notice



ISSUED: August 2018

Notice 005

gov.bc.ca/oilandnaturalgastaxes

Royalty Estimate Deposits

Petroleum and Natural Gas Act

The implementation of Petrinex eliminates the requirement for royalty taxpayers to maintain a royalty estimate deposit to cover the expected royalties due for each production month. Our new business processes allow us to issue invoices for both oil and gas producers in the second month following the production month, and to receive payment by the end of that month. New reporting dates are available in the [Petrinex Reporting Calendar](#).

This notice explains what options you have for retiring your existing royalty estimate account balance and the financial implications.

Royalty Estimate Account Balances

You are required to maintain your estimate account balance until October 22, 2018. To minimize the impacts of retiring your account, we recommend your account balance be as low as allowable by this date. Your royalty analyst will work with you to review your estimate account balance(s) and/or suspense account(s) so you can take the necessary steps to reduce these account balance(s) before we transfer to our new invoicing and payment system in November.

More detailed information specific to gas and oil producers is provided below.

Gas Producers

- Your July 2018 production period royalty estimate, due September 25, 2018, is the last gas production period you need to adjust and maintain. We are applying current over and under estimate interest rules to this period.
- You do not need to adjust your August 2018 production period estimate. However, you must maintain your July estimate until October 22, 2018.
- You have two options to decrease your estimate account balance to zero.
 1. Use your BC 15, *Petroleum and Natural Gas Remittance Advice* to reduce your July 2018 Crown invoice (payment due October 22, 2018).

2. Request a refund through your royalty analyst. Please do so by September 30, 2018 to allow sufficient time to process your request by November 1, 2018.
- If you do not choose one of these options, the balance will be applied against your August 2018 production period Crown invoice and any residual balance will be used to reduce subsequent Crown invoices. Your estimate account balance will be applied BEFORE any available non-refundable credits (NRCs). This means that NRCs will not offset royalty until the estimate account balance is zero. For example, assume that your August 2018 production month royalty is \$18,000 and your estimate account and NRC balances at the time of conversion are \$18,000 and \$12,000 respectively. Your estimate account balance of \$18,000 will reduce your August 2018 royalty Crown invoice payable to zero. Your NRC balance will remain unchanged at \$12,000. (Note: this example assumes that you are a gas producer only).

Oil Producers

- Your August 2018 production period royalty estimate, due September 25, 2018, is the last oil production period you need to adjust and maintain. We are applying current over and under estimate interest rules to this period.
- You do not need to adjust your September 2018 production period estimate. However, you must maintain your August estimate until October 22, 2018.
- You have two options to decrease your estimate account balance to zero.
 1. Use your BC 15, *Petroleum and Natural Gas Remittance Advice* to reduce your August 2018 Crown invoice (payment due October 22, 2018).
 2. Request a refund through your royalty analyst. Please do so by September 30, 2018 to allow sufficient time to process your request by November 1, 2018.
- If you do not choose one of these options, the balance will be applied against your September 2018 production period Crown invoice and any residual balance will be used to reduce subsequent Crown invoices. Your estimate account balance will be applied BEFORE any available non-refundable credits (NRCs). This means that NRCs will not offset royalty until the estimate account balance is zero. For example, assume that your September 2018 production month royalty is \$18,000 and your estimate account and NRC balances at the time of conversion are \$18,000 and \$12,000 respectively. Your estimate account balance of \$18,000 will reduce your September 2018 royalty Crown invoice payable to zero. Your NRC balance will remain unchanged at \$12,000. (Note: this example assumes that you are an oil producer only).

Suspense account

While the above information focuses on royalty estimates, suspense account balance(s) at the time of transition will be treated similarly. Please work with your royalty analyst to reduce or eliminate any balance, or apply the amount against your July 2018 gas Crown invoice or August 2018 oil Crown invoice.

Refunds

You may request a refund by emailing your assigned royalty analyst. You may also send a refund request by:

- **Email:** Oil&GasRoyaltyQuestions@gov.bc.ca
- **Mail:**
Mineral, Oil and Gas Revenue Branch
Ministry of Finance
PO BOX 9328 STN PROV GOV'T
VICTORIA BC V8W 9N3
Attn: Manager, Petroleum Operations

Interest

Any balance left in your royalty estimate account after the account is no longer required will earn interest using new interest rules. Interest will be calculated at prime less 2% beginning on the 61st day after the account is no longer required.

The following example illustrates how interest may apply to a royalty estimate account in three different scenarios.

Example (all dates are 2018)

Assume that

- You are an oil producer
- Your August production month estimate, due on September 25, is \$10,000
- Your August crown invoice is issued on October 10
- Payment is due October 22

Scenario 1 – No over or underpayment

Your August production month royalty invoice is \$10,000

- No interest is due on the estimate between September 25 and October 25 as the amount of the estimate paid is within 10% of the royalty or tax due for the August production month.

- If you do not apply the estimate account balance of \$10,000 against your August invoice on October 22, it will be applied automatically against your September or subsequent invoices, before the use of NRCs.
- If you request the amount be refunded to you because you do not have production for September and October, you will receive refund interest at prime less 2% on the \$10,000 from the 61st day after your October payment.

Scenario 2 - Underpayment

Your August production month invoice is \$12,000

- Underestimate interest will be charged on \$2,000 between September 25 and October 25 as the amount of the estimate paid is less than 90% of the royalty or tax due for the August production month. If you pay the interest charge by October 22, no further interest will be charged after October 25.
- If you apply the estimate account balance of \$10,000 against your August production invoice of \$12,000 on October 22, you must pay the additional \$2,000 before the payment due date to prevent additional interest charges on your account.

Scenario 3 – Overpayment

Your August production month invoice is \$8,000.

- Overestimate interest will be applied to the \$2,000 overpayment between September 25 and October 25 as the amount of the estimate paid is greater than 110% of the royalty or tax due for the August production month.
- If you apply the estimate account balance of \$10,000 against your August production invoice on October 22, the additional payment of \$2,000 will be applied automatically against your September or subsequent invoices, before we apply any available NRCs. If you request the amount be refunded to you and you do not have production in September or October, you will receive refund interest at prime less 2% on the \$2,000 from the 61st day after October 25.

Further information on interest will be provided in the Interest notice that will be posted on our [website](#) as soon as it is available.

Further Information

Online: gov.bc.ca/oilandnaturalgastaxes

Toll free: 1 800 667-1182 or 250 952-0192

Email: Oil&GasRoyaltyQuestions@gov.bc.ca

Subscribe to our [What's New](#) page to receive email updates when information changes.

The information in this notice is for your convenience and guidance and is not a replacement for the legislation. Certain information in this notice is set by regulation that is pending.