

Ministry of Finance

Oil & Gas Transition Notice



ISSUED: October 2018

Notice 012

gov.bc.ca/oilandnaturalgastaxes

Administrative Changes

Petroleum and Natural Gas Act

Along with the implementation of Petrinex, we are upgrading our account management systems for oil and gas royalties and tax. While previous notices provided detailed information on specific areas of change, this notice explains several administrative changes that are also being implemented.

Debt Collection Procedures

There are two significant changes to how Oil & Gas debt will be collected:

1. When an Amount is Considered Overdue

Invoices and Statements of Account (SOFA) issued to you will include a payment due date. These amounts are due and owing until they are paid or adjusted.

The amount invoiced to you must be paid even if you disagree with reason for the invoice or the amount billed. Amounts must be paid even if you are in discussions with us, or if you have requested reconsideration or have appealed the reconsideration. If an invoice is subsequently reduced, the amount will be returned to you or credited to your account, with interest, if applicable.

2. Who Collects Overdue Amounts

Outstanding Oil & Gas amounts will be collected by the ministry's Receivables Management Office (RMO), rather than your royalty analyst. The RMO may communicate with you through telephone, email or letter, but not through Petrinex. Your SOFA will provide you with RMO contact information.

Note: The RMO is unable to adjust an invoice, or explain why an invoice was issued or how the amount was calculated. Please contact us for these types of enquiries.

For more information about collecting overdue amounts, see [Bulletin GEN 001, Collecting Overdue Taxes \(PDF\)](#).

Limitation Period Changes

Invoice and Assessment Period

Currently, you may be issued an invoice or assessment within 6 years (72 months) of the **producing month**. In the future, you may be issued an invoice or assessment within 7 years (84 months). There will be no change to the time you have to submit an amendment to a prior period – it remains at 6 years (72 months).

Audit Requests

We may perform an audit on your records, such as pricing or costs in relation to oil, natural gas and natural gas by-product royalty and tax transactions in BC. Some audits may require you to provide us with additional information or records.

Previously, we asked you to submit further information within 60 days. You will now be asked to submit the information within 30 days. At the end of our review, we will let you know the results. If you disagree with the results, you will have an additional 30 days to contact us and provide us with additional information.

Records

Previously, you were required to maintain records (e.g. accounting records, invoices, contracts and agreements, schematics and flow diagrams and volumetrics) for audit purposes for at least six years (72 months). You must now maintain them for 7 years (84 months). After 7 years, you may apply to us to dispose of your records.

Amending Information

You may amend information in Petrinex, which may result in a revised invoice being issued to you. However, if we amend a report or other information based on an audit, you will not be able to subsequently revise that information either through Petrinex or an amended return. If you disagree with a validation or audit adjustment, you need to discuss your concern with us. If it is still unresolved, follow the formal disagreement process (see below).

Disagreements

Disagree with an Invoice or Assessment

Currently, if you disagree with an assessment of royalties, taxes, penalties or producer prices, there are steps you may take depending on the type of disagreement. These same steps will apply if you disagree with the assessment of a deemed royalty. Updated information about this process will be available on our [website](#) on November 13, 2018.

Appeals

If you still have concerns after following the steps described on our website, you may formally appeal to the Minister of Finance. Currently, you must submit your notice of

appeal by registered mail within 60 days of the date on your reconsideration decision letter. Beginning November 1, 2018, there will be the following changes to how you appeal:

- You will have 90 days, up from 60 days, from the date of the decision letter to submit your notice of appeal.
- You must provide a statement of all material facts and reasons in support of your appeal.
- Your appeal no longer needs to be sent by registered mail, but must be **received** within 90 days of the date on your decision letter.

Updated information on the appeal process will be available on our [website](#) on November 13, 2018.

Marginal and Ultramarginal Well Royalty Reduction

Shallow gas well events that meet certain criteria may qualify for the Marginal or Ultramarginal Well Royalty Reduction. Both of these royalty reduction programs require well events to produce for 12 months before they can qualify for the reduction. However, an early recognition program has been used to identify well events that could qualify for one of the reductions before the end of the 12-month qualifying period to reduce the number of potential royalty recalculations.

Both the Marginal and Ultramarginal Well Royalty Reduction programs are continuing, however, the early recognition program will no longer be used. New or re-activated wells must produce for 12 months before they can qualify for one of the reductions. At the end of the 12-month qualifying period, your royalties for the qualifying historical periods will be recalculated.

Updated information about these programs will be available on our [website](#) on November 13, 2018.

Language

Section 74 of the *Petroleum and Natural Gas Act* was amended in Budget 2018. Previously, the director established the filing requirements under this section. The reference to director was replaced with the royalty collector. References to the authority to file this information are being updated in public information and letters.

Protection of Information

The *Petroleum and Natural Gas Act* was amended in Budget 2018. Royalty and tax information is subject to revised confidentiality rules, similar to other BC taxes. People who have custody or control over royalty or tax information or records may not disclose it to any other person, except as provided for under the Act.

No Longer Reporting Information?

If you were an operator or producer who filed reports necessary to calculate the amount of royalties or taxes due, but are not reporting information through Petrinex, we may still issue you an invoice. The invoice may be due to an amendment you submitted for a prior period, or some other reason, such as an audit.

If you are not registered with a Business Associate identification number in Petrinex, we will issue you an invoice and deliver it to you through eTaxBC. Please keep your mailing address up to date with us so we can mail you eTaxBC enrolment information if an invoice is generated for you.

Further Petrinex Information

The [Petrinex Industry Readiness Handbook](#) contains additional information on Petrinex reporting.

The Petrinex Business Desk is available to assist you in preparing for and using Petrinex. They can be reached by:

Phone: 403 297-6111 (Calgary) or 1 800-992-1144 (other locations)

Fax: 403 297-3665

Email: petrinexsupport@petrinex.ca

Website: www.petrinex.ca

Further BC Government 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.