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REGULATORY FRAMEWORK FOR THE ASSIGNMENT OF PARTICIPATING INTERESTS AND TRANSFER OF SHARES IN OIL CONTRACTS IN THE REPUBLIC OF CONGO

CONGO-BRAZZAVILLE



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Decree no. 2024-2074 of October 10 2024

Decree no. 2024-2074 of October 10 2024 establishes the legal and fiscal framework governing the following activities within the Republic of Congo's oil and gas sector :

- The assignment of participating interests in a production sharing agreement ;
- The transfer of shares in the share capital of a contractor member ;
- The tax implications associated with such transfers .

Assignment of Participating Interests in production sharing agreements

Any Contractor member may assign all or part of its participating interests in an oil contract to one or more companies that demonstrate the necessary technical and financial capacity to engage in oil operations. Such an assignment includes the transfer of all or part of the associated rights and obligations arising from the production sharing agreement.

Only contractor members who have fulfilled their obligations under the production sharing agreement may assign their interests. Except where special authorisation is granted by the Minister of Hydrocarbons, no such assignment may occur before one-third of the term of the permit has elapsed.

All assignments of participating interests are subject to the prior approval of the Minister of Hydrocarbons. This approval is a legal prerequisite for the transfer to take effect. Prior to granting such approval, the Minister may order a public inquiry to assess the technical, financial, and human capacity of the proposed transferee.



Transfer of shares in a Contractor Member

Any transfer of shares in the share capital of a contractor member resulting in a change of control is subject to the prior approval of the Minister for Hydrocarbons, except where such change of control occurs via a public stock exchange.

The contractor member must submit a request for approval of the transfer resulting in a change of control to the Minister of Hydrocarbons. As in the case of participating interest transfers, the Minister may order a public inquiry to assess the capacity of the transferee.

Where a share transfer does not result in a change of control, the contractor member must notify the Minister of Hydrocarbons within 10 days of the transfer. This notification must include the number of shares transferred, the identity of the transferee, and an updated shareholding structure.





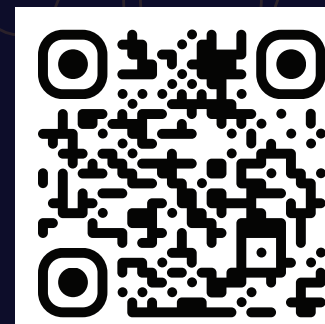
Transfer of shares in a Contractor Member

The transfer deed approved by the Minister for Hydrocarbons must be registered by the transferee with the tax authorities in accordance with the applicable regulations.

The transferor is liable to pay a flat-rate tax equal to 10% of the capital gain derived from the transfer. The capital gain is calculated as the difference between the transfer price and the total amount of eligible, audited recoverable cost oil incurred by the contractor member, pro-rated to the percentage of the participating interests transferred.

As an exception, under a production sharing contract, the transfer of participating interests from a parent company (that is a contractor member) to its Congolese-incorporated is exempt from this tax - provided that the subsidiary undertakes to maintain or increase its investment in petroleum operations in the Congo.

The transferor and the transferee are jointly and severally liable for the payment of any taxes arising from the transaction. No transfer is deemed effective or approved until all applicable taxes have been paid – tax payment is a condition precedent to the legal effectiveness of the transfer.



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