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IADC Tax Committee Meeting Minutes 12 September 2019 @ 2:30 p.m., IADC HQ – Houston

I. Welcome, Opening Remarks, Safety Briefing, IADC Antitrust Guidelines and Introductions:

IADC Tax Committee Chair, Linda Ibrahim, opened the meeting welcoming everyone, followed by a safety briefing presented by Liz Craddock, IADC Tax Committee staff liaison. Ms. Craddock next reviewed the IADC Antitrust Guidelines. Following review of those guidelines, Ms. Ibrahim asked attendees to start thinking about feedback on the June Conference/Seminar to discuss at the end of the meeting. Ms. Ibrahim next asked each meeting participant, in the room and on the phone, to introduce themselves and indicate which company employs them.

II. Update on meeting with Contracts Committee

An update was provided on the presentation the Tax Committee gave to the Contracts Committee in June in light of the new U.S. tax legislation and potential impacts to drilling contractors activity in the US GOM. The Tax Committee used a presentation and the Contracts Committee meeting minutes are on the IADC website. The feedback provided indicated that Contracts Committee found the information useful. It was a very open discussion. The IADC model contract is being updated and this was important for that dialogue. One point was made, that should the U.S. contract be amended & drafted with this new tax legislation in mind, it could have how would that an impact on other jurisdictions, international members. No resulting action items resulted from the meeting, but it was recommended that each drilling contractor's tax teams should have this a discussion internally with their own contracts and marketing teams.

III. Country by county updates:

Linda moved on to the next agenda item – roundtable discussion of various tax matters happening around the world. (These minutes reflect the comments made by participants in the room.)

Middle East:

No comments made

EU:

- a. Question asked regarding EU Court Judgment Summary in Romania concerning a jack-up – court ruled is not a qualified vessel for VAT ~~(VET)~~ purposes. Anyone else looking at the implications of this decision? One company is looking at it for UK purposes. Jack-up rigs have normally qualified as a vessel – this might have possible impacts to new operations

in the North Sea. A point was made that distinction between drillship and a jack-up is not known by decision makers.

Africa:

- a. Central African Bank Authority (CEMAC)— New law enacted in March 2019 with an effective date of Sept. 1, 2019 requiring resident companies to transact be paid in Central African Franc (XAF). The main point for raising the issue for committee discussion is to ensure awareness. Advice is to be aware this is happening of the law. Local environment believes that, and it appears this new law is here to stay at the regional level. The banks will do the regulation/policing of business transactions. It might require contract adjustments. Potential problem on debts covenants – can't have too much money in one country or currency. Gabon is enforcing it vigourously. Congo is very laid back on enforcement-dormant so far. The new law stems from an IMF request to try and strengthen countries currency.
- b. Nigeria—
 - a. Problems with getting withholding certificates out of FERS. Withholding tax certificate unit is in Abuja. Is anyone getting certificates out regularly?
 - b. One percent tax levy. NCD fund – national content development fund. Local entities are the focus but could be outside entities/vendors too. Government will not issue you quotas for personnel if outstanding tax levy exist.

Americas:

- a. Brazil— Question raised if anyone recently encountered on bank guarantees not being accepted or injunctions denied at the court level appeals process. Background: A company goes through tax assessment with Ministry, then you go to tax court. You pay a portion of the assessment. Brazil wants government is not accepting bank guarantees and is requiring taxpayers companies to pay put up 100% of the contested amounts in cash and not solely —not a portion. You must file an injunction, so you do not have to pay full amount. A company's injunction was denied. Has anyone had a similar experience?—Two other companies indicated their injunctions were granted. Point made that Brazil is trying to get to the cash. A warning was stated that taxpayers that fund nother reason not to give 100% of contested amounts in cash are seeing the authorities take that cash deposit and apply the amount to other cases (in other words, no cash refunds), is even if you win, the authorities will transfer to another case of yours.
- b. Trinidad and Tobago— Question raise on NIL tax clearance under the U.S. treaty. Any experience/success with that treaty? No one had any experience.

Asia/SE Asia:

- a. Indonesia— One company is currently going through an audit, and is utilizing the old consortium structure, where a tri-partite drilling contract is executed between, rig owner, operating company and customer. The taxpayer uses an external with a marketing agent in country. The marketing agent also serves as a Director of the

~~taxpayer. The a~~Authorities denied deductibility of marketing agent's fee, invoking a related party relationship exists between the taxpayer and marketing agent. Question was asked if other companies are facing similar situation? Discussion on how to disprove related party relationship. In this example, ~~#the issue hinges~~ on the "Director" ~~position-relationship and the authorities belief that the marketing agent had control of the taxpayer and that related party has control.~~

Any other countries/regions? No comments.

IV. Topical Updates:

- a. MLIs? Any impacts? General discussion.
- b. Havens: A lot of ~~island-historical tax haven jurisdiction~~countries are now requiring substance requirements. Any concerns? A point was made that those jurisdictions are reluctantly ~~put-enacting~~ these measures into law ~~due to by outside~~external pressures. ~~If you have a~~Companies with foreign branches in a non-taxing jurisdictions may pose able place, then that's a problem. Discussion around board ~~of directors~~ meetings and how diligent companies ~~are~~ complying. Comment made that labor and finance functions are the key. Question asked on how discussions are going with parent company – more pressures. Ongoing training with ~~subsidy-subsidiaries'~~ board members to give them an overview of implications.
- c. BCR filings – Are ~~they-countries~~ actually looking ~~at the data~~into it? Unsure about whether looking at data, but ~~they-in one particular instance: the authorities did-identified that notice~~ a submission was cut off and requested ~~that a~~ complete record ~~was submitted~~. ~~This was just for one submission~~Additional comments made that the i-Industry is probably a couple of years off from seeing anything ~~from them~~substantial in this area. The ~~authorities~~ have data entry to do first and then analyze and create policy. Question on who is going to ~~share~~take the data? Perhaps through mutual information sharing agreements, U.S.-IRS?
- d. Documenting income tax provision process workpapers ~~with-for external financial~~ auditors – More Sarbanes Oxley documentation is ~~needed~~required. Requiring evidence of review to be in the workpapersdocuments. Comments were made that it is much more meaningful to have a dialogue of the process versus expecting to see superseded workpapers or an additional tickmark-is needed and is more valuable than "approved" documents as everything isn't yes or no in tax world. Committee members agreed that there are a-Lots of many complexities. Auditors are now asking for copies of superseded ~~documents~~workpapers to be available for testing of controls. One company said they are not keeping boxes of ~~junk-superceded workpapers~~ and another said they are keeping documents orderly just for testing purposes and then are disposing documents.

IV. Tax Seminar:

Feedback was requested on the 2019 seminar/conference. Comment was made that panels were good, but person liked the panels, but particularly on the country panels, hard to follow

without slides. The group tends to be visual and slides are helpful. At least having an outline is helpful for identifying major issues. It was also hard having panel discussion on broad topics, ex: all of Africa vs. Nigeria. ~~A suggestion was made to Perhaps~~ group ~~panels~~ by how the country/region operates? ~~Another suggestion was made to separate the panel into mini topics, One topic but focus on how different countries handle it~~ Request was made for any topic suggestions, but none were made.

V. Quarterly Meetings:

The following dates suggested: Dec. 4th, 2019 as a breakfast meeting; and March 4th, 2020.

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Meeting adjourned at 3:56 p.m.