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Abstract
Taxation is one of the significant phenomenons in any economy as its not only generates revenue for existing government but serve as a fiscal tool as well as stabilization policy. One of the main types of taxation is the petroleum tax which accounts for more than 30% of revenue for developed countries and more than 85% for developing economies. This work focuses on comparative analysis of three petroleum producing giants: Nigeria, United States of America and Iran. The tax system have changed over time with changing circumstance: the structure of political environment, the nature of respective oil industry, the policies of the individual oil associations belonged to, the price of oil and domestic demand. The study found amongst other that the tax systems of the three countries are fixed over time and the not adequately flexible to attune to profitability or non-profitability of oil as well as price.

Keywords: Petroleum tax, Profitability Revenue, Taxation, Tax system

1. Introduction
Taxes – compulsory payments to government or state and imposed by legislature (Egwaikhide and Udoh, 2012) have over the years become a subject of interest to both stakeholder and researchers; the justification of this stems from the fact that when used properly, taxation can serve as a potent instrument for resource mobilization and allocation. Revenue from taxation generally constitutes a substantial part of total revenue of government and so this singular phenomenon has made taxes occupy prominent position in the discipline of public finance. Tax is as old as the government of any country is. It is a tool for government revenue and for fiscal policy and stabilization. Egwaikhidi and Udoh (2012) stated that "as part of budgetary policy taxation can serve as an effective tool for promoting economic growth and macroeconomic stability". Taxation according to Ngerebo and Masa (2012) is one of the oldest economic phenomena by which the cost of providing essential service termed 'public good' is provided for the benefits of the citizenry. The history of taxation predate many centuries, however the permanency of taxation became a common feature in 1874 when Great Britain made income tax a permanent level on is citizens. "Tax is a compulsory payment made on different basis and rates by citizens (corporate bodies and individuals) to the government, non-negotiable or obligatorily" (Ngerebo and Masa 2012, p.1); it is non-negotiable because in most country's tax systems the citizens do not participate in the formation or composition of tax rates and charges. Government only classify the tax to be paid according to category of items, tax payers and group of individuals or organizations (Ngerebo and Masa 2012). Trend of taxation in the oil industry shows that among all the other sectors, this sector is dominant not only in significance as the oil industry has over the years remained the mainstay of major economies constituting about 25-30 of the revenue to Industrialized country's government and over 80% to the government of less developed countries but serve as a major employer of quality labour in world economies. Over the last decades the taxes on oil products have substantially increased (Austvik, 1997) and evidence shows that majority of oil exporting countries use different tax structure basically from the different fiscal regimes adopted. The relative importance of the sector to any economy thus necessitates the desire to understand the industry's nature and character and the laws and policies regulating it. It is against this background that this study is initiated. This paper is prepared with the aim of providing a framework for petroleum taxation in general and petroleum taxation of three oil exporting countries. This research work is meant to answer the following questions: How important are petroleum taxes for economies?

What principles should govern the level and structure of taxes on oil products? And is the general level of oil product taxes in developing countries similar to that in industrial countries? The research will cover petroleum taxation in general and trickle down to taxation of three oil exporting countries: United States of America (USA), Nigeria and Iran. It will cover history, trends, patterns and taxation of petroleum industry in general and of the three countries in particular

This paper is organized as follows. Section one is the introductory sector section, it covers the background, aims of study, scope of study, and organization of the study; second two present the conceptual framework which inculcates the meaning of taxation and its different types as well as the literature review; sector three focuses on the taxation system of the case study countries; section four presents a comparative assessment of the three oil exporting countries earmarked for this study focusing on history, tax law and actual taxes paid on petroleum. Section five gives the summary, implications and conclusion.

2. Conceptual Framework

2.1 Taxation

A tax is a fee charged or levied by the government on a product, income or activity. According to Black's Law Dictionary Tax can basically be classified into two broad groups: Direct and Indirect Taxes. If it is levied directly on income of individuals or corporations it is terms as direct taxes; taxes levied on goods and services is termed indirect tax. According to Encarta Encyclopaedia 2009 taxation is deemed: "Taxation is the most important source of revenues for modern governments, typically accounting for 90 percent or more of their income. The remainder of government revenue comes from borrowing and from charging fees for services. Countries differ considerably in the amount of taxes they collect. In the United States, about 30 percent of the gross domestic product (GDP), a measure of economic output, went for tax payments in 2000. The 30 percent figure is relatively low from a historical standpoint. As a result of a new round of tax cuts in 2003, the tax percentage share of GDP was expected to be lower than at any time since 1959 when many major government programs, such as Medicare and Medicaid, did not exist. In Canada about 35 percent of the country's gross domestic product goes for taxes. In France the figure is 45 percent, and in Sweden it is 51 percent. In addition to using taxation to raise money, governments may raise or lower taxes to achieve social and economic objectives, or to achieve political popularity with certain groups. Taxation can redistribute a society's wealth by imposing a heavier tax burden on one group in order to fund services for another. Also, some economists consider taxation an important tool for maintaining the stability of a country's economy".

There are various kinds of taxes the government imposes; these taxes are: (a) personal income tax, also called 'income tax' imposed on the income of individuals including wages, salaries and other earnings from one's occupation such as interest earned on savings account and certain types of bonds, rents, royalties earned on sale of copyrighted books and dividend from stocks; (b) Corporate Income Tax – imposed on the net income of corporations (c) Payroll Tax – taxes levied on only wages and salaries (d) all sources of income (d) taxes levied on the sale of goods and services such as sales taxes, excise duties, value added taxes and tariff (e) property taxes – taxes levied on individual's wealth – the value of a person's assets both real (houses, cars and artwork) and financial (stocks and bonds) and (f) Estate, inheritance and gift taxes.

2.2 Petroleum Taxation

The total tax burden borne by oil companies depends on three factors: the type of taxes; the tax base and the tax rate. Oil companies generally pay four (4) types of taxes: production taxes – levied on the value of the oil extracted from the ground; corporate income taxes levied on the net income of corporations; property taxes – applicable to oil properties, which may based on the assessed value of future expected production from oil reserves in the ground and sales taxes on purchase of both inputs and equipment for needed for capital improvements (Alberro and Hamm, 2008). Most countries rely on a combination of severance taxes (ST) (taxes on production), corporate income taxes CIT) (taxes on profits), property taxes and sales taxes (SAT). According to (Alberro and Hamm, 2008) oil companies generally pay the same taxes as other corporations as well as production taxes levied on the value of exploited oil. However, each country employs a different strategy for taxing the industry; some countries emphasize on the value of current production, while others rely more on property taxes or corporate income taxes. Also, not all countries levy all these taxes, not do all states use the sae rates or even the same taxable bases.

2.3 Literature Review

Taxation plays a central role in matters of fiscal policy, this role is emphasized by the United States Supreme Court when Justice Potter Stewart made an astute observation regarding the pervasive nature of taxation according to the Justice "Our economy is tax relevant in almost every detail" (Tanko 2007).The objective of petroleum taxation according to Nwete (2004) are numerous among which are: exercising government rights and control over public asset; regulating the number of participants in the industry and more important amassing revenue for its socio-political and economic obligations and as a tool for fiscal policy and stabilization. According to Nwazeaku (2005) petroleum profit tax involves the charging of tax on the income accruing from petroleum operations. Anyanwu (1993) documented that: "Petroleum profits tax is charged, assessed and payable upon the profits of each accounting period of any company engaged in petroleum operations during any such accounting period, usually one year (January-December)"

International Monetary Fund analysis of 30 less developed countries and industrial countries in 1990-1991 showed that tax revenues from petroleum have a significant relationship with government budget and GDP. The survey showed that: consumption of petroleum products rises almost as fast as GNP (elasticity of 0.8); total government tax revenue from all sources tends to rise faster than GNP (elasticity of 1.2) and tax revenue from petroleum products rises more slowly than total tax revenue (elasticity of 0.7). The survey concludes thus that tax revenue from petroleum products rises more slowly than GNP (elasticity of 0.9).

The result illustrated the importance of taxation of petroleum products, especially in the upstream sector and for less developed economies. The reason adduced is that fuel taxes is one of the easiest and fastest way of revenue generation; this is based on the premise that demand for fuel is relatively

inelastic ensuring "buoyant revenue as income rises and tax rate are increased". So while petroleum product taxes are relevant for developed countries, they thus become more important in less developed countries. Table 1 show the average petroleum product taxes and prices in OECD and non-OECD countries.

Table 1: Petroleum Product Taxes and Prices

Fuel And Country Group	Tax As Share of Financial Price		Tax (U.S Cents Per Litre)	
Gasoline	OECD countries	67	OECD countries	58.1
	Non-OECD countries	44	Non-OECD countries	22.9
Automotive Diesel	OECD countries	59	OECD countries	42.4
	Non-OECD countries	40	Non-OECD countries	16.6
Kerosene	OECD countries	23	OECD countries	5.1
	Non-OECD countries		Non-OECD countries	

Source: Bacon, 2001

3. Petroleum Taxation: Case Study of Iran, Nigeria and United States of America (USA)

3.1 Nigeria

3.1.1 Taxation in Nigeria

Taxes in Nigeria can be broadly classified into three for the purpose of noting their features: these are taxes derived from income and wealth, taxes related to expenditure and consumption and production based taxes. Table 2 shows the various kinds of taxes collected by the Nigerian government according to jurisdictions.

Table 2: Tax Jurisdiction in Nigeria

Federal State	State	Local Government
Import Duties	Football Pools And Other Betting Taxes	Rates
Excise Duties	Entertainment Taxes And Estate Duties	Tenement Rate
Export Duties	Gift Tax	Market and Trading Licenses and Fees
Mining Rents And Royalties	Land Tax Other Than Agricultural Land	Motor Park Duties
Petroleum Profit Tax	Land Registration And Survey Fees	Advertisement Fees
Company Income Tax	Capital Gains Tax (Administration)	Entertainment Fees
Capital Gains Tax (Administration)	Personal Income Tax (Legislation)	Radio/Television License Fees
Personal Income Tax (Legislation)	Stamp Duties	Property Tax (Administration)
Value Added Tax (VAT)	Property Taxes (Legislation)	
Stamp Duties	Motor Vehicle And Driver's License Fees	
Dividend Taxes	Stamp Duties (Administration)	

Source: The Nigerian Constitution and the VAT Decree of 1993 (and as Amended in 1996) in Udoh and Egwaikhide, 2012.

3.1.2 Petroleum Taxation in Nigeria

Nigeria joined the ranks of oil producers in 1958 when its first oil field came on stream producing 5,100 barrels per day by Shell D'Arcy (Ayodele-akaakar 2010). Nigeria rank among the 10 nations in the proved oil and natural gas reserves worldwide. As of January 1, 2009, the estimated crude oil and natural gas reserves are respectively 36.2 billion barrels and 181.9 trillion cubic feet. Previous studies on the Nigerian economy in the last decade show that Nigerian petroleum Industry is the largest in Africa and occupies a dominant role in the economic development of the country. This is seen in the nation's fiscal and macroeconomic policies; about 83% of the total revenue generated by the government comes from this industry. The major source of this revenue comes from Petroleum Profit tax and royalties, licensing fee and other incidentals as shown in the CBN statistical bulletin (ogbonna 2012).

Table 3: Government Revenue

Year	Totally Federally Collected Revenue	Oil Revenue	Non-Oil Revenue
1980	15,233.50	12,353.30	2,880.20
1981	13,290.50	8,564.40	4,726.10
1982	11,433.70	7,814.90	3,618.80
1983	10,508.70	7,253.00	3,255.70
1984	11,253.30	8,269.20	2,984.10
1985	15,050.40	10,923.70	4,126.70
1986	12,595.80	8,107.30	4,488.50
1987	25,380.60	19,027.00	6,353.60
1988	27,596.70	19,831.70	7,765.00
1989	53,870.40	39,130.50	14,739.90
1990	98,102.40	71,887.10	26,215.30
1991	100,991.60	82,666.40	18,325.20
1992	190,453.20	164,078.10	26,375.10

1993	192,769.40	162,102.40	30,667.00
1994	201,910.80	160,192.40	41,718.40
1995	459,987.30	324,547.60	135,439.70
1996	523,597.00	408,783.00	114,814.00
1997	582,811.10	416,811.10	166,000.00
1998	463,608.80	324,311.20	139,297.60
1999	949,187.90	724,422.50	224,765.40
2000	1,906,159.70	1,591,675.80	314,483.90
2001	2,231,600.00	1,707,562.80	903,462.30
2002	1,731,837.50	1,230,851.20	500,986.30
2003	2,575,095.90	2,074,280.60	500,815.30
2004	3,920,500.00	3,354,800.00	565,700.00
2005	5,547,500.00	4,762,400.00	785,100.00
2006	5,965,101.90	5,287,566.90	677,535.00
2007	5,715,600.00	4,462,910.00	1,200,800.00
2008	7,866,590.10	6,530,630.10	1,335,960.00
2009	4,844,592.34	3,191,937.98	1,652,654.37
2010	7,303,671.55	5,396,091.05	1,907,580.50
2011	9,987,629.00	8,848,615.00	1,139,014.00

Source: CBN Statistical Bulletin, 2012

Table 4: Production of Oil in Nigeria: 1980-2011

Year	Production	Change
1980	2,055.00	NA
1981	1,433.00	-30.27%
1982	1,295.00	-9.63%
1983	1,241.00	-4.17%
1984	1,388.00	11.85%
1985	1,495.00	7.71%
1986	1,467.00	-1.87%
1987	1,341.00	-8.59%
1988	1,450.00	8.13%
1989	1,716.00	18.34%
1990	1,810.00	5.48%
1991	1,891.80	4.52%
1992	1,943.00	2.71%
1993	1,960.00	0.87%
1994	1,930.90	-1.48%
1995	1,992.75	3.20%
1996	2,000.53	0.39%
1997	2,132.45	6.59%
1998	2,153.46	0.99%
1999	2,129.86	-1.10%
2000	2,165.00	1.65%
2001	2,256.16	4.21%
2002	2,117.86	-6.13%
2003	2,275.00	7.42%
2004	2,328.96	2.37%
2005	2,627.44	12.82%
2006	2,439.86	-7.14%
2007	2,349.64	-3.70%
2008	2,165.44	-7.84%
2009	2,208.31	1.98%
2010	2,455.26	11.18%
2011	2,525.29	2.85%

Source: EIA, 2012

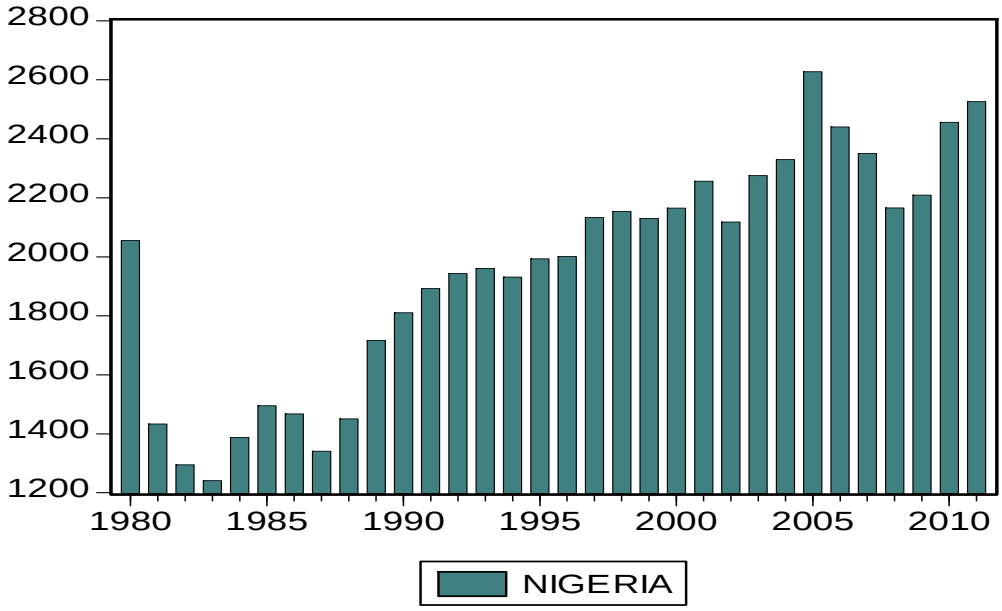

Fig 1: Trend Analysis of Nigerian Oil Production

Source: EIA 2012, Authors Interpolation with Eviews 5.0

Principally, the Nigerian petroleum industry is divided into three broad categories: upstream, midstream and downstream sector. Upstream operations is made up of exploration, development and production; the midstream sector comprises of transportation (pipelines and oil tankers) while the downstream operations involve activities which culminate in value addition and improvement upon end products of upstream activities such as refining and servicing.

Table 5: Petroleum Profit Tax in Nigeria

<table>
<tr><td>Rates</td><td>85% for petroleum operations carried out under a joint Venture (JV) arrangement with the Nigerian National Petroleum Corporation (NNPC) or any non-Production Sharing Contract (PSC) over 5 years

65.75% for non PSC operation in its first 5 years during which the company has not fully amortised all pre-production capitalized expenditure.

50% for petroleum operations under Production Sharing Contracts (PSC) with the NNPC</td></tr>
<tr><td>Due Date for payment of PPT</td><td>Payable in 12 equal monthly instalments with final 13th instalments (if there is an underpayment). The first instalment for the year is due by the end of March.</td></tr>
<tr><td>Penalties</td><td>Late Submission of returns: Initial penalty of N10,000 and N2,000 for each day such failure continues

Late Payment of Tax: 5% of the tax payable</td></tr>
<tr><td>Royalties</td><td>The holder of an Oil Prospecting License (OPL) or an Oil Mining Lease (OML) is required to pay royalties to the Federal Government as soon as production begins. This is usually in form of monthly cash payments at the prescribed rate or by way of royalty oil.
The rates are:
In respect of JV operations
<table>
<tr><td>area</td><td>Rate (%)</td></tr>
<tr><td>Onshore production</td><td>20</td></tr>
<tr><td>Offshore production up to 100 metres water depth</td><td>18.50</td></tr>
<tr><td>Offshore production beyond 100 metres water depth</td><td>16.66</td></tr>
</table>
In respect of PSCs
The royalty rates applicable are granted according to the depth of water from which the oil is mined. These are:
<table>
<tr><td>area</td><td>Rate (%)</td></tr>
<tr><td>From 201 to 500 meters water depth</td><td>12</td></tr>
<tr><td>From 201 to 500 meters water depth</td><td>8</td></tr>
<tr><td>From 201 to 500 meters water depth</td><td>4</td></tr>
<tr><td>In excess of 1,000 meters water depth</td><td>0</td></tr>
</table></td></tr>
</table>

***Source*:** Nigerian Tax Card, 2012/2013

A salient feature of the Nigerian tax system shows that Nigerian tax system is dependent heavily on a single commodity – petroleum. Due to the importance attached to oil exploration and production of the federal government of

Nigeria, the taxation of profit of companies engaging in such operations became inevitable under a tax act different from the companies income tax act. This ordinance in which petroleum is taxed is referred to as the petroleum profit tax act (PPTA) (Tanko 2007). Owing to the huge profitability associated with exploration and exploitation of petroleum resources, a special tax is also levied on income from these activities. The taxable income of any petroleum company in Nigeria comprises proceeds from the sale of crude and related products used by the company in its on refineries plus any other income of the company incidental to and arising from its petroleum operations.

Thus, the Petroleum Profits Tax Act Cap. 354 L.F.N 1990; CAP. P13. 2004 (as amended) relates to upstream operations; the companies income Tax Act CAP. C21 L.F.N 2004 (amended by company's income tax amendment act No. 11 2007) applies to downstream operations and the Nigeria. The focus of petroleum profits tax in Nigeria is the upstream sector of the petroleum industry which deals with oil prospecting, mining and production (Ogbonna 2012).

Table 5 above depicts that the taxable income of a petroleum company in Nigeria is subjected to 85% tax; but this percentage is lowered to 65.75% during the first 5 years of operation. Companies operation under petroleum sharing contracts fiscal regimes is liable to 50% tax rates. In addition to production rate oil companies or contractors are also expected to pay royalties to the government; however these royalty payments are water depth dependent with onshore production attracting the highest rate of 20% than offshore under a joint venture agreement while the highest rate for PSCs is 12% according to water depth.

3.2 IRAN

3.2.1 Iran oil Industry: Overview

The significance and importance of oil to the Iranian economy cannot be overemphasized; Iran is the 9th in the world and the second largest producer of oil in the Organization of Petroleum Exporting Countries. According to Amuzegan (2008) in the mid 2008 – the 100th anniversary of commercial oil discovery in Iran – the country's petroleum deposits, the price of its crude, its foreign exchange reserves, and its annual oil export receipts and its annual tradable set historic records. With more than a century of oil discovery, Iran is the oldest oil exporting country in the Persian Gulf Region; and with continued discovery of new oil fields; its current reserves have always exceeded domestic consumption and exports. Its current proven oil deposits in situ are estimated to be 520 billion barrels which constitutes 11.6 percent of the world's known petroleum reserves (Amuzegun 2008).

Table 6: Production of oil in Iran: 1980-2011

Year	Production	Change
1980	1,662.00	NA
1981	1,380.00	-16.97%
1982	2,214.00	60.43%
1983	2,440.00	10.21%
1984	2,174.00	-10.90%
1985	2,250.00	3.50%
1986	2,035.00	-9.56%
1987	2,298.00	12.92%
1988	2,240.00	-2.52%
1989	2,810.00	25.45%
1990	3,088.00	9.89%
1991	3,312.00	7.25%
1992	3,429.10	3.54%
1993	3,540.00	3.23%
1994	3,618.00	2.20%
1995	3,643.22	0.70%
1996	3,685.71	1.17%
1997	3,664.18	-0.58%
1998	3,633.77	-0.83%
1999	3,557.00	-2.11%
2000	3,696.30	3.92%
2001	3,723.70	0.74%
2002	3,444.30	-7.50%
2003	3,742.80	8.67%
2004	4,001.43	6.91%
2005	4,138.58	3.43%
2006	4,027.81	-2.68%
2007	3,911.89	-2.88%
2008	4,050.27	3.54%
2009	4,037.04	-0.33%
2010	4,080.42	1.07%
2011	4,054.00	-0.65%

Source: EIA, 2012

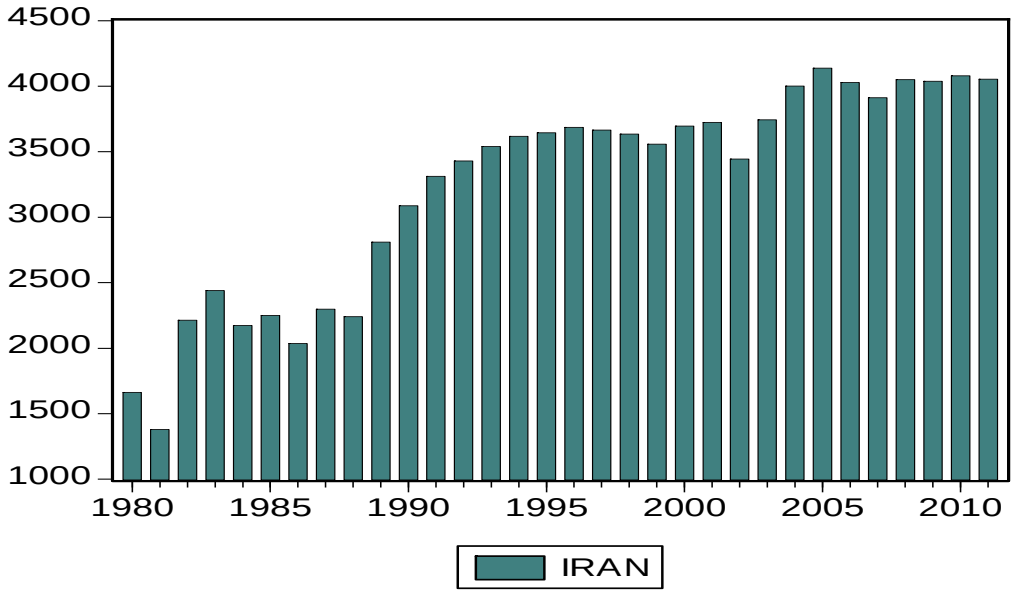

Fig 2: Trend Analysis of Iran Production

Source: EIA 2012, Authors Interpolation with Eviews 5.0

Table 7: Production of Oil in Nigeria: 1980-2011

Year	Production	Change
1980	8,597.00	NA
1981	8,572.00	-0.29%
1982	8,649.00	0.90%
1983	8,688.00	0.45%
1984	8,879.00	2.20%
1985	8,971.00	1.04%
1986	8,680.00	-3.24%
1987	8,349.14	-3.81%
1988	8,140.00	-2.50%
1989	7,613.00	-6.47%
1990	7,355.31	-3.38%
1991	7,416.55	0.83%
1992	7,171.12	-3.31%
1993	6,846.67	-4.52%
1994	6,661.58	-2.70%
1995	6,559.64	-1.53%
1996	6,464.52	-1.45%
1997	6,451.59	-0.20%
1998	6,251.83	-3.10%
1999	5,881.46	-5.92%
2000	5,821.60	-1.02%
2001	5,801.40	-0.35%
2002	5,745.55	-0.96%
2003	5,680.70	-1.13%
2004	5,418.85	-4.61%
2005	5,178.38	-4.44%
2006	5,102.08	-1.47%
2007	5,064.25	-0.74%
2008	4,950.32	-2.25%
2009	5,360.54	8.29%
2010	5,474.35	2.12%
2011	5,672.56	3.62%

Source: EIA, 2012

3.2.2 Taxation in Iran

The unique role of oil revenue in economy of Iran can be seen in the structure of government budget and programmes. Iran has a discretionary licensing system. The government receives a large share of the value created through: taxation of oil and gas activities, direct ownership in fields on the Norwegian continental shelf and dividends from its shareholding. Petroleum taxation is based on the Iranian

rules for ordinary corporation tax. The petroleum tax system has been designed to provide neutrality, so that an investment project which is profitable for an investor before tax will also be profitable after tax. This makes it possible to harmonize the desire to secure significant revenues for the community with the requirement to provide sufficient post-tax profitability for the companies. Owing to the extraordinary profitability associated with the production of petroleum resources, a special tax is also levied on the income from these activities. The ordinary tax rate is 30-32%, while the special tax rate is 50% (Amuzegun 2008).

3.3 United States of America (USA)

The United States of America is among the five top producers of petroleum in the world; America's produces about 5.4 million barrels of crude oil per day, 164 million barrels per month and almost 2 billion barrels per year. America's oil and natural gas industry supports 9.2 million jobs throughout the economy and 7.5% of GDP. Our industry provides higher-than-average wages and contributes to our nation's energy security: the national average annual salary for oil and gas production is $96,944 about $47 per hour – more than double the average annual salary of all occupations and from 2004-2007, the oil and natural gas industry was responsible for creating nearly 2 million additional domestic jobs.

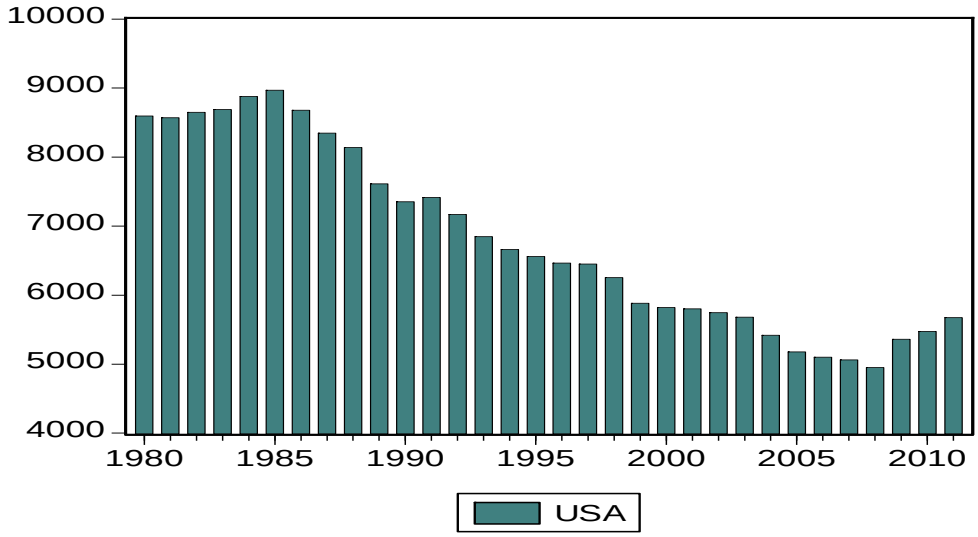

Fig 3: Trend Analysis of USA Production
Source: EIA 2012, Authors Interpolation with Eviews 5.0

3.3.1 Taxation in USA

American Petroleum Institute (2010) there is different taxes that apply to the petroleum industry: the production tax, the property tax and the corporate income tax. In addition to these there are royalties that are paid to states under the terms of leases for the state lands that the oil and gas are produced from.

Production Tax

The production tax also known as severance tax is a tax levied on producing oil and gas from the property in the state the rate of tax is determined individually for each field explored, using a base rate multiplied by an "economic limit factor" (ELF) that reflects the productivity of the particular field. For oil there are two base rates – 12.25% during a field's five years of production, and 15% after that. The numerical value of the ELF is determined according to a statutory formula. The petroleum ELF formula equals one minus break even percentage for each of your fields including an exponent based on the number of barrels a field is producing per day.

Royalties

The legal nature of the state's royalty is fundamentally different from its taxes. Taxes involve an exercise of the state's sovereign power to tax and consequently can be changed unilaterally by the state at will. Each of the state's oil and gas leases reserves a share of the production from it for the state, which is usually one eight (12½%) but sometime one sixth (16⅔%), one fifth (20%) or some other percentage in the lease. The option has the option of taken up the lease in cash or in kind.

Corporate Income Tax

This calls for companies, including oil companies to use apportionment to determine the amount of their income. Under apportionment the net income of the entire business in the US and worldwide and then determine the slice to the US. Oil companies and other tax payers are subjected to the same set of tax brackets – 1% on the first $10,000 of income in the US slice of the pie, plus one percentage point for each additional $10,000 up to a maximum of 9.4% on US income over $90,000.

Property Tax

The state property tax is 2% of the assessed value of the taxable property as of January each year. Taxable property under the state property tax is limited to property that is used for oil and gas exploration, or the transportation of crude oil by a regulated pipeline. Unlike the production tax or the income tax – where the tax paper initial determines what its tax liability is and pays on the basis of its figures, subject to later audit of those figures – the department of revenue determines what the assessed value is for the owner pays the tax on the basis of that assessed value which is the referred to as the full and true value.

4. Comparative Analysis of Upstream Petroleum Fiscal Systems of Iran, Nigeria and USA

4.1 Comparison of Production

A look at the figure shows that United States is the highest producer of oil followed by Iran and then Nigeria. Also the figure depicts that production level roe in all countries; feel during the oil glut era and has peaked up after the world financial crises between 2009 and 2011 in all the three countries. However, Production in Iran has been relatively constant compared to Nigeria and the USA possibly reflecting the maturity of the basins where production occurs in the USA and internal oil crises in Nigeria.

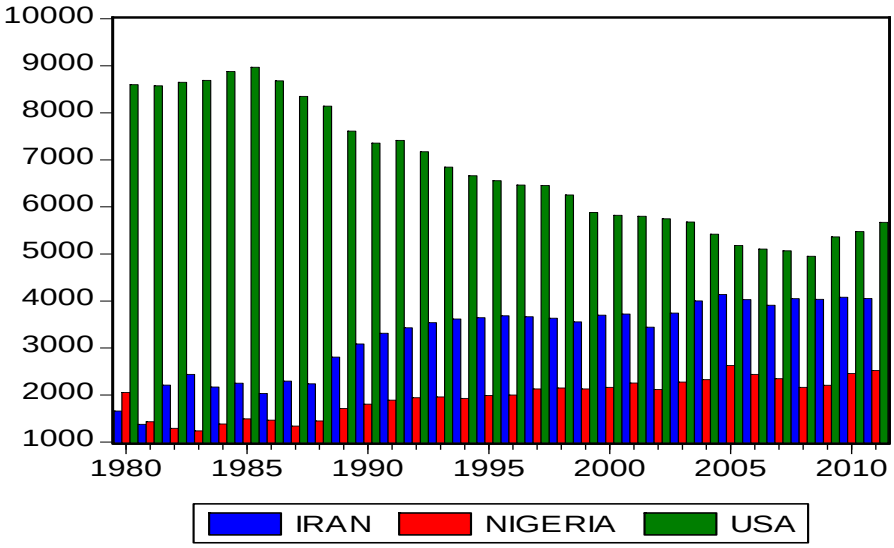

Fig 4: Comparative Analysis of Iran, Nigerian and USA Production
Source: EIA 2012, Authors Interpolation with Eviews 5.0

4.2 Petroleum Tax Comparisons

Table 8: Petroleum Tax of the three Countries

Type	Nigeria	USA	Iran
Tax Law	Combination	Combination	Combination
Production Tax	64-85%	12.25%	30-50%%
Royalty	Variable	Highly Variable	Variable
Company Income Tax	Variable	Constant and Similar to other types of companies of industries	Similar to other types of companies of industries
Property Tax	Variable	Variable	Variable

Source: Authors Compilation

5. Summary, Implications and Conclusion

The aim of this paper is to petroleum taxation of three oil exporting giants Iran, USA and Nigeria. The three countries compared all adopt a combination of different tax systems for petroleum industry: Production or severance taxes, royalties, company income tax and property taxes. On the whole considering that a tax system needs to such hat generate revenue and should still apply the principle of fairness; it is recommended Nigeria should look intently at the Company Income Tax structure of Oil Companies as their Petroleum Production Tax seem to be the heist among the companies compared basically to encourage foreign investment.

The comparative analysis of fiscal system has frequently met with the difficulty of finding information on respective legislation; there was paucity of data especially as it relates to accurate figures for the different types of systems especially for Iran. It is suggested that further studies can work on a particular aspect of petroleum taxation, look ineptly at it and go the extra mile to gather directly if not ex post facto though survey.

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