

**Delek Drilling – Limited Partnership**  
**(the “Partnership”)**

December 3, 2020

Israel Securities Authority  
22 Kanfei Nesharim Street  
Jerusalem

The Tel Aviv Stock Exchange Ltd.  
2 Ahuzat Bayit Street  
Tel Aviv

Dear Sir/Madam,

**Re: Taxation of Profits from Natural Resources Regulations (Petroleum Profit Levy Advance Payments), 5781-2020**

Pursuant to the provisions of Section 7.24.6 of the Partnership’s periodic report as of December 31, 2019 which was released on March 30, 2020 (Ref. no. 2020-01-032010), the Partnership respectfully updates that on December 2, 2020, the Taxation of Profits from Natural Resources Regulations (Petroleum Profit Levy Advance Payments), 5781-2020 (the “**Regulations**”) that are hereby attached as **Annex A** to this immediate report were published, regulating the issue of payment of the advances that will be paid by holders of petroleum interests in a petroleum project, including the method of calculation of the advance payments, the dates of payment thereof and the reporting thereon.

The Partnership is exploring the manner of implementation of the Regulations.

Sincerely,

**Delek Drilling Management (1993) Ltd.**

**The General Partner in Delek Drilling – Limited Partnership**

By Yossi Abu, CEO

and Yossi Gvura, Deputy CEO

**Taxation of Profits from Natural Resources Regulations (Petroleum Profit Levy Advance Payments), 5781-2020**

By virtue of my authority under Sections 10(b) and 51 of the Taxation of Profits from Natural Resources Law, 5771-2011<sup>1</sup> (the “**Law**”), I hereby promulgate the following regulations:

*Definitions*

1. In these regulations –

“Difference from the Corporate Tax” – the difference between the corporate tax rate set forth in Section 126 of the ordinance with regard to the tax year in respect of which the advance payment rate is calculated and 18%;

“Effective Month” – the month for which the advance is paid;

“Current Revenues” – as defined in Section 3(b) of the Law;

“Derivative Payment” – within its meaning in Section 9(b) of the Law.

*Determination of advance payments*

2. A holder of a petroleum interest in a petroleum project shall pay advances on account of the levy for such tax year, according to the provisions of Regulation 3, plus interest and linkage differentials from the date fixed for payment until payment of the advance.

*Method of payment of the advances*

3. An advance as provided in Regulation 2 shall be paid starting from the tax year following the tax year in which the levy coefficient is 1 or higher, as specified below:

(1) The advance payment for the Effective Month shall be the amount equal to the product of the following two; the said amount shall be rounded off to the nearest full shekel:

(a) One of the following, as the case may be:

(1) The product of the Current Revenues of the petroleum project in the Effective Month, multiplied by the proportionate share of the holder of the petroleum interest in the petroleum project;

(2) With regard to the sale of petroleum separately in projects that are co-owned pursuant to Section 18 of the Law – the Current Revenues in the Effective Month of

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<sup>1</sup> Statutes 5771, p. 806.

the holder of the petroleum interest in the petroleum project;

- (b) One of the following, as the case may be:
- (1) The product of 83% multiplied by the difference between 50% and the product of 0.64 multiplied by the Difference from the Corporate Tax; the aforesaid result shall be rounded off to the nearest full percent (the “**Advance Payment Rate**”).
  - (2) In the first three tax years, starting from the tax year following the tax year in which the levy coefficient is 1 or higher, or starting from the 2021 tax year, whichever is later, the Advance Payment Rate shall be as follows:
    - (a) In the first tax year – 21%;
    - (b) In the second tax year – 30%;
    - (c) In the third tax year – 37%.
  - (2) The advance shall be paid on the 15th day of each month of the tax year, from February, due to the Current Revenues received in the previous month, other than the December advance payment which shall be paid by January 15 of the following tax year due to the Current Revenues received in December; the payment of an advance as aforesaid will be deductible in the calculation of the taxable income of the payer of the advance in the tax year in which it was made; Section 175(f) of the ordinance shall apply in such context, *mutatis mutandis*.
  - (3) A holder of a petroleum interest in a petroleum project shall file a report specifying the calculation of the advance payable according to the form in the Schedule; a report as aforesaid shall be filed with the assessing officer on the 15th day of each month of the tax year, from February, due to the Current Revenues received in the previous month, other than the December report which shall be filed by January 15 of the following tax year due to the Current Revenues received in December; Section 175(f) of the ordinance shall apply in such context, *mutatis mutandis*.

*Attribution of payments on account of advance payments*

4. A holder of a petroleum interest in a petroleum project may offset, against its advance payments for the Effective Month, the amount it shall have deducted from the recipient of a Derivative Payment pursuant to the provisions of Section 9(b) of the Law, provided that all of the following are met:
  - (1) The holder of the petroleum interest transferred the levy amount deducted thereby to the assessing officer no later than on the date of payment of the advance for the Effective Month;

- (2) The transferred deduction amount was not previously offset against the advance payments of the holder of the petroleum interest;
- (3) The Effective Month for which the setoff is required is in the same tax year as that in which the Derivative Amount was received.

*Change in the advance payment rate*

5. (a) The assessing officer may increase the Advance Payment Rate of a holder of a petroleum interest in a petroleum project if he deems that the levy for the tax year in which the advance is paid is expected to be higher than the total advance payments calculated for the tax year in which the advances are paid according to the provisions of Regulation 3.  
  
(b) The assessing officer may decrease the Advance Payment Rate of a holder of a petroleum interest in a petroleum project if it is proven to his satisfaction that the levy for the tax year in which the advance is paid, is expected to be lower than the total advance payments calculated for the tax year in which the advances are paid according to the provisions of Regulation 3.

*Holder of a petroleum interest reporting in dollars*

6. If a holder of a petroleum interest in a petroleum project wishes to report in dollars as provided in Section 13(b) of the Law, the advance payment amount shall be calculated in dollars however, the calculated dollar amount shall be converted to ILS according to the representative rate of the dollar determined by the Bank of Israel on the date of payment of the advance and shall be paid in ILS; the said amount shall be rounded off to the nearest full shekel.

*2020 Temporary provision*

7. (a) The provisions of Regulation 3(1)(b) notwithstanding, the Advance Payment Rate in the 2020 tax year pursuant to these regulations shall be 15%.  
  
(b) The date of payment of the advances for January to November of the 2020 tax year shall be 29 Kislev 5781 (December 15, 2020); the date of filing of a report as provided in Regulation 3(3) for January to November of the 2020 tax year shall be 29 Kislev 5781 (December 15, 2020).