The Moscow Times
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Finance Ministry Seeks $33Bln Through Tax Hikes

By Peter France

July 21, 2010

The Finance Ministry on Wednesday proposed raising federal budget revenues 1 trillion rubles ($33 billion) over the next three years through a series of tax and tariff hikes, including higher extraction taxes on oil and gas.

The ministry wants to raise the extraction tax on gas by 61 percent next year, followed by hikes of 6 percent and 5.4 percent in 2012 and 2013, respectively, said Ilya Trunin, head of the Finance Ministry's tax policy department. The increased taxes on gas would bring in an extra 180 billion rubles over three years, he told reporters.

A similar measure was proposed for the oil extraction tax, with a 6.5 percent hike in 2012 and a 5.4 percent rise in 2013, bringing in an extra 225 billion rubles.

The measure would increase oil prices by about $1.60 per barrel, assuming a price for Urals crude of $75 per barrel, Andrei Kokin, an oil and gas analyst at Metropol, said in a note.

"We estimate that an integrated company, such as LUKoil, Rosneft or Gazprom Neft, could lose 6 percent to 8 percent of [earnings before interest, taxes, depreciation and amortization] in 2012 as a result," he said.

The ministry was able to push its plan to increase the gas tax past Gazprom — which put up stiff resistance to the proposal — after winning approval from Prime Minister Vladimir Putin, Trunin said.

"This is the position agreed to with the federal authorities," Trunin said, Reuters reported. "We were able to do that," he said.

The ministry is also considering an Economic Development Ministry proposal to impose a luxury tax on a range of high-priced goods, including chocolate, but Trunin said the levy was not likely to raise much revenue.

One tax likely to be cut is the politically sensitive transportation tax, and the Finance Ministry is backing a 50 percent reduction in the base rate starting next year. The levy would be eliminated altogether for drivers of cars with less than 150-horsepower engines, he said.

Under the plan, the cut would be offset by an increase in excise tax on fuel, however. The Finance Ministry has proposed raising the tax on gasoline by 1 ruble per liter per year over the next three years.

Copper will also be targeted in the Finance Ministry plan, which suggests a hike in export duties on the metal to 10 percent starting next year. The proposal also calls for nickel tariffs to be pegged to market prices for the metal, ranging between 5 percent and 7.5 percent.

Other new taxes that made it into the ministry's proposal were an increase in the water tax and higher excises on tobacco products, Trunin said.

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