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Ministry Cuts Proposed Natural Gas Tax

By The Moscow Times

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The Finance Ministry on Thursday cut the rate at which it aims to increase the tax on the extraction of natural gas, easing fears among producers that their tax bills would become almost unaffordable.

The ministry said it was proposing changes to the tax code suggesting new rates of mineral extraction tax for Gazprom and other smaller producers, which are barred from selling gas abroad.

The new proposals were published after gas producers objected that the initially planned increases could lead to cuts in output as a result of a lack of investment.

Gazprom has already suffered from lower gas demand due to financial troubles in Europe, its key source of revenues, as well as an increase in the use of cheaper gas from the spot market in the European Union and the influx of alternative fuel such as liquefied natural gas.

The Finance Ministry revealed that it was softening its position on the tax earlier this week,

but it has now provided more concrete figures.

The ministry proposes to increase the tax rate for Gazprom by 12.5 percent a year, while the bill for other producers is envisaged to rise 15 percent annually, on par with the expected increase in domestic regulated gas prices.

Under a plan previously announced in May, the extraction tax would have been doubled for Gazprom by mid-2015, with the tax for independent producers increased four-fold.

In 2012, the tax rate for Gazprom is set at 509 rubles per 1,000 cubic meters, while for other producers it amounts to 251 rubles.

The Finance Ministry sees the rate gradually rising to 788 rubles for Gazprom starting from Jan. 1, 2015, down from the previously envisaged rate of about 1,000 rubles.

For other companies, such as private gas producer Novatek, the rate is expected to reach 522.4 rubles from Jan. 1, 2015.

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