

Details on Oil Tax Tweaks Emerging

By [The Moscow Times](#)

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The Finance Ministry has proposed gradually reducing oil export duties and increasing the mineral extraction tax, or MET, in a move to boost state revenues that could stimulate exports and drive up domestic fuel prices.

The ministry needs to find new revenue sources to cover President Vladimir Putin's promises to spend more on social benefits, the armed forces, the 2014 Winter Olympic Games and the 2018 soccer World Cup.

Although tax relief is being offered on some projects, such as extracting hard-to-recover tight oil, the increase in MET would squeeze the profit margins earned by oil refiners who in turn would seek to pass on the cost to drivers.

"Crucially, the proposed change would lead to a rise in domestic motor fuel prices, something the government will try to avoid at any cost," Vienna-based JBC Energy consulting firm said in a note earlier this week.

In recent months, Russia has seen a surge in gasoline exports, prompting the government to consider restricting shipments in an effort to avoid a repeat of protests seen two years ago.

In particular, the Finance Ministry proposes raising the base of MET to 491 rubles (\$15.24) per ton in 2014, 515 rubles in 2015 and 545 rubles in 2016 from 470 rubles now.

At the same time, it wants to cut base oil export duty to 59 percent in 2014, 58 percent in 2015 and 56 percent in 2016 from 60 percent now.

The ministry also wants to cut light oil products export duty to 64 percent in 2015 and 62 percent in 2016 from 66 percent now.

These measures would help to boost state revenues by 35 billion rubles in 2014, 68 billion rubles in 2015 and 72 billion rubles in 2016.

Deputy Finance Minister Sergei Shatalov said last week that both Putin and Prime Minister Dmitri Medvedev supported the ministry's proposal but asked the ministry to calculate how changes would affect domestic fuel prices.

Russia slapped punitive duties on gasoline exports in 2011 following widespread demonstrations that challenged then-Prime Minister Putin over high prices and shortages.

The protests became a precursor for much larger rallies against the results of parliamentary elections in December 2011, won by Putin's party ahead of his re-election as president in 2012.

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