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Russia's Parliament Approves Oil Tax Changes in Crucial Reading

By The Moscow Times

November 11, 2014



Russia's lower house of parliament approved changes that will reduce oil export duties and increase taxes for mineral extraction, seeking to balance the needs of the producers and its budget.

The changes to taxation, known as the "tax maneuver," have been the focal point of debates within industry and faced strong resistance from the country's top oil producer Rosneft and some lawmakers.

The Energy Ministry, which sponsored the initiative, has argued the oil tax changes strike a correct balance between the industry's investment needs and the priorities of budget, which has been hit by a weaker economy.

Weaker oil prices, which fell by around a third from its June peak, have spurred the changes in taxation. Oil and natural gas sales account for a half of Russia's budget revenues.

The changes are expected to be enforced after Jan. 1, 2015.

They need to be passed in a third reading and approved by the upper house of parliament before it is signed into law by Russian President Vladimir Putin.

Analysts say the companies with the highest exposure to the refining sector, such as Bashneft, Gazprom Neft and LUKoil, will be the biggest losers from the tax changes.

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