The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russian Finance Ministry Proposes Move to Raise Tax on Oil Extraction

By The Moscow Times

September 20, 2015

The possibility of Russia raising taxes on oil companies was reported by Bloomberg and several Russian media in recent days.

Russia's Finance Ministry has proposed changing the calculation method for mineral extraction tax for oil companies by including a so-called "ruble deduction" that would significantly boost revenues, news agency RIA reported on Saturday, citing Finance Ministry documents.

The plan would raise an additional 1.6 trillion rubles ($24.1 billion) in revenues in 2016-18, RIA reported.

The reported plan comes as Russia is struggling to find ways of making its budget numbers add up, following a renewed slide in the price of oil that has blown a hole in government revenues largely dependent on energy taxes.

RIA said the oil tax proposal would involve changing the method used to calculate a so-called cut-off price of $15 per barrel that determines what proportion of oil companies' revenues is not subject to the extraction tax.

Presently the cut-off price is converted into rubles using the exchange rate that exists when the tax is paid. This is forecast by the Finance Ministry at 63.5 rubles per dollar in 2016, 64.8 rubles per dollar in 2017 and 65.8 rubles per dollar in 2018, RIA reported.

Under the new proposal the conversions would instead by made using the 2014 exchange rate indexed by inflation, implying a dollar/ruble exchange rate of 43.8 in 2016, 47.1 in 2017 and 49.8 rubles in 2018, as a result of which more of oil companies' revenues would be subject to the tax.

The possibility of Russia raising taxes on oil companies was reported by Bloomberg and several Russian media in recent days.

The Finance Ministry has not officially commented on these reports and did not reply to calls on Saturday.