

Kudrin Deputy Hits Narrow Tax Breaks

By [The Moscow Times](#)

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Russia's recent reintroduction of tax breaks for selected companies and oligarchs — a vogue practice of the 1990s — stalls the country's reforms and development, a senior tax official said over the weekend.

"We are again starting to move toward one or another tax break," said Sergei Shatalov, the Finance Ministry's top tax official. "In my opinion, this is not a correct position, it is a wrong logic. But this is the logic that's very prominent today.

"In our economy there are a lot of problems and some of them need big, serious decisions, but these decisions are not being made, and then it seems the simplest way is granting tax breaks," he told a conference.

Shatalov said such favoritism could lead to a wave of abuse and dubbed the practice a burden for businesses that had no government connections.

His remarks seem to be chiefly directed at the oil industry, where the government of Prime

Minister Vladimir Putin has offered a series of tax relief, including a zero export duty for 22 oil fields in East Siberia this year.

The East Siberian breaks are to end in 2011, but the government has extended the preferential treatment to the Vankor oil field, run by Russia's largest oil producer, Rosneft, for at least four months.

Deputy Prime Minister Igor Sechin is chairman of Rosneft's board of directors.

Shatalov said granting tax breaks to large state companies often did not bring desired results and may hamper innovations in the economy.

Shatalov also sharply criticized proposals to get rid of profit tax from sales of stakes in companies by private parties.

"There is an opinion that this will contribute to the modernization of the economy," he said. "I do not see such a connection."

He said this practice reminded him of tax breaks given to "certain citizens" of Russia in the early 2000s, referring to oligarchs.

Shatalov said that instead of tax breaks, direct budget financing or tax credits would be much more effective.

"This is also a tax break after all, but based on different principles — this is a possibility to lower tax burden post-factum in conditions where these or other results ... have been achieved," he said.

The worst practice was personal favoritism, Shatalov said.

"When these or other tax payers are being fully freed from tax obligations only because we like them — this variant I like the least," he said.

The government plans to offer North Caspian oil fields a discounted export tax rate from Dec. 8, Alexander Sakovich, a Finance Ministry adviser, said Saturday, Bloomberg reported.

LUKoil, Russia's largest non-state oil company, began commercial output at the Korchagin field, the start of crude production in the Russian part of the Caspian Sea, in April.

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