

# Oil Production Tax Increase Shelved

By [The Moscow Times](#)

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The Finance Ministry has decided not to push forward a proposal to increase a tax on crude oil production, Deputy Minister Sergei Shatalov said, after oil companies protested that higher taxes would lead to a drop in output.

He also said the ministry dropped its proposals to speed up the increase of export duty on fuel oil and that the government had agreed to a smaller increase in excise tax than the ministry wanted. Taxes on the energy industry already account for around a half of the state purse.

"We decided to drop [mineral extraction tax] and fuel oil [proposals] ourselves, thinking that we could do with excise tax rises," Shatalov said late on Monday.

Last month the ministry said it wanted to increase energy taxes, including excise fees, to pay for infrastructure upgrades needed to sustain long-term growth, although later it signaled it might backtrack from the proposals.

Its proposal caused outrage among the oil companies, who said the resulting tax burden

would hit their future production, which would then lead to a drop in state revenues.

Tweaks to the tax system in recent years have reduced the marginal tax rate on each barrel of crude exported to 82 percent from around 87 percent, although some experts say that is still too high to create an incentive to invest.

The Finance Ministry's move to speed up an excise tax rise on fuel was not approved by the government. The rise will be more gradual than the ministry had proposed, Shatalov said.

The excise tax for a low-grade Euro II fuel currently stands at 10,100 rubles (\$320) per ton, while the fee for the higher grade of Euro V is 5,143 rubles.

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