

# Application of flow methods for material and financial resources management to forecast oil production in Russia

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## Abstract

© 2014 Canadian Center of Science and Education. All rights reserved. The paper considers the impact of flow methods on long-term development of oil extracting industry, the impact being associated with mineral resources production tax variation. Six oil production scenarios for Russia have been considered, comparative analysis of these scenarios is presented. By the end of the calculation period, the scenario that provides for 5% decrease of tax burden closely approximates the scenario of oil production under effective taxation system in terms of budget receipts volumes. The scenario with mineral resources production tax rate increase is the worst in terms of oil industry growth leading to the industry collapse. According to this scenario, an operating company's tax burden increases to 78%. So far, the world practice has not witnessed economic growth under conditions of taxes as high as this; furthermore, taxation history testifies that too high taxes have not been paid. In terms of oil industry growth, the scenario that provides for 5% decrease of tax burden is the most credible and promising, provided the released flows are invested in production. The same level of tax burden decrease (5%) is required to attain oil production levels in Russia in 2018-2020s according to the 2030 Development Strategy.

<http://dx.doi.org/10.5539/ass.v10n23p60>

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## Keywords

Effective taxation system, Expenses, Flow, Flow investments, Flow method, Mineral Resources production tax, Oil production, Tax burden, Tax burden threshold