

The Oil Sector Taxation System: An International Comparison and Lessons for Romania*

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Abstract

Oil and gas activities worldwide are subject to a broad range of tax instruments. These may include both taxes that apply to all other sectors of the economy and taxes specific to the petroleum industry. Moreover, various forms of tax revenue, such as surface fees, bonuses, and production sharing, are commonly used in the taxation of upstream activities. In this respect, the paper begins with a presentation of the tax administration aspects associated with the use of “fiscal separation”; then examines the application of the separation principle to taxation in the broader context of fiscal and non-fiscal instruments commonly used in the oil sector. In the end, the paper presents some lessons of general applicability that could be useful to Romanian policymakers in their analysis as options for reforming the taxation systems of activities in the petroleum system.

Keywords: oil and gas industry, fiscal and non-fiscal instruments, separation principle, taxation, revenue, royalty.