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UPDATE 1-Poland plans 40 pct taxes on oil & gas profits

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* Poland proposes separate tax on revenue and on income

* Total to amount to around 40 pct of industry's gross profit

* hopes to tap shale gas reserves to cut reliance on Russia

By Maciej Onoszko

WARSAW, Oct 16 (Reuters) - Poland will levy taxes on gas and oil exploration totaling about 40 percent of the sector's gross profit from 2015, saying this was part of creating a stable investment framework designed to attract investment in the country's shale gas reserves.

Central and eastern Europe's largest economy hopes tapping into previously inaccessible shale gas deposits will reduce its reliance on costly gas supplies from Russia.

In his policy speech last week, Prime Minister Donald Tusk said he expected Polish companies to invest 5 billion zlotys ($1.6 billion) in shale gas exploration by 2016 and foreign investors to contribute a further 50 billion.

Investors, including oil majors such as Chevron Corp and Marathon Oil Corp, have long been expecting the government to propose new taxes as part of the shale gas push but have been waiting on details about the size and structure of potential levies.

"We are launching this system to ensure that investors who are currently investing in Poland can feel assured what the state's strategy in this matter is," the head of the prime minister's office To m asz Arabski said at a news conference.

"After all, we are talking about billions of zlotys in investments," Arabski said. "This is why we need to conduct this debate with open doors. It is very important for us that investors feel safe and that these investments can be made in a transparent manner."

Poland plans to impose a tax on gas extraction that will amount to 5 percent of its value and a crude oil extraction tax worth 10 percent of its value. It also plans a 25 percent tax on the surplus of revenue over expenses.

STRIKING A BALANCE

The taxes, which will also apply to Polish companies such as PGNiG and PKN Orlen, will flow into a so-called hydrocarbon generation fund and will be spent on long-term investments.

The new law also assumes the creation of a state-owned operator that will supervise the exploration industry and will have a priority in buying exploration licences on the secondary market.

One local lawyer who advises foreign oil companies investing in Polish shale said the government's proposals lacked incentives to encourage investment in the way intended.

Taxation at 40 percent of gross profit "is quite a lot, when you take into account that companies will still have to pay the CIT (company tax) at 19 percent and real estate taxes," said Piotr Spaczynski, partner at law firm Spaczynski, Szczepaniak & Wspolnicy.

Poland had earlier stressed the importance of striking a balance between ensuring state control and a fair distribution of the cash generated from shale gas, and keeping the rules liberal enough to attract private investors.

Poland relies on Russia's Gazprom for more than half the gas it consumes. Warsaw wants commercial production of shale gas to start as soon as possible so it can limit this dependence.

Poland granted 111 shale exploration licences even as other countries, including France and Bulgaria, halted shale exploration pending environmental studies.

Poland had high hopes for shale after a study by the U.S. Energy Information Association in 2011 estimated its reserves at 5.3 trillion cubic metres, enough to cover domestic demand for some 300 years.

But estimated reserves were slashed to about a tenth of that in a government report published in March.