

Tax on Vodka, Cigarettes to Feed Budget

By [The Moscow Times](#)

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Under a new tax proposal the minimum price for a half liter of vodka will reach \$14, making it a luxury for some. **Vladimir Filonov**

The Finance Ministry has prepared a proposal to selectively raise taxes to add 1.9 trillion rubles (\$66.9 billion) to the federal budget in 2012-14.

A fourfold increase in the excise tax on alcohol by 2014 would have the greatest impact among the proposed increases.

Every spring, the government approves the main outlines of tax policy for the next three years. By raising excise taxes on alcohol and cigarettes, raising the subsoil use tax on natural gas and canceling tax breaks for amortization and property, the budget could receive 1.9 trillion rubles in three years.

Deputy Finance Minister Sergei Shatalov said the proposal is now being discussed with other ministries. He added that a unified proposal would be prepared by next month.

In the current budget, the tax on pure alcohol is set to rise 10 percent in 2012 to 254 rubles per liter. The Finance Ministry is proposing to raise it 20 percent on Jan. 1, 2012, to 277.20 rubles, and hike the tax up to 462 rubles on July 1 of that year. By 2014, the tax is proposed to be 900.90 rubles.

That means the tax on half a liter of vodka will rise from its current 46.20 rubles to 180 rubles.

The Finance Ministry calculates that an additional 315.9 billion rubles will be earned by the budget from alcohol. VAT will also go up, since it is calculated after the excise tax is added to the price. In 2010, the budget received about 82 billion rubles from the alcohol excise tax.

The new taxes would raise the price of the cheapest bottle of vodka available from less than 98 rubles to no less than 210 rubles in July of next year and to 390 rubles when the excise tax rises to 900 rubles a liter, said Dmitry Dobrov, chairman of the Union of Alcohol Products Producers.

Reducing alcohol consumption is one of the goals of a government program adopted in 2009. Right now, Russians consume on average 16 liters of pure alcohol per year.

Alcohol producers are concerned about the growth of the black market, however.

Dobrov thinks that raising taxes so quickly will lead to the closure of factories and only "super-premium" class alcohol producers will survive – all other segments would be driven underground. Britain is the only country that would have a higher tax, Dobrov said.

Products costing between 120 and 180 rubles make up 85 percent of the market, Dobrov added, and illegal production already accounts for 25 to 30 percent of the market.

The Finance Ministry's proposals for cigarettes are similar. It would raise the tax 60 percent next year to 448 rubles per 1000 cigarettes, and by 2014, that sum would be 873.60 rubles (\$31). The average tax in Europe is 64 euros (\$90) per 1000 cigarettes.

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