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INDEPENDENT NEWS FROM RUSSIA

Taxes Being Cut, But Not Medical Funding

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TAX CHANGES

- Social tax, charged on employers' payroll funds, will drop from 34 percent of payroll to 20 percent for small businesses and 30 percent for all others, making a 460 billion ruble ($16.5 billion) dent in federal revenues, Putin reiterated Thursday.
- There's a plan to charge employers a social tax on salaries higher than 512,000 rubles a year, which are now exempt. The rate is to be determined but will not go over 10 percent, Putin said.
- Gazprom will generate an additional 150 billion rubles in taxes, the government plans. Most — or all — of the money will come from an increase in the gas extraction tax, while some of it could come from applying an export tax on supplies to Turkey, which have been exempt since 2003 under an agreement between the governments. There haven't been any news reports about any negotiations between Moscow and Ankara

on the subject yet.
- Finance Minister Alexei Kudrin said Thursday that the government had until September to conclude talks with Turkey.
- Higher excise duties on alcohol and tobacco will come into force.

The government will not abandon or trim down its $16.5 billion plan to buy medical equipment and raise doctors' salaries, even as it reduces the tax that was intended to fund the move, Prime Minister Vladimir Putin said Thursday.

"We are not renouncing the commitments we made to modernize health care," he said at the Cabinet session that approved the key parameters of next year's federal budget.

The decision will likely cheer up producers of such equipment, who are predominantly foreign.

The payroll tax collected by the Federal Compulsory Medical Insurance Fund and the regional Territorial Compulsory Medical Insurance Funds went up a total of 2 percent this year. Putin has said the additional revenues will flow into a specially created fund to accelerate the health care upgrade.

But the recent decision to roll back social taxes, which include the medical insurance tax, from the total of 34 percent to 30 percent put the plan in limbo. It's not yet clear, however, if the reduction will affect the medical tax at all.

Putin's remark at least assured the sector and its potential contractors that the spending, which has yet to start, remained on track.

Putin dubbed the budget, which stipulates a 10.5 percent increase in spending to 12.2 trillion rubles ($435 billion), a tool for developing the economy, rather than a set of measures to combat an economic slump.

NEW SPENDING

- Retirement pensions will rise 11 percent.
- Maternity capital, which is 365,000 rubles ($13,000) per mother this year, will be indexed to inflation.
- Child care allowances will go up 6 percent.
- The program to upgrade the health care system will require the spending of 460 billion rubles over this and next year. It hasn't yet started.
- A school education program will draw 100 billion rubles for new equipment and teacher salary increases next year and the year after.
- Military servicemen's salaries will double, while their retirement pensions will increase at least 50 percent.

"This is the first really post-crisis Russian budget," he said. "It's a development budget designed to stimulate qualitative growth and modernize the economy."

The anticipated deficit of 2.7 percent of gross domestic product next year will hopefully not reach that level, Putin said.

"We are counting on the deficit again in fact being lower next year than what we plan," he said.

This year's deficit is expected to slide down to 1 percent of GDP, whereas initially it was projected to amount to 3.6 percent. Higher than expected oil prices helped bring the figure down.

The government is still aiming for a zero deficit, Putin said. This time, he didn't state the usual deadline of 2015, and named no date at all.

"The policy line toward a deficit-free budget must continue," he said.

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