The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Tax Structure Could Shift to Help Regions

By Anatoly Medetsky

November 21, 2011

Kremlin economic aide Arkady Dvorkovich proposed on Monday that the government consider introducing a sales tax to replace the backbone of federal finances, the value-added tax.

The tax has to be reinstituted as the government plans to give regional governors more authority and revenues in a decentralization bid, he said. The current tax system doesn't facilitate that effort, he told attendees at a tax conference.

Local and regional governments will require up to 1 trillion rubles ($32.3 billion) in additional revenues for the effort to succeed, he said. They now mostly get this money as subsidies from the federal coffers, he said.

Economic Development Minister Elvira Nabiullina said she supported the idea of replacing the value-added tax, or VAT, with a sales tax.

"I will do my best so that these two taxes don't exist simultaneously," she said, Interfax reported.

The tax burden should change toward increasing for property and consumption and decreasing for production, she said.

Acting Finance Minister Anton Siluanov spoke against the proposal. He said the federal government could alternatively cancel existing local and regional tax breaks.

Siluanov also said the government would continue raising excise taxes on alcohol and tobacco, a policy advocated by the previous finance minister, Alexei Kudrin.

On the other hand, some direct taxes on business could be reduced, he said, declining to elaborate.

The overall tax burden should remain at the current level, at least for the next five or six years, he added. Neither his ministry, nor the Economic Development Ministry, plans any tax hikes, he said.

"The Finance Ministry believes that increasing the tax burden is an extreme measure that can be considered only in extraordinary cases," he said, Interfax reported.

If need be, the government could reassign existing spending to avoid a tax increase, he said.

That burden — including taxes, insurance fees paid by employers, and customs duties — measures 32 percent, on par with tax pressure in Germany, Britain and Brazil, and lower than the level in Sweden, Italy, France and Norway, the Cabinet said in a statement Sunday.

Prime Minister Vladimir Putin appeared not to rule out an increase in taxes, which many economists expect as an imminent measure to back up growing federal spending.

Tax intake must increase not only through higher taxes, Putin said at the conference, but also by means of economic growth and better administration.

However, he railed against changing income tax. It should stay flat as it is now, at 13 percent, Putin said.

Original url:
https://www.themoscowtimes.com/2011/11/21/tax-structure-could-shift-to-help-regions-a10908