

Putin Tells Businessmen of Tax Reform Plans and Stable Ruble

By [The Moscow Times](#)

December 21, 2011

The  Moscow Times

Prime Minister Vladimir Putin called Wednesday for sweeping tax reforms to boost investment-led growth, while pledging to keep the ruble stable without imposing any capital controls.

Putin, seeking to return to the Kremlin at a presidential election next March, said he would seek to restore growth rates to the boom-era levels of the past decade while weaning Russia off its dependency on the price of its main export, oil.

"We have set a goal to propel the mechanism of economic growth to 6 percent minimum, but it would be better if it is 6-7 percent," Putin told a congress of the small- and mid-sized business lobby Delovaya Rossia.

Putin has set a goal of lifting Russia's \$1.9 trillion economy, now the world's 11th largest, to fifth in the global rankings by the end of this decade.

To achieve that, he wants to boost investment rates as a share of gross domestic product to 25 percent by 2015 from 20 percent now, which is less than half the rate in faster-growing China.

Putin gave no details of his proposed tax reforms, but a policy platform is expected to be ready by February.

"Generally it is obvious that today the country needs a decisive tax maneuver, a modern structure of the tax system is needed," Putin said. "Money and investments are always heading where there is ... a high profit rate. Now it is the energy sector. And we must turn the flows into high-tech and industrial businesses."

Putin said Russia would neither sacrifice prudent fiscal policy in a dash for growth, nor put at risk its achievements in bringing down inflation, set to end this year at a post-Soviet low of below 7 percent.

"We will continue doing everything necessary to ensure a stable ruble exchange rate and low inflation," he said.

He also rebutted calls to reimpose restrictions on capital movements as capital flight accelerates.

Net capital outflows from January to November reached \$74 billion, accelerating in the run-up to this month's parliamentary election, in which Putin's ruling party saw its majority cut and which triggered popular protests against alleged ballot fraud.

Putin said Russia, which lifted capital controls in 2006, would ensure "unconditional freedom for capital flows."

Original url:

<https://www.themoscowtimes.com/2011/12/21/putin-tells-businessmen-of-tax-reform-plans-and-stable-ruble-a11577>