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Government Finalizing Luxury Tax Plans

By Irina Filatova

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The Industry and Trade Ministry is responsible for making the list of car types classified as “luxury vehicles.” **Igor Tabakov**

The government has proposed that a tax on luxury vehicles be calculated based on the car's price and brand, not its engine capacity, as had been initially planned, a report said Wednesday.

The tax might be imposed on cars worth over 6 million rubles ($200,000), which is a preliminary figure, Vedomosti reported, citing two unidentified government officials.

The final price threshold will be set by the Finance Ministry, while the Industry and Trade Ministry will compile the list of vehicles to which the levy will be applied.

The criteria for placing a car on the list have yet to be determined, Deputy Industry and Trade Minister Alexei Rakhmanov said. One possible option is to create a fixed list of car models falling under the category of luxury vehicles and update it annually, he added.

The plan, if approved, won't affect most car owners, since vehicles in the price category above 6 million rubles account for a tiny share of total car sales in Russia, said Igor Malyarov, owner of BMW dealership Pelikan-Primary.

Prices for the top-of-the-line executive models of Audi, BMW, Jaguar, Lexus, Mercedes-Benz and Porsche exceed the discussed threshold.

But BMW 7 Series and Mercedes S-class models might not be put on the list, since they are "not a luxury but a means of business-class transportation," a government official said, adding that the list should be comprised of models that are considered "ostentatious luxury." The Russian government has a large number of BMW 7 Series and Mercedes S-class cars in its motor pools.

Introducing a tax on luxury items was initiated by then-Prime Minister Vladimir Putin in February 2012. Putin proposed imposing a tax on "personal overconsumption," like "a huge house or a colossal plot of land, a jet, a superyacht or a supercar."

That announcement was followed by a bill drafted by the Finance Ministry which proposed higher taxes based on engine capacity. The bill drew criticism from society, since it affected owners of economy-class vehicles with powerful engines.

The government also plans to charge a higher tax on private homes of above 1,000 square meters, Vedomosti reported earlier this week, citing a government source. The size of the tax rate being discussed is 2 percent of the property's assessed market value, the report said.

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