

Ministry Proposes to Scrap Social Insurance Benefits for Small Businesses

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Grappling with the problem of reconciling falling budget revenues with stimulating growth amid an economic slowdown, two ministries have come up with plans aimed at small businesses.

The labor ministry has proposed increasing social security pensions contributions for small businesses from the current 20 percent of wages to 30 percent by 2018, bringing them to the same level as for medium and big businesses, Vedomosti reported.

The Economic Development Ministry, meanwhile, plans to offset these higher insurance payments with 10 percent annual interest loans financed by Vneshekonombank.

Oddly, the labor ministry cited comments by President Vladimir Putin to support its initiative. In his budget address this summer the president spoke of the need to help small businesses and advocated keeping insurance payments low.

The pension fund contributions for small businesses were decreased from 30 percent to 20 percent last year. Earlier this year, the Economic Development Ministry proposed freezing the rates for small businesses at 20 percent for two years and then raising them by one percentage point every year for 10 years.

However, a Finance Ministry official said the labor ministry's updated proposal is better for the budget, which has been struggling with falling revenues.

Whether the Economic Development Ministry's plan can do better for small business is not clear, as the proposal will set a minimum size of 1 billion rubles (\$30 million) for such loans, which critics say would make most small and medium businesses ineligible.

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