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Parliament Approves Tax on Commercial Property

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Commercial taxes on property, which includes office space, will increase, angering the business community. **Sergei Porter**

The Federation Council has approved amendments to the Tax Code raising taxes on commercial real estate across Russia, despite cries from the business community that the new system is nontransparent and likely to damage small businesses.

According to the amendments, which passed the State Duma on Oct. 25 and the Federation Council on Wednesday, taxes will be calculated based on commercial properties' cadastral values — state estimates approximating market values — rather than substantially lower inventory book values as they are currently, Vedomosti reported.

Buildings would be subject to the new tax if 20 percent or more of their total area was occupied by retail facilities, food service or office space. Supporting infrastructure, such as indoor parking, would be included in the percentage.

Industrial facilities will be exempt from the tax following lobbying by the Russian Union of Industrialists and Entrepreneurs.

Tax rates nationwide would rise to 2 percent of commercial properties' cadastral values by 2016. Taxes in Moscow would reach 1.5 percent in 2014 and 1.7 percent in 2015, while rates in the regions would climb at a gentler pace to no higher than 1 percent in 2014 and 1.5 percent in 2015.

Moscow officials lobbied for the law and insisted that the tax apply to office space. The city could receive 35 billion rubles ($1.1 billion) from the new tax in 2014, said Maxim Reshetnikov, head of the Moscow economic policy and development department.

In a letter to Federation Council Speaker Valentina Matviyenko, the president of business lobbying group Opora Rossii, Alexander Brechalov, wrote that the amendments would increase businesses' expenditures on property tax by seven or eight times, seriously affecting small and mid-sized enterprises, Itar-Tass reported.

The current cadastral evaluation system is opaque and not a suitable basis for calculating taxes, Brechalov added, citing instances in which the cadastral value of a property can exceed its market value by up to 10 times.

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