

Outcry Prompts Putin Compromise Offer on Tax Investigation Bill

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President Vladimir Putin meets with head of the Federal Tax Service, Mikhail Mishustin, Monday, Nov. 25

President Vladimir Putin on Monday proposed a measure aimed at mollifying a business community alarmed by a recent Kremlin-sponsored tax crime bill.

The legislation, which earlier caused Prime Minister Dmitry Medvedev to lose his poise and lash out in a rare public disagreement with his boss, would give employees of the Investigative Committee the authority to start criminal inquiries into corporate tax records without consulting the Federal Tax Service. Critics say the move could open the way for fabricating charges.

The additional attention to tax discipline comes as the federal budget faces a tax shortfall of about 500 billion rubles (\$15 billion) this year.

But the potential that the bill creates for abuse would discourage business activity at the same

time that Medvedev's Cabinet is grappling with a declining rate of economic growth, which is expected to slide to 1.5 percent this year.

Businesses often complained about having to hand over wads of money in exchange for closing cooked-up tax evasion cases, before then-President Medvedev in 2011 stripped law enforcers of the power to investigate tax fraud, leaving it solely up to the Federal Tax Service.

On Monday, Putin raised the possibility that the bill would require investigators to seek relevant files from the tax service if they started looking into a company's tax record. Making the statement at a meeting with Federal Tax Service chief Mikhail Mishustin, Putin did not say if a clean record with the tax authorities would be enough to spare a company the further attention of the Investigative Committee.

"You will talk about the details with your colleagues," Putin said to Mishustin. "Give me your negotiated proposals."

Business lobby group Delovaya Rossia declined to comment Monday. Another business association, Opora, did not respond to a request for comment.

When made public earlier this month, the bill provoked an unusual backlash from Medvedev, who reacted by saying that, "You can build any case you like, especially if doing someone's bidding and for money, which, unfortunately, happened very often when one organization fought another."

Putin struck back by saying that people who argue publicly about a government-sponsored bill did not belong in the government and should consider transferring themselves to the think tank community.

Billionaire Mikhail Prokhorov, who leads the pro-business Civic Platform party, has begun collecting signatures against the bill. Former Finance Minister Alexei Kudrin also criticized the legislation.

The Federal Tax Service is launching on Jan. 1 a new nationwide online service aimed at simplifying interaction between corporate taxpayers and tax authorities, the service's chief Mikhail Mishustin said at a meeting with President Vladimir Putin on Monday.

The new service that will allow companies to avoid direct contacts with tax collectors, pay their taxes online and access their personal records, has been tested on 500 companies for a year and now authorities are ready to launch it nationwide, Mishustin told the president, Interfax reported.

The Federal Tax Service launched a similar service for individual taxpayers in 2012. During the first year of operation more than 5 million individual taxpayers had registered their personal online accounts, while more than 2.5 million people had used the service to pay taxes totaling more than 2 billion rubles (\$60.8 million), Mishustin said.

Using the system "allows people not to visit a tax inspector's office and solve their needs with

the help of such a user-friendly service," the chief tax official said at the meeting.

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