

Moscow Seeks to Raise Taxes on Office and Mall Owners

By [The Moscow Times](#)

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Under the law adopted in 2014, a tax rate of 0.9 percent of cadastral value is applied to business and trade centers with an area of over 5,000 square meters, which will rise to 2 percent by 2018.

A City Hall plan to reduce the area benefitting from a minimal tax rate would force owners of office centers and shopping malls to pay higher taxes and could lead to a drop in real estate investment, according to some experts.

The area in question may be cut to 3,000 square meters from the current 5,000 meters starting in 2015, according to Vedomosti, or even to 2,000 square meters, according to RBC.

The Moscow government discussed the proposal at a meeting last week and a draft of a bill introducing changes to the city property law has been sent to the Moscow Duma, a spokesman for the capital's economic policy and development department said, Vedomosti reported.

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to business and trade centers with an area of 5,000 square meters, which will rise to 2 percent by 2018. The list of properties which the tax is levied on includes 1,816 office buildings and malls with a total area of 32 million square meters.

The lowering of the threshold will bring the capital's budget an additional 10 billion rubles (\$278 million), RBC said, while Vedomosti reports a more modest estimate of 7 billion to 8 billion rubles.

The department's head, Maxim Reshetnikov, said that under the current property law the city should collect from 15 billion to 17 billion rubles in taxes, but in fact it may collect much less — 12 billion to 14 billion, as property owners apply different schemes in order to bypass the law. The proposed amendments are intended to remedy this situation.

The lowering of the benchmark area will increase the number of individuals forced to pay the tax, as medium and small business will now be affected, Olesya Dzyuba, deputy head of the investigation department at real estate services firm JLL, told RBC.

Investment in real estate with smaller sizes will become less attractive if the new rates are introduced, as leaseholders are not always ready to compensate a rise in property owners' expenses, said Mikhail Mindlin, a partner in real estate brokers Cushman & Wakefield, Vedomosti reported.

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