

Sales Tax May Counter Soaring Deficit in Regions

By [The Moscow Times](#)

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Facing a rapidly increasing budget deficit in the Russian regions, the Finance Ministry is considering reintroducing a sales tax for the first time in more than a decade.

The ministry estimates that the regions' total budget deficit will reach 857 billion rubles (\$25 billion) in 2014 — 33.5 percent higher than in 2013, Prime reported Sunday, citing data from ITAR-Tass.

Nonetheless, the ministry intends to cut that deficit nearly in half by 2017, bringing it down by 26 percent in 2015, 8 percent in 2016 and another 21 percent in 2017 to end at just 455 billion rubles (\$13 billion).

In order to accomplish this rapid reversal, the ministry has proposed an unexpected maneuver: allowing the Russian regions to introduce a sales tax.

"We are considering the possibility of giving the regions the right to introduce a sales tax of up to 3 percent, it would be worth about 200 billion rubles (\$5.8 billion) for the [regions each year]," Finance Minister Anton Siluanov said last week, Interfax reported.

Siluanov added later that a decision on the issue may be reached by the end of the summer, with the tax then to be introduced in 2015.

Citing a copy of a Finance Ministry document on budget policy, Vedomosti reported last week that the sales tax could be "up to 5 percent," to be decreased at the regions' discretion.

Russia has not had a sales tax since 2004, when an earlier sales tax of up to 5 percent, which had existed for about five years in most of Russia's regions, was repealed.

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