

Bill Proposes 30% Income Tax on Russia's Rich to Fund Crimea

By [The Moscow Times](#)

July 23, 2014



The neo-Gothic Swallow's Nest castle above the Black Sea near Yalta in Crimea.

Russia could ask its richest citizens to help foot the bill for the annexation of Crimea by paying a "solidarity tax" proposed by a group of lawmakers.

Deputies from the State Duma, which is dominated by backers of President Vladimir Putin, have drawn up a draft law that would increase income tax for people earning more than 1 million rubles (\$28,700) a month.

It would affect less than 2 percent of the working population, but taxes for this group would rise considerably: The draft bill proposes that they pay up to 30 percent of their earnings compared to the current flat rate of 13 percent.

"The main goal is to support regional budgets and that means also the budget of Russia's new territories," Andrei Krutov, the deputy leading the planned legislation, told Reuters.

His reference to "new territories" made it clear that a key aim of the legislation was to help the government pay for Crimea's absorption into Russia.

The Black Sea peninsula was annexed in March, an action seen by most Russians as righting what is viewed as a historical wrong perpetrated by late Soviet leader Nikita Khrushchev when he gifted Crimea to Ukraine in 1954, long before the Soviet Union collapsed.

The need to help support Crimea's economy and its 2.3 million population has put a new strain on Russia's state budget at a time when the country is sliding towards recession.

Some state employees say they have already been asked to donate a day's pay to help Crimea — a demand some have balked at.

The Finance Ministry has also suggested that personal income tax may have to be increased by 1-2 percent to help cover the costs, and the government has already heard calls for Russia to introduce a progressive taxation mechanism.

Krutov said the draft law could be a step in that direction and played down the impact on society.

"The social burden would be minimal and the influx of cash to the budget would be significant," Krutov said. "Economic reality and international experience increasingly show that progressive taxation is a step that Russia needs to make in the near future."

He said the draft could go to a vote in the autumn and, if approved, could bring in 300 billion to 500 billion rubles (\$8.6 billion to \$14.30 billion) a year.

The small group of Russia's rich accounts for more than a third of total personal income in the country, according to data from the Federal Tax Service.

Criticism of the proposal has so far been muted — critics would risk sounding unpatriotic and uncharitable, as the annexation of Crimea is widely supported and has boosted Putin's ratings.

But an instant online poll by Snob magazine, which is aimed at a wealthy audience, showed that 66 percent of respondents did not support the idea of a solidarity tax.

See also:

[Russia Divvying Up Crimean Resorts After Annexation](https://www.themoscowtimes.com/2014/07/23/bill-proposes-30-income-tax-on-russias-rich-to-fund-crimea-a37588)

Original url:

<https://www.themoscowtimes.com/2014/07/23/bill-proposes-30-income-tax-on-russias-rich-to-fund-crimea-a37588>