

# Inflation, Offshore Tax Law, Rostelecom: Business in Brief

By [The Moscow Times](#)

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## Russia's Putin Urges Action to Restrain Rising Interest Rates, Inflation

President Vladimir Putin on Wednesday urged Russia's government and the Central Bank to work together to curb interest rates and restrain surging inflation as the economy slides toward recession.

"Only combined efforts by the government and Central bank and a full package of measures can ensure stability in the economy and financial sector," news agency Prime quoted Putin as saying at a Cabinet meeting Wednesday.

"Particular attention must be given to interest rates, which inevitably affect the real economy and inflation," he said, adding that in current circumstances not only the Central Bank but the government must pitch in to control the situation.

The Central Bank has been forced to raise its key interest rate by 3 percent this year to 9.5 percent as capital outflows, Western sanctions, falling oil prices and ruble devaluation all buffet Russia's already faltering economy.

While undermining hopes of economic growth by raising the cost of borrowing, the rate hikes have failed to curb inflation, which is likely to accelerate to 9 percent by the year's end. Prices rose 0.3 percent from Nov. 11-17, Russia's statistics agency said Wednesday. *(MT)*

### **Russian Senators Pass Offshore Tax Law Despite Business Pleas to Reconsider**

Russia's upper house of parliament on Wednesday waved through a law forcing Russians to reveal and pay tax on earnings in business structures abroad despite the objections of business leaders who slammed the law as unenforceable.

Part of a drive to boost tax revenues and extend state oversight over a vast web of Russian-owned offshore assets, the law requires companies and individuals to inform tax authorities of any stakes in foreign companies higher than 10 percent and pay tax on the retained earnings of any entity of which they own more than 50 percent. This threshold will fall to 25 percent by 2017.

Business leaders have lobbied to have the law softened, with the Russian Union of Industrialists and Entrepreneurs (RSPP) working with the government to develop business-friendly amendments to the law.

However, the lower house of parliament on Tuesday passed the law without the amendments.

RSPP posted a letter to the parliament's chairwoman on their website on Tuesday, saying that without modifications the law will be impossible to implement. The senators ignored the letter.

Offshore structures are nearly ubiquitous in Russia, as they provide opportunities to funnel capital out of the country and put assets beyond the reach of predatory authorities. Analysts say that if legislation is too draconian, businesses will choose to conceal their assets rather than risk investigation for past offenses.

The bill now needs only President Vladimir Putin's signature to become law. *(MT)*

### **Rostelecom to Invest \$850M in Russian Data Centers**

State-controlled Rostelecom, Russia's largest telecommunications company, plans to inject 40 billion rubles (\$850 million) into building a set of Russian data centers, news website Gazeta.ru reported on Wednesday.

Company representatives say the plan is good both for Rostelecom and for other companies who wish to abide by Russia's new data collection laws, passed in July.

These regulations require all online companies to move storage of users' personal data onto Russian territory by September 2016.

"For the company it is a logical direction to develop the business, all the more so because

in Russia there aren't many companies who can build the infrastructure for data centers"  
Karen Kazeryan, an analyst at the Russian Association of Electronic Communication, told  
Gazeta.ru. *(MT)*

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