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Russia Mulls Scrapping Flat Tax Rate

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Deputy Prime Minister Olga Golodets **Sergei Porter / Vedomosti**

The Russian government may alter the country's famed 13 percent flat tax rate, in a move officials say is intended to combat poverty.

On Monday, Deputy Prime Minister Olga Golodets announced that the cabinet was considering introducing a progressive income tax, the Kommersant newspaper reported.

"Freeing those on the lowest income level from income taxes is one of the most important steps to overcoming poverty," she said.

The announcement followed news last week that Russia's Finance Ministry was preparing a proposal to alter the tax system by 2018. Although Golodets framed the potential changes as an effort to combat poverty, during an economic crisis they could also serve to generate more budgetary income from Russia's wealthiest citizens.

However, in 2015, personal income taxes were the main source of budget income for Russia's regions. As a result, the implementation of the progressive income tax could be detrimental to the poorest parts of the country.

Implemented in 2001, Russia's flat income tax first came to public attention in 2012, when French actor Gerard Depardieu sought Russian citizenship to decrease his tax burden. President Vladimir Putin granted the actor's wish in January 2013, and Depardieu formally took up residence in the Russian region of Mordovia.

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