

Russian Economist Says Tax Reform Needed to Boost Economy Post-Sanctions

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Anton Vergun / TASS

The Russian economy will continue to flounder even after Western sanctions are lifted unless the government introduces new tax reforms, [a top state economist has warned](#).

Vladimir Osipov, a senior researcher at the Russian Accounts Chamber, said that investors had largely abandoned the country's real economy – the sector concerned with producing goods or providing services — in the wake of the economic crisis.

He said that without tax reform, investors would remain focused on Russia's more lucrative financial sector, even when Western sanctions against Moscow were lifted.

"Russia's real sector is actually financed by the financial sector, even though in a normal economy it should be the other way around," Osipov told Russia's Ogonyok magazine. "If sanctions were removed right now, money would still flock to [financial] speculation."

Osipov said that the resulting surges in exchange rates would ensure large profits for investors. "Speculators still win on the difference in exchange rates. The greater the difference, the bigger the payout. In 2014, when the ruble collapsed, speculators won."

Osipov said that tax breaks were needed to push investors back to the real economy.

"[Taxation] shouldn't be the same for everyone: different industries have different costs and profit margins," he said.

The United States and the European Union levied a series of targeted sanctions against Russian individuals and sectors of the Russian economy in response to Russia's annexation of Crimea in 2014.

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