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Russia's Duma Passes Bill Raising Value-Added Tax to 20%

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Alexander Demyanchuk / TASS

Russian lawmakers have passed a controversial bill to raise the value-added tax (VAT) rate in the country to 20 percent, as part of a budget package designed to shore up state finances.

The government has been looking at ways to boost tax revenues to implement President Vladimir Putin's pledges for higher social spending over the next six years. A recent bill to raise the pension age put a rare dent in Putin's approval ratings and sparked popular discontent across Russia.

The State Duma voted to pass the bill to increase VAT in a third reading on Tuesday. If passed by the Federation Council and signed by the president, the law will increase the tax rate from 18 to 20 percent starting Jan. 1, 2019.

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All 302 lawmakers who voted for the bill came from the ruling United Russia party, while representatives of the other three parties in the State Duma voted against the unpopular measure, with one abstention.

Lawmakers said they expected the tax hike would add 620 billion rubles ($9.8 billion) to the budget per year.

“These funds will be directed to addressing problems in health care, education and infrastructure,” Andrei Makarov, the chairman of the Duma’s Budget and Taxes Committee, said in a press release after the vote.

Critics say the tax will drive up gas prices and inflation.

Reuters contributed reporting to this article.

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