

Fastest Tax Hike in 5 Years to Hit Small Firms - RBC

Russia's small and medium businesses will be hit with the largest tax increase since 2015.

October 08, 2019



Tax on businesses is set to increase by more than the rate of inflation in 2020. **Kirill Zykov / Moskva News Agency**

Russian entrepreneurs are bracing themselves for the largest tax hike in five years, according to calculations by newspaper RBC.

In 2020 the annual tax increase for small and medium-sized businesses is set to be 4.9% — up from 2.5% this year, and 3.9% in 2018, the paper says.

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For income tax levied on small companies — which makes up around 80% of the total tax bill — it will be the largest annual increase since 2015, when the deflation of the ruble led to rapid inflation and sharp price readjustments.

With inflation currently running at 4% and analysts predicting a further drop before the end of the year, a scheduled January 2020 tax hike of 4.9% would be a real-terms increase in the tax burden on small companies.

Tax increases are calculated using a formula based on actual and forecast inflation over the previous two years. In times of falling inflation, this can lead to a real-terms tax increase, whereas when inflation is rising, business see a real-terms tax cut. At the start of 2019, for instance, taxes on businesses increased by 2.5%, while inflation has so-far averaged 4.7% this year.

The head of Russia's Organization of Small and Medium Businesses (OPORA) told RBC the tax hike would particularly hurt small retailers, and said annual tax increases should be capped at the current rate of inflation, especially since the purchasing power of Russian consumers is not increasing.

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