

Rich Russians Demand New Tax Breaks

Business owners want a European-style tax system.

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Russia's strict tax system on conglomerates is holding back foreign investment, the country's top business association has argued. **Igor Ivanko / Moskva News Agency**

Russia's richest business owners are pushing the government to soften the tax regime to make it easier — and cheaper — to take cash out of their companies, Russian daily Vedomosti reported.

Businesses have called for a more relaxed tax scheme for holding companies, the conglomerates which are controlled by some of Russia's top oligarchs, which would reduce the length of time an owner would be required to own shares in a company before they could sell up, and lower the ownership threshold at which tax-exempt dividend payments would kick in.

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The top business association, the Russian Union of Industrialists and Entrepreneurs (RSPP),

has been discussing the proposals with the Economy Ministry over the summer. It argues that the tax regime on holding companies is stricter in Russia than in the rest of Europe which is holding back foreign investment in Russian companies. The group pointed out that a number of Russia's large firms have registered their holding companies in overseas jurisdictions — such as Yandex and the X5 group in The Netherlands.

The RSPP proposed reducing the portion of a holding company's shares an individual needs to own before they are not required to pay tax on dividend payments from 50% to 25%. Business owners also want to cut the minimum time needed to hold an investment before receiving tax breaks on profits from selling the company from five years to 12 months.

Such changes would bring the tax system closer to various European jurisdictions, and also reduce the gap between Russia and the special offshore tax systems which the government has established in Kaliningrad and the Far East, the RSPP argues.

While the plans were discussed over the summer, they have not yet received government support, Vedomosti reported.

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