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Russia Will Raise Taxes on Top Earners, Putin Announces

By Jake Cordell

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Rumors of a possible tax hike first emerged last week. **Sergei Savostyanov / TASS**

Russia will hike taxes for the country's top earners from next year, President Vladimir Putin announced in a speech to the nation Tuesday afternoon.

In a lengthy address in which Putin discussed Russia's fight with the coronavirus and hailed the success of the country's health system in mobilizing for the epidemic, Putin announced the surprise move to scrap Russia's flat 13% income tax system from next year.

As of Jan. 1 2021, Russians earning more than 5 million rubles ($73,000) a year will pay 15% tax on all income above that level.

Rumors of a possible tax hike first emerged last week, but were downplayed by Putin's spokesperson Dmitry Peskov who insisted no decisions had been made. Speaking on Friday, Central Bank governor Elvira Nabiullina said she had not been involved in the discussions and

that the bank had not factored a potential tax hike into its forecasts or policymaking.

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The move will generate 60 billion rubles ($875 million) in extra revenue for the government, Putin said, proposing to ring-fence the proceeds towards treating children with severe and rare diseases.

The introduction of the flat income tax was one of Putin's first flagship economic reforms, introduced in 2001 in a bid to reduce tax evasion and secure a more steady stream of income for the Russian budget.

The announcement comes one week before Russians head to the polls to vote in a nationwide referendum on controversial constitutional changes that would pave the way for Putin to stay in power until 2036.

In the 50-minute address Putin also announced Russia will extend a number of other benefits for households and businesses which have been introduced since the outbreak of the coronavirus pandemic.

Families will receive a 10,000 ruble ($145) payment in July for every child under the age of 16, and another 100 billion rubles ($1.5 billion) will be dished out in government-backed cheap business loans for companies to pay employees — loans which can be written off if firms don't cut employee numbers.

Russian IT companies will benefit from a new ultra-low tax regime, Putin announced, with a so-called "tax maneuver" to cut social security obligations on technology firms from 14% to 7.6%, and slash profits tax from 20% to 3%.

Shares in Yandex and Mail.Ru — Russia's leading domestic technology companies — climbed higher on the news. Nasdaq-listed Yandex was up more than 3%, while rival Mail.Ru, which is listed in London, added another 2% in afternoon trading.

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