

Russia Rakes in \$1Bln From New Tax on Top Earners

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Rich Russians have had to pay an extra 2% income tax levy since the start of 2021. **Stoyan Vasev / TASS**

The Russian government collected an extra 83 billion rubles (\$1.1 billion) in the first year of a new tax on the country's top earners, Russia's RBC business site [reported](#) Thursday, citing data from the country's federal tax service.

Russia introduced a new income tax levy on Russians' earning more than 5 million rubles (\$67,000) a year at the start of 2021 in a dramatic overhaul to its old so-called "flat tax" system. Under the new approach, all earnings over the threshold are taxed at a 15% rate, instead of the standard 13%.

The new system was [controversial](#) as Russia's simple flat tax system — one of President Vladimir Putin's first economic reforms introduced in 2001 — was seen as a crucial part of boosting tax revenues and discouraging Russians from hiding their incomes. However, Russia had become an outlier among major economies, most of which use a progressive tax scale with higher levies for higher earners, and rising inequality across the country made the move politically popular.

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The tax take from the extra rate was 38% higher than the 60 billion rubles Russia's Finance Ministry expected to collect — allaying concerns that the additional levy could push people to restructure or hide their earnings. When the new tax was introduced, Putin said extra incomes would be ring-fenced to provide social payments and programs for vulnerable groups and sick children.

Even with the new structure, Russia has one of the world's lowest income tax rates. The Russian government is also not in need of extra revenues, with the government's annual budget in surplus, and the Central Bank sitting on more than \$600 billion in foreign currency reserves.

More than half the additional income was paid from earners based in Moscow, RBC reported. But some of the country's poorest regions, such as Dagestan in the North Caucasus, were also among the areas that reported the highest extra tax revenues from the new levy.

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