

Putin Signs Law Raising Russia's Value-Added Tax to 22%

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Russians shopping at a supermarket. **Sergei Malgavko / TASS**

President Vladimir Putin on Friday [signed](#) a major tax overhaul that will raise Russia's value-added tax to 22% from 20% next year, a move aimed at closing the fiscal gap created by soaring military expenditures and falling oil and gas revenues amid Western sanctions.

More small businesses will also be swept into the tax system under additional changes. The annual revenue threshold for companies required to pay VAT will drop from 60 million rubles (\$732,000) to 10 million rubles (\$122,000).

Businesses have [indicated](#) in surveys that they plan to [pass](#) the tax hike directly onto consumers, who have already been strained in recent years by surging inflation linked to war spending.

Economists, including those at the Financial Ministry, have [said](#) they anticipate a modest rise in inflation as the VAT hike takes effect starting next year.

VAT is one of the government's most important revenue sources, [generating](#) 11.5 trillion rubles (\$148 billion) from January through October, or more than 38% of total federal revenue.

Under the changes, select food products, medicines and children's goods will continue to be taxed at a reduced 10% rate. But certain milk-based products made with milk-fat substitutes, such as processed cheeses and spreads, will now be taxed at the full 22% rate.

Russia last [raised](#) VAT in 2019, when it increased the rate to 20% from 18%.

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