

Russian Businesses Hike Prices in Response to VAT Increase

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A woman works at a Yandex Market logistics center. **Donat Sorokin / TASS**

Russian businesses are hiking prices in response to new tax increases that took effect this month, the head of Russia's Chamber of Commerce and Industry [told](#) the pro-Kremlin daily *Izvestia* on Tuesday.

Authorities raised the value-added tax (VAT) rate from 20% to 22% from Jan. 1 and expanded the number of small businesses required to pay VAT in a bid to close a growing fiscal gap created by soaring military expenditures and falling oil and gas revenues.

Logistics companies have already raised rates by 10% to 20%, Chamber of Commerce and Industry head Sergei Katyrin told *Izvestia*.

Prices in food service, fitness, private healthcare and education rose by an average of 8% to 10%, while IT and digital services increased prices by 5% to 7%.

Many companies had already built expected tax changes into their pricing in 2025 to avoid

sharp increases at the start of the year, Katyrin added.

Independent economist Andrei Barkhota estimated that between October and December businesses raised prices by an average of about 10% in anticipation of the reforms.

Business representatives cited higher labor costs, rent, utilities, fuel, equipment maintenance and capital purchases as the main drivers of the price hikes.

Many retailers are also facing inventory shortages after a surge in demand over the New Year's holidays, which is adding further upward pressure on prices, retail entrepreneur Alexei Konoplev told Izvestia.

According to the state statistics agency Rosstat, prices increased by an average of 1.26% between Jan. 1 and Jan. 12.

The Central Bank [expects](#) inflation to stand at 4% to 5% by the end of the year.

Businesses have [indicated](#) in surveys that they planned 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 Finance Ministry, have [said](#) they anticipate a modest rise in inflation as the VAT hike takes effect.

VAT is one of the government's most important revenue sources, [generating](#) 11.5 trillion rubles (\$148 billion) from January through October 2025, or more than 38% of total federal revenue.

The Finance Ministry expects the tax changes to generate an additional 3.2 trillion rubles (\$40.96 billion) in revenue, which authorities say will be directed toward defense and security spending.

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