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Russia Rejects Steelmakers' Calls for Tax Breaks as Sector Slump Deepens

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Dmitry Feoktistov / TASS

Russia's government has rejected requests from steel producers for broad tax breaks, opting instead for limited, targeted support as the sector struggles with falling demand and rising imports, the RBC news website reported Thursday.

Steelmakers had proposed raising the "cut-off price" used to calculate the steel excise tax and granting companies a six-month tax holiday.

Both initiatives were rejected at a Tuesday meeting chaired by First Deputy Prime Minister Denis Manturov, who backed the Finance Ministry's opposition to systemic tax relief for the industry, RBC reported.

The decision highlights the Kremlin's reluctance to reduce tax revenues at a time when federal finances are under strain and the government is prioritizing spending linked to the war in Ukraine.

Officials told industry representatives that broad tax breaks would cut revenues to an already stretched budget, sources cited by the magazine Ekspert said.

Instead, authorities offered case-by-case support through a government commission for companies facing acute financial distress.

Steel producers also urged the government to impose a tax on imported metal similar to the excise duty applied to domestic producers or to raise railway tariffs for imported products.

Related article: Russian Steelmakers Seek Tax Relief as Output Falls, Layoffs Begin

Officials viewed the tax option as potentially viable and tasked the Finance Ministry with examining whether the excise could be extended to imports, a measure that could take effect as early as summer 2026 under an "optimistic scenario," according to one source.

The Industry and Trade Ministry said the meeting also examined expanding requirements to use Russian-made steel in the production of equipment and transport machinery by amending government decrees governing localization rules and public procurement.

Russia's steel industry has been hit by a combination of weak domestic demand, a stronger ruble, sanctions over the war in Ukraine, rising tariffs from state-controlled utilities and growing imports.

Foreign steel products' share of the domestic market rose from 6.3% in 2024 to 9.6% in 2025, according to estimates by Russian steelmaker Severstal. The main suppliers are Kazakhstan and China.

Steel output in Russia fell 4.7% in 2025 to 67.4 million metric tons, according to analytics firm Corporation Chermet, while the World Steel Association estimated a similar 4.5% decline to 67.8 million tons.

Domestic consumption of ferrous metallurgy products dropped 14% last year to 38.9 million tons — the lowest level since 2011 — according to the Center for Strategic Research, reflecting a downturn in machinery manufacturing and the automotive sector as well as stagnation in construction.

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