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State Duma Passes VAT Exemption for Food Industry to Ease Wartime Tax Burden

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Arthur Novosiltsev / Moskva News Agency

Russia's State Duma on Tuesday passed a bill exempting small businesses in the food and dining sectors from value-added tax until the end of 2026.

The legislation, if signed into law, would effectively roll back part of a government tax reform implemented in January, which raised the standard VAT rate from 20% to 22% and lowered the income threshold for small businesses required to pay it.

Lawmakers approved the temporary relief measure in its final readings on Tuesday, sending the bill to the upper-house Federation Council before it reaches President Vladimir Putin's desk for his signature.

Under the new rules, the exemptions will apply to the self-employed and small businesses in the food and dining sectors using simplified or patent tax systems, provided they meet

specific revenue and employment criteria.

The Finance Ministry proposed the measure earlier this month as the government sought to address a wave of potential business closures.

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A recent survey of 500 food service companies found that three-quarters of respondents doubted the new relief would be enough to offset the broader economic pressures caused by the tax hike, which was introduced in response to the growing budget deficit.

A high-profile example of the industry's struggle is the Mashenka bakery chain outside Moscow. Its owner, Denis Maximov, gained national attention after complaining directly to Putin about the tax hike during the president's annual televised call-in show in December.

While the call with the Kremlin leader briefly boosted the chain's visibility, Maximov said earlier this year that his bakery would still struggle to make ends meet due to the tax increases.

Putin later cited Mashenka by name when instructing the government to find ways for small businesses to "transition smoothly" into the new tax regime.

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