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Russia’s Small Businesses Slide Into Losses After Tax Hikes, Surveys Show

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Dmitry Belitsky / Moskva News Agency

Russia’s higher tax burden has sharply worsened conditions for small businesses, with around half of firms now operating without profit, according to business surveys, underscoring mounting pressure on an economy already strained by high borrowing costs and slowing consumer demand.

The findings suggest that tax changes introduced at the start of 2026, alongside elevated interest rates and labor shortages, are squeezing smaller companies that form the backbone of Russia’s domestic economy, while also delivering weaker-than-expected tax revenues for the state.

Half of small businesses surveyed by the Center for Strategic Research (CSR) said they were no longer profitable, while the Russian Chamber of Commerce and Industry (CCI) said 65% of enterprises failed to post a profit in the first quarter, the RBC news website reported.

“Many have slipped into losses because they were unable to choose the right tax regime,” CCI

Vice President Elena Dybova told RBC.

She said the chamber had asked the Federal Tax Service to allow businesses to switch their tax regime before the end of the year.

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Under amendments to the Tax Code that took effect on Jan. 1, 2026, companies using Russia's simplified taxation system (USN) and patent taxation system (PSN) with annual revenue above 20 million rubles ($266,000) became liable for value-added tax (VAT).

Previously, businesses with annual revenue of up to 60 million rubles ($798,000) were exempt from VAT.

At the same time, the government raised VAT from 20% to 22% and scrapped reduced social insurance contribution rates for some businesses.

The Finance Ministry had expected the tax overhaul to generate an additional 200 billion rubles ($2.66 billion) in budget revenue.

Instead, tax collections fell. In January-March, combined tax revenues from businesses and individuals using special tax regimes dropped 16% year-on-year to 537.2 billion rubles ($7.14 billion), according to Federal Tax Service data.

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Economic Development Minister Maxim Reshetnikov has previously said conditions in the Russian economy had become more difficult than in recent years, with businesses feeling the strain most acutely because of tax changes, high interest rates and labor shortages.

According to the CSR survey, the main factors holding back business development were weak demand, cited by 37.5% of respondents, rising costs (26.5%) and high borrowing rates (26%).

Around half of respondents (52.5%) said they had no access to credit financing.

Planning horizons have also shortened sharply, with 70% of businesses saying they were making plans for no more than one year ahead.

At the same time, 63.5% of business representatives said they expected the economic situation to worsen over the next year, while another 25% said they expected no change. Only 11.5% said they hoped conditions would improve.

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