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State Duma Passes Bill Delaying VAT Tax Hikes for Small Businesses

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Lawmakers in the Russian State Duma chamber. **duma.gov.ru**

The State Duma on Wednesday passed a bill that would temporarily protect small businesses from a planned tax hike by freezing a key revenue threshold through 2029.

Under the legislation, small businesses using Russia's simplified tax system would only have to pay the national value-added tax (VAT) if their revenue exceeds 20 million rubles ($260,000).

If passed in the upper-house Federation Council and signed into law, the delay would reverse a law signed by President Vladimir Putin in November that had ordered a gradual, year-by-year reduction of the VAT tax exemption threshold to pull more small businesses into the tax pool.

Under that original plan, the revenue cutoff was set to drop to 20 million rubles in 2026, 15 million rubles in 2027 and 10 million rubles in 2028.

However, earlier this month, Putin changed course and ordered the government to freeze the threshold at its current level to avoid placing an immediate burden on small businesses.

With the new bill, which State Duma members introduced on June 9, the revenue threshold would drop to 15 million rubles in 2029, and then fall to 10 million rubles in 2030.

Earlier, Forbes Russia noted the temporary relief specifically targets smaller companies using the simplified tax system.

The bill does not, however, apply to businesses using Russia's patent tax system, which is a specific, popular tax structure used by individual entrepreneurs, as well as small retail and service sector stores.

Russia's largest business lobby groups have called on the government to expand the legislation so that patent-system businesses receive the exact same three-year delay before the lower thresholds hit them.

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