

State Duma Passes Record Defense Spending Budget in First Reading

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REUTERS / Ramil Sitdikov

Lawmakers in the lower house State Duma [passed](#) the first reading of a draft three-year federal budget on Thursday, approving record defense spending alongside a new wave of tax hikes designed to fund the rising costs of the war in Ukraine.

The proposed budget [allocates](#) 17.1 trillion rubles (\$202.6 billion) to national defense, accounting for over a third of total federal expenditures. Combined with a 7.6% increase in national security and policing, security forces will account for 44% of total government spending, totaling 21.3 trillion rubles (\$262.1 billion).

“All questions related to security, defense and providing everything necessary for participants of the special military operation and their families have been resolved,” State Duma Speaker Vyacheslav Volodin said during a discussion of the bill.

To offset soaring military expenditures, the draft budget redirects funding away from civilian sectors. Spending on economic support and healthcare will each drop by 3%, while funding

for social support falls by 6% and housing and utilities take an 8% cut.

Related article: [Finance Ministry Unveils 2027 Budget Draft With Fresh Tax Hikes to Fund War Deficit](#)

Russia is relying on broad revenue extraction measures to cover its spending priorities. The draft proposal [imposes](#) a 22% value-added tax (VAT) on cross-border online retail, alongside a small customs fee on small international packages.

It also introduces a progressive tax scale reaching up to 22% on passive personal income, a 35% levy on dividend transfers to non-resident Type C accounts and a 30% tax on excess corporate profits in the mining and metallurgy sectors.

Finance Minister Anton Siluanov said the budget draft preserves the key priorities of “fulfilling social obligations to our citizens, addressing the tasks of the special military operation, ensuring victory... and achieving the president’s national development goals.”

The draft bill passed with 372 votes in favor, 51 abstentions, and zero opposing votes. It now advances to its second reading before going to the upper-house Federation Council for a vote, after which it will require a final signature from President Vladimir Putin.

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