



НАЦИОНАЛЬНЫЙ ИССЛЕДОВАТЕЛЬСКИЙ  
УНИВЕРСИТЕТ

# **TAXES IN RUSSIA: THE BASICS, MECHANISMS, AND VISION**

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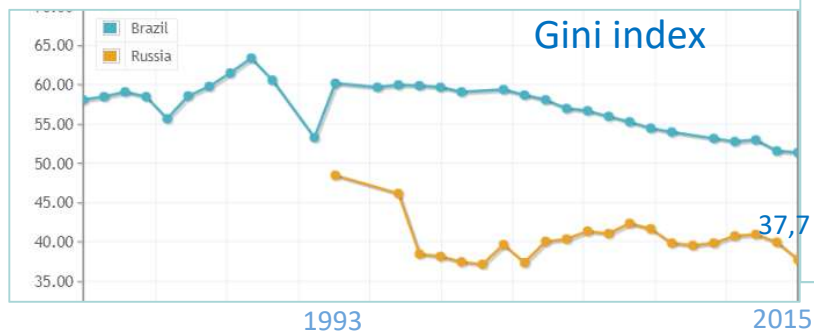
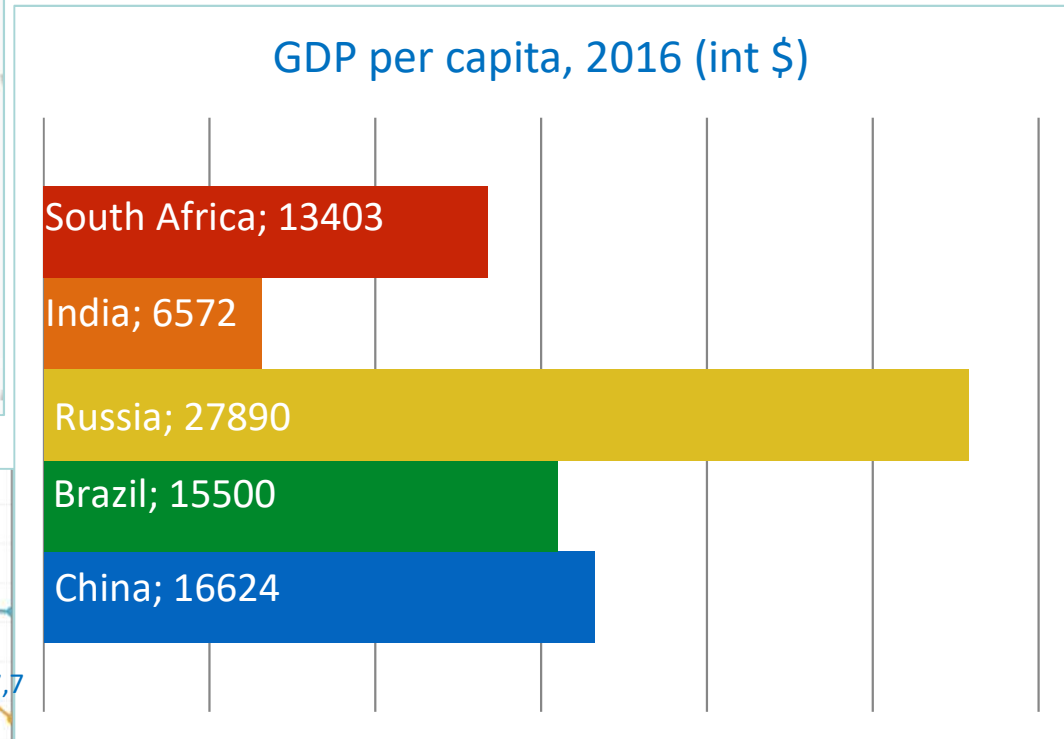
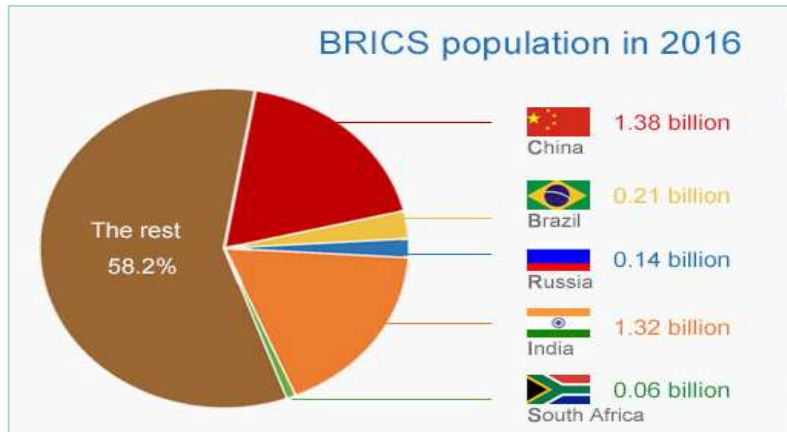


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1. Basic overview of Russian tax system
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# Russia & BRICS

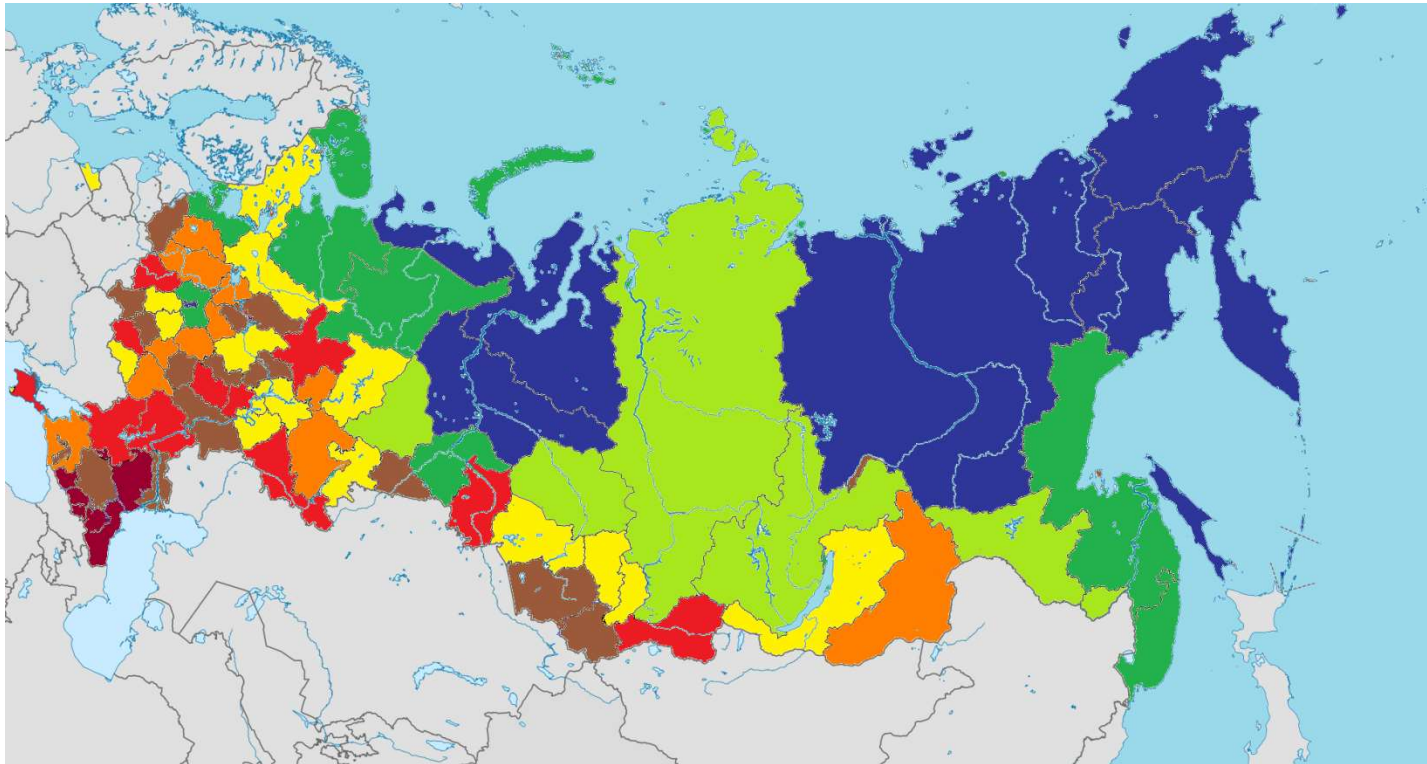


Sources: WB, OECD



# POPULATION INCOME STATISTICS

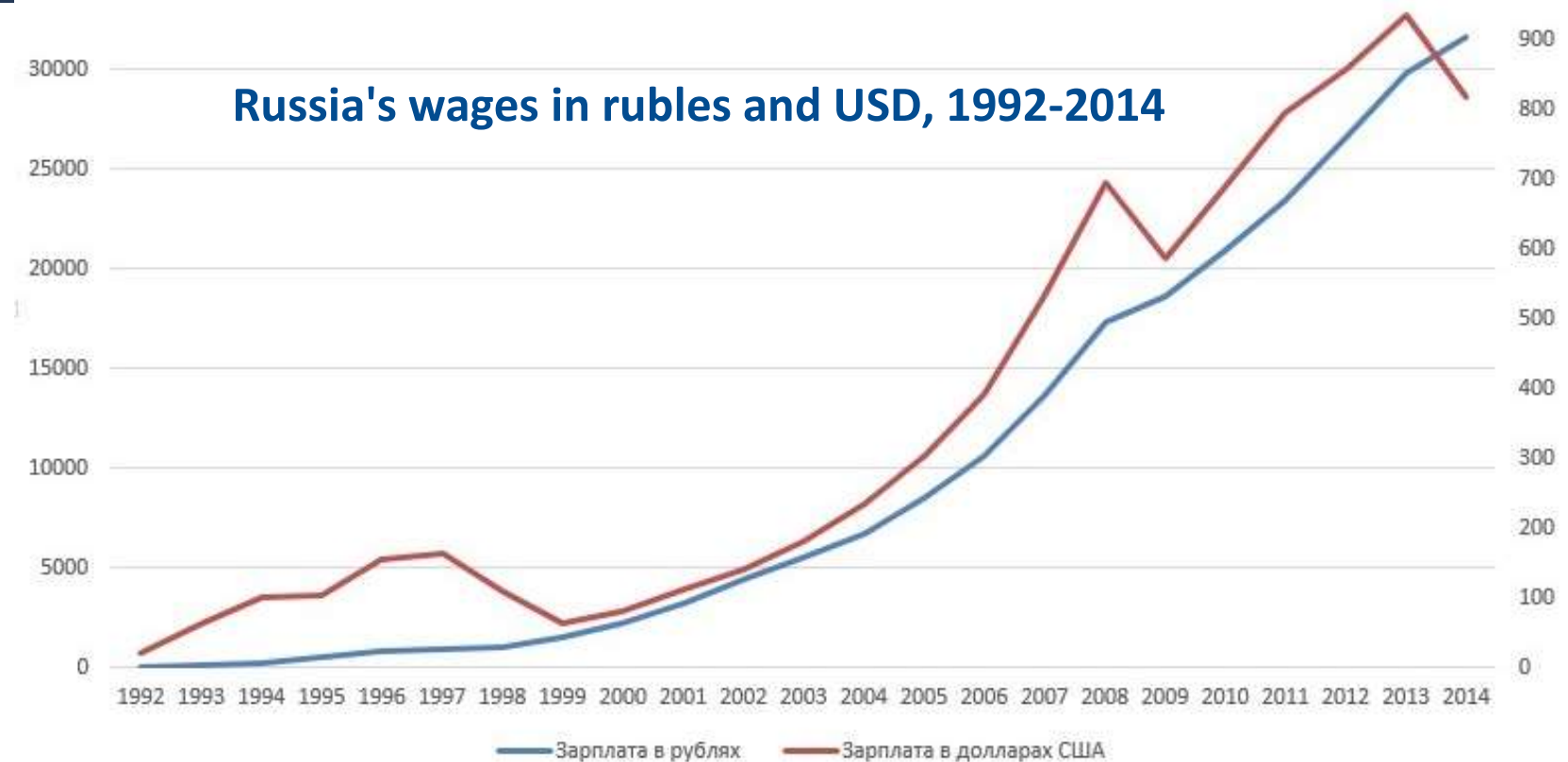
Median salary geo-distribution, 2017



Source: Ministry of Finance of the RF (2018)



# POPULATION INCOME STATISTICS



Source: Hewston (2016)



# TAX SYSTEM HAS 3 LEVELS

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## Federal

- Personal Income Tax
- VAT (18%, reduced 10% for food, children and medical goods; 0% on activity related to the FIFA World Cup 2018)
- Profit Tax
- Excises

## Regional

- Corporate Property Tax
- Transport Tax
- Gambling Tax

## Municipal

- Land Tax
- Individual Property Tax



# SOURCES OF RUSSIAN FEDERAL BUDGET

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- 44% - Oil & gas revenue
- 56% - Others

## By tax type:

31%	Resource tax
31%	VAT
14%	Export duties
11%	Excise taxes
8%	Income tax and other
3%	Import duties
2%	Profit tax

*Source: Ministry of Finance of the RF (2018)*



# RUSSIAN SOCIAL PROTECTION SYSTEM

Benefit	Source of funding		
	Individual	Employer	Government
<p><b>Old Age, Disability and Survivors. Family Allowances.</b>  <b>Type of program:</b> Social insurance, individual account, and social assistance system</p>	None	22% of payroll (maxed at 796,000 rubles)	Total cost of social pensions. Regional and local governments may finance supplementary benefits
<p><b>Sickness and Maternity</b>  <b>Type of program:</b> Social insurance (cash benefits) and universal (medical benefits) system.</p>	None	2.9% of payroll for cash benefits 5.1% of payroll for medical benefits	Federal and local governments provide partial funding for medical benefits
<p><b>Unemployment</b>  <b>Type of program:</b> Social insurance and social assistance system.</p>	None	None	Financed from federal and local government budgets

Source: ILO, 2016





## Federal Taxes

# PERSONAL INCOME TAX

<b>Taxpayers</b>	Residents	Non-residents
<b>Tax Base</b>	The amount of income	
<b>Tax Rate</b>	<b>13% flat rate</b> (9% in case of dividend payments, 35% in special cases such as winnings)	<b>30% flat rate</b> (15% in case of dividend payments, 35% in special cases such as winnings)
<b>Inheritance and gifts</b>	No inheritance tax No gift tax (within certain requirements)	



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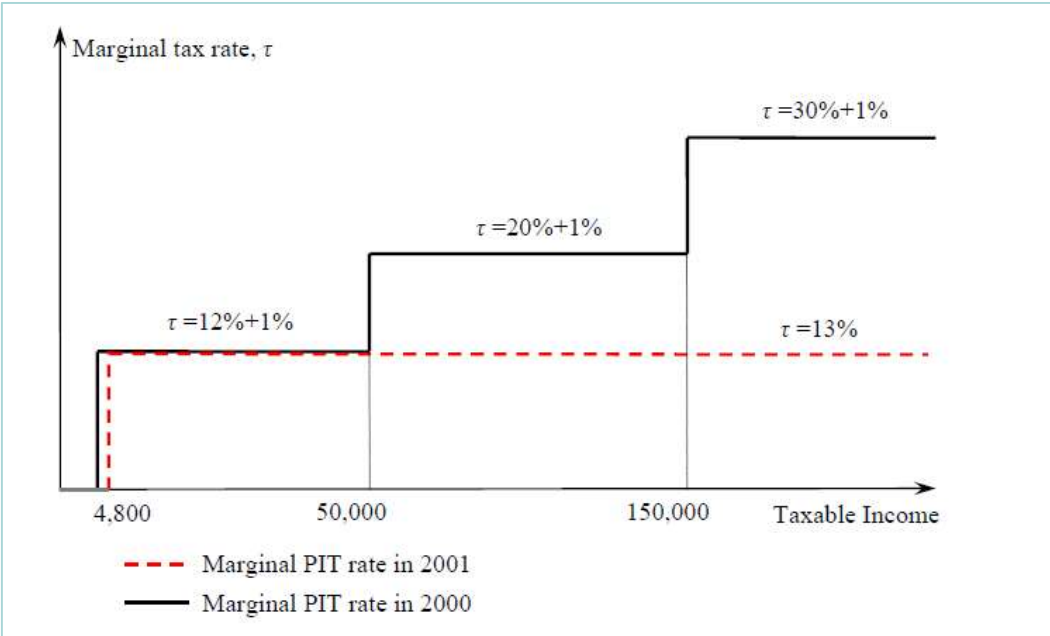
# FLAT INCOME TAX REFORM

Russian Tax Code has two basic sections:

- The first is enacted in 1998 and also referred to as the General Part. It regulates relationships among taxpayers, tax agents, tax-collecting authorities and legislators, tax audit procedures, resolution of disputes, and enforcement of law.
- The second part is enacted in 2001. It defines specific taxes, rates, payment schedules, and detailed procedures for tax calculations. - **Flat rate income tax reform.**



# Flat rate income tax reform



Source: Gorodnichenko, Martinez-Vazquez, Peter (2008)



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## REFORM PROPOSALS

The problem of stimulating growth without increasing tax burden

- 4-year moratorium on the increase of the tax burden on business was announced in 2015

HOWEVER

- 65 tax laws accepted, mandating non-tax fees for businesses
- 40% of the companies believe that the business “climate” has deteriorated and only 5,8% of them felt some reduction in the tax burden (2016)



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# REFORM PROPOSALS

## CONFIRMED

- Mandatory use of online cash desks starting from July 1<sup>st</sup>, 2018
- Increase of unified tax on imputed income by 3.9% (imposed on small businesses instead of VAT or Profit Tax)

## POSSIBLE

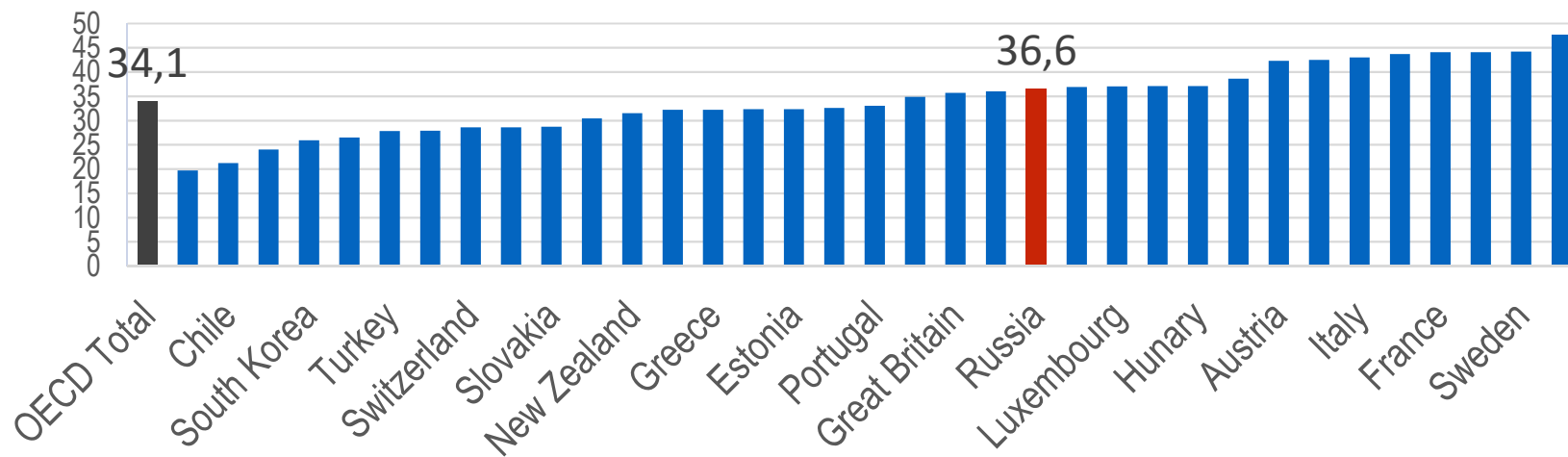
- Increase in the personal income tax from 13% to 15%
- Increase in the Unified Social Tax while reducing Social Insurance Tax



# RUSSIAN TAX SYSTEM FAIRNESS

Tax burden is similar to OECD countries despite the difference in GDP per capita

Ratio of tax and non-tax revenues to GDP for OECD countries in 2011 (%)





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## RUSSIAN TAX SYSTEM FAIRNESS

### Critical sources of unfairness

- Russia doesn't have non-taxable living wage, countries with higher incomes do
- Russia has one of the lowest tax rates of income taxes for the wealthy population and is the highest for low-income citizens
- Absence of progressive tax rates
- Equal responsibility for violation of tax laws in case of mistake or negligence and malicious disregard payment
- Indisputable recovery from individual entrepreneurs of taxes and penalties for violation of legislation on taxes and fees



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## CONCLUSION

- Russian Tax System is diversified and structured
- The welfare is financed differentially, without a single source of money for financing the functioning of welfare system
- The urge to stimulate economic growth and cope with budget challenges leads to the quest for a compromise in tax reform implementation
- Currently, the Russian Tax System cannot be called fair because of regressive taxation and uneven law enforcement



**THANK YOU**