

Putin's Party Wants Wage Hikes, Tax Breaks

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Prime Minister Vladimir Putin's United Russia party will propose wage hikes, tax breaks and some political liberalization before elections in December at which it will seek to defend its two-thirds majority in the State Duma.

A senior party official in charge of drafting a "People's Program," to be unveiled by Putin at a party congress on Sept. 23 and 24, said the proposals will require changes to the draft budget but will not touch the Constitution.

"Our general principle is one set of taxes for those who sell natural resources and another, much lower, set of taxes for those who make products, build or start new enterprises," said Nikolai Fyodorov, a member of United Russia's supreme council.

Fyodorov, a former justice minister and former governor of the Chuvashia republic, said tax breaks, mostly on corporate income tax, would cover the machine-building sector and processing industries from oil refining to timber.

He said the most revolutionary proposals were to grant three-year tax holidays to small businesses in production and services, as well as to double wages for low-income public sector workers such as teachers and doctors within five years.

The proposed changes are likely to meet strong opposition from Finance Minister Alexei Kudrin, architect of prudent fiscal policy under Putin's presidency, who has saved windfall oil revenues in a budget reserve fund.

Asked whether the new industrial policy would require personnel changes at the Finance Ministry, Fyodorov said: "Do you want the same people to be responsible for the same thing for decades? Of course, it means changes. In politics many things do not fit onto the balance sheet and the finance minister should not always have it his way."

Kudrin is tipped as a possible candidate for prime minister if Putin decides to return to the Kremlin in 2012, and political analysts have said his position remains strong.

"United Russia is building its propaganda campaign on criticism of Kudrin, who had agreed to be a whipping boy," said Pavel Salin, an analyst with the Center for Current Politics. "The probability of Kudrin's resignation is low because his legitimacy is guaranteed by Putin himself."

Fyodorov said United Russia would not propose raising income tax from the current flat rate of 13 percent, but that the party wanted higher taxes on consumption and property ownership.

The political changes outlined in the program include ways to ensure that local governors, now nominated by the president, are also backed by the population. He said the time had not yet come to bring back direct elections for those posts.

Fyodorov said the government should pass laws making officials prove that their property was acquired with income from legal sources, which will enable the country to ratify the United Nations' Convention Against Corruption.

Putin has hinted he may run for the presidency in March 2012. President Dmitry Medvedev has also indicated he would like to run, although they are unlikely to compete against each other.

"No candidate for president will be able to ignore the program of the party of power. In that sense, this program is important for the next president of Russia," Fyodorov said.

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