

Medvedev Proposes Two-Year Tax Break for Entrepreneurs

By [The Moscow Times](#)

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Keen to halt the rapid exit of entrepreneurs into the illegal economy, Prime Minister Dmitry Medvedev has proposed a two-year tax exemption for those registering a business for the first time, which will start next year.

The plan has been preliminarily approved by all ministries, Vedomosti reported.

The measure is a response to the mass flight of entrepreneurs from regulatory oversight and legal operation, said Alexander Galushka, co-chairman of the Delovaya Rossia business association. Roughly 458,000 business owners have canceled their registrations this year due to a two-fold increase in mandatory social insurance payments, he said.

As of June 1, there were 3.5 million registered sole proprietors in Russia.

Observers believe a large number of those who canceled their registration have continued

operating illegally.

Earlier this summer, the State Duma tried lowering mandatory insurance payments to bring businesses back under the law, but this was seen as a stop-gap measure.

Granting new business owners a two-year tax holiday was proposed by the All-Russia People's Front and has been endorsed by 40,000 entrepreneurs, Galushka said.

Aware of the risks, the government will try to prevent existing businesses from registering as newcomers in order to save on social payments, Deputy Minister for Economic Development Sergei Belyakov said.

The Finance Ministry did not say how much the proposed tax holiday for entrepreneurs would cost the budget, but economics expert Alexandra Suslina said losses would be minimal.

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