

Medvedev's Tax Break Plan Hits Buffers

By [The Moscow Times](#)

August 06, 2013

The  **Moscow Times**

The proposal to abolish all taxes for two years for sole proprietors registering a business for the first time is likely to be scrapped as it does not have the Finance Ministry's backing, Vedomosti reported Tuesday.

Prime Minister Dmitry Medvedev ordered the ministry to develop the idea in July, and the Economic Development Ministry has already submitted the plan to the government.

Sergei Belyakov, the deputy economic development minister, said earlier that all agencies supported the idea in principle.

However, the Finance Ministry believes the exemption could create a "tax paradise" that could be exploited by unscrupulous businessmen who want to avoid paying taxes altogether, an official familiar with the ministry's position said.

Another problem is determining who would qualify as an individual entrepreneur, the official said, adding that even independent stock market traders could potentially register for the

exemption.

Instead of total tax exemption, the Finance Ministry is considering less comprehensive tax benefits.

The Delovaya Rossia business association is not in favor of the Finance Ministry's idea, according to its co-chairman, Alexander Galushka. He said that it would not benefit enough businessmen.

The idea of a tax holiday was originally put forward as an extreme measure to counter the mass closing of small businesses in 2013 when mandatory social insurance payments doubled.

Observers believe that many of the businesses whose registration was canceled continue to function illegally.

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