

Russian Lobbies Strip Out Small Business Law's Tougher Provisions

By [Alexander Panin](#)

November 18, 2014



President Vladimir Putin, speaking to officials at a video conference, has already criticized the proposed law.

Russia's business lobbies proved their mettle Tuesday after the State Duma passed a much stripped-down version of a proposed business law, which may even be cut altogether if President Vladimir Putin heads calls to veto the bill.

The initial bill, which was backed by Prime Minister Dmitry Medvedev and entered the Duma on Nov. 5, would hit more than 20 types of businesses with an upfront quarterly fee of up to 600,000 rubles (\$12,800). If passed as intended, the bill would have given local authorities the power to set the fees to zero or increase them by as much as 10 times.

Arguing that the bill would encourage corruption and increase the already heavy tax burden on entrepreneurs, business associations and lobbyists rebelled against the law. Their voice was heard and on Tuesday the Duma passed a much milder version of the bill.

In its passed form, the fee will be limited to retail and small time wholesale trade and apply only to Moscow, St. Petersburg and Sevastopol. Moscow will be first to be granted the right to introduce the fee, starting from second half of 2015.

The man who introduced the bill, top United Russia official Andrei Makarov, said lawmakers considered each and every remark made by the business community.

"Not one concrete proposal coming from the business, which was not just an expression of fear and emotion, was exempted from this law," Makarov said after the second reading on Tuesday, when many of the changes asked for by businesses were included.

The fact that the bill was passed in the current form is in general a positive outcome as this means the voice of business was finally heard, said Ivan Yefremkov, the head of the Center for Expertise and Analysis at the Opora Rossii business association.

But even in the current modified form the law will still hit some categories of small businesses with lower profit margins because the fee is levied regardless of an entrepreneur's revenue.

"Even if I generate future profit, the fee means I have to make a certain upfront payment before I even had a chance to earn anything, which is worse than increasing taxes," said Ilya Kuznetsov, a small business owner in Moscow.

Moreover, despite winning a more mild law, business leaders were still heavily critical of the legislative process.

"There were no consultations with the business community before the amendments to the current law were introduced and even now the economic basis behind them is not entirely clear," said Yefremkov.

But if the lobbyists have their way, the bill may not become a law even in the milder form. The Retail Companies Association on Tuesday asked Putin to veto the bill, noting that the proposal goes against the president's publicly expressed opinion that only the energy sector should face an increased tax burden in the coming years.

Putin himself criticized the bill speaking before liberal opposition movement United Civil Front on Tuesday. Initially, he said, the idea for the bill came from the Moscow government, "which reported to the presidential administration that last year large retail chains payed no more than a few dozen million rubles in taxes to the city budget ... which is [near] zero, meaning they do not pay anything at all," Putin was quoted by the TASS news agency as saying.

Experts who supported the bill were initially targeting large retail chains, but the law as passed merely adds to the fiscal burdens of small and medium-sized business in general, Putin said.

If not vetoed by the president, starting from 2016 the fee could be levied in St. Petersburg and Sevastopol and then in other regions if a separate federal law was passed for them.

But, "we will see how the proposed fee works in Moscow first," lawmaker Andrei Makarov said. It may be a far-fetched proposal.

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Original url:

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