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The President of Russia has backed the suggestions of the Russian Chamber of Commerce and Industry developed together with Pepeliaev Group's experts regarding the regulation of various payments similar to taxes and levies

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The Russian Chamber of Commerce and Industry commissioned Pepeliaev Group to analyse various payments which are similar to taxes and levies but are not included in the Russian Tax Code. These payments are collected in the most diverse industries and increase the real burden for businesses to finance their public commitments. It actually means that a parallel tax system is created. The amount of such payments already exceeds RUB 700 billion (1% of GDP). One of the most recent examples is the charge on 12-ton trucks, which sparked a massive public outcry.

However, these payments are regulated in an unsystematic manner, so that both businesses and individuals bear overstated costs, the requirement of equal taxation and fair competition is violated, and the efficient collection and spending of payments for public benefit is undermined. There is no exhaustive list of such payments. As a rule, these payments are collected by virtue of regulatory instructions rather than laws. The gaps, repetitions and inconsistencies in the regulatory framework unjustifiably increase the cost of administering them, create uncertainty and compromise the guarantees of the taxpayers' rights.

The work completed is aimed at normalising such payments, i.e. at regulating them in a systematic manner. To implement this, several directions for improving legal regulation have been suggested. Firstly, a single exhaustive list (register) of all mandatory public payments is needed. This is necessary to provide a realistic and accurate assessment of the burden that such payments represent for business, what they cost to administer, the level to which they are collected and their useful effect.

Secondly, the main components of any mandatory public payments must only be set out by law; they must also be subject to the general rules that tax laws are first adopted, then applied and that any doubts are interpreted in favour of taxpayers. This will ensure legal certainty.

Thirdly, the procedure for administering all such payments must also be unified, to the extent possible. This does not mean that all the payments necessarily flow into one authority; it rather means that the procedure itself must be unified but different authorities may apply it. However, payments which are homogeneous in nature should be collected by the same administrators so that double costs may be avoided.

Dozens of payment types should be consolidated into a small number of types. It is suggested that most of the payments be included in the common tax system. For the rest of the public payments which flow into certain organisations rather than into the state budget, a mandatory justification must be introduced which explains why this particular out-of-budget procedure is needed to collect the payments. It is also necessary to tighten the requirements for the transparency of the recipients' activities and for the resources to be used properly.

The results of the study were presented to the professional community at the workshop "Taxes of a non-tax nature: A systemic approach" which took place on 4 December 2015 within the framework of the XI All-Russian Tax Forum of the Russian Chamber of Commerce and Industry (see the recommendations given at the workshop at <http://nalogoved.ru/news/3519>).

On 3 December, the eve of the discussions, the President of Russia, addressing the Federal Assembly, set the goal of "forming a single and coherent mechanism for administering tax, customs and other fiscal payments". During his meeting with the President of Russia, Sergey Katyrin, President of the Russian Chamber of Commerce and Industry, spoke about the suggestions, taking into account the discussion at the forum. The President of Russia thought it possible to back the suggestions made and have them developed so that a roadmap could be drawn up and subsequent legislative amendments would be introduced.



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In other words, the suggestions worked out by Pepeliaev Group's experts were essentially backed at the highest state level.

The study demonstrated that developed foreign countries also face the same problems with collecting public payments. At the same time, **Pepeliaev Group's managing partner, Sergey Pepeliaev**, believes that this may not be treated as a justification for the current situation: "The aim of the proposed measures is to build up in Russia the world's best practice of collecting mandatory public payments". **Vadim Zaripov, head of Pepeliaev Group's analytical department**, agrees with this: "The regulation of payments which are similar to taxes and levies may essentially become the second significant step in the country's tax reform, some kind of 'tax reform 2.0'. If the suggested measures are implemented as they were conceived, this will not only help broaden the economic freedoms of Russian entrepreneurs in the context of external sanctions; it will also ensure that socially important goals are properly financed". **Petr Popov, a senior associate at Pepeliaev Group**, who participated in the preparation of the study, points out that "public payments which are not included in the Russian Tax Code, are not only similar to taxes and levies; they indeed are taxes and levies without being referred to as such in legislation. They are said to have a non-tax nature by convention, just because they are not set out in the Tax Code".

Pepeliaev Group is a leading Russian law firm offering the full range of legal services in all regions of Russia, most former Soviet countries and abroad. Over 160 lawyers in Moscow, St Petersburg, Krasnoyarsk, Yuzhno-Sakhalinsk, Vladivostok, Beijing, Shanghai, Guangzhou and Seoul provide legal assistance to over 1,500 companies operating in various industries. 50% of these are international corporations implementing long-term investment projects in Russia.