

Tax reform strategy

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On December 23 2009, the government approved a tax reform strategy that outlines the actions it plans to pursue in the near future.

In summary, the strategy states that the tax burden should shift away from work and capital and towards consumption, resource and environmental payments. VAT should become the main tax for generating state revenue. This implies that the government will focus more on consumption, reducing or eliminating tax preferences and special tax regimes and adhering consistently to the "first event rule." Excise taxes should rise and their scope should widen.

In the corporate profit tax domain, the strategy foresees putting to work the matching income and expenses concept, combating unfair practices and treaty shopping, abolishing tax privileges, introducing thin-capitalisation rules and improving transfer pricing rules, among other things. Tax reform will happen in three stages. The first steps involve adopting of the tax code, reforming VAT, reducing the number of taxes and levies, introducing uniform social and real estate taxes and other measures.

The Draft Law: more pressure on taxpayers

On January 13 2010, the draft law to amend certain tax laws was registered. Its key purpose is to increase how much tax money the government collects. It features a number of drastic changes, such as:

- restrictions on the carry forward of tax losses and deductibility of forex differences;
- narrowing exemptions for insurance companies;
- introducing a one-year corporate profit tax period involving monthly tax prepayments (overpayments are an issue);
- implementing an electronic VAT invoice register, increasing control over VAT-able transactions and cutting down taxpayers' right to VAT credit;
- limiting the taxpayer's right to correct mistakes from previous periods.

If adopted, the new rules should significantly increase the tax burden.