

The Flat Tax at Work in Russia: Year Three, January-June 2003

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The Ministry of Taxation of the Russian Federation has reported the taxes and fees collected for the period January-June 2003. The data show that the 13% flat tax on personal income continues to achieve very positive results.

During January-June 2003, the Ministry of Taxation collected 197.6 billion rubles in personal income tax receipts, an increase of 31.6% over the comparable period in 2002. Inflation during the first half of 2003 was 7.9%. Assuming annual inflation of about 15% for all of 2003, personal income tax revenue rose at an annualized real rate of 16.6% in the first half of 2003 as against the same period in 2002. This growth builds on real revenue increases of 28% in 2001 and 20.7% in 2002.

The 32.6% nominal growth in personal income tax receipts continues to outpace the overall rise in taxes and fees collected by the Ministry of Finance, which grew by a less robust 17.5% for January-June 2003 compared with the same period in 2002. In percentage terms, personal income tax receipts grew more rapidly than both corporate profit tax and VAT. The 13% flat tax on personal income has steadily grown in importance as source of revenue during the past two-and-a-half years.