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Russia’s lower house approved a tax bill in first reading that raises excise duties through 2029

The measure would also impose a 22% VAT on some cross-border e-commerce and make banks withhold tax on deposit interest

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In Moscow on Thursday, October 29, Russia’s State Duma approved in the first reading a government tax bill that would raise excise rates over the 2027-2029 period and make a wider set of changes to the tax code, including rules on personal income, online

imports, corporate taxation, and tax administration.

The bill, submitted by the government on September 30 as part of the 2027-2029 budget package, still has to pass further stages in parliament before it can take effect. Finance Deputy Minister Alexei Sazanov has said the plan calls for excise rates to rise by 6.5% in 2027 and by 4% in both 2028 and 2029.

For alcohol, the draft sets the excise on ethyl alcohol, alcohol-containing goods, and alcoholic products stronger than 18 degrees at 878 rubles per liter of pure alcohol in 2027. That would rise to 913 rubles in 2028 and 950 rubles in 2029. For lower-strength alcohol, the tax in 2027 would be based on 176 rubles per liter of pure ethyl alcohol, rising to 183 rubles in 2028 and 190 rubles in 2029, with the final amount linked to the product’s alcohol content.

The measure would also raise duties on wine and related products. Excise on liqueur and fortified wine, including bulk shipments, would be set at 176 rubles per liter in 2027, 183 rubles in 2028, and 190 rubles in 2029. Sparkling wine, including Russian champagne, would face rates of 170 rubles, 177 rubles, and 184 rubles over those three years. Other wines, including fruit wines and other fruit-based alcoholic products, would be taxed at 158 rubles per liter in 2027, 164 rubles in 2028, and 171 rubles in 2029.

For grape and fruit must, fermented fruit materials, and wine materials, the bill sets the excise at 52 rubles per liter in 2027, 54 rubles in 2028, and 56 rubles in 2029. Cider, perry, mead, and beer with alcohol content above 0.5% and up to 8.6% would be taxed at 35 rubles per liter in 2027, 36 rubles in 2028, and 37 rubles in 2029. Stronger beer would face rates of 66 rubles, 69 rubles, and 72 rubles over the same period. The excise on sugar-sweetened beverages would be set at 12 rubles per liter from 2027.

Those changes could carry particular weight for the drinks business if they become law. Higher duties on still wine, sparkling wine, cider, mead, and beer could affect shelf prices, producer margins, and the planning of imports and product portfolios in Russia’s beverage market.

The draft goes well beyond alcohol. It raises tobacco excise to 5,520 rubles per kilogram in 2027, 5,741 rubles in 2028, and 5,971 rubles in 2029. Heated tobacco products would be taxed at 11,624 rubles, 12,089 rubles, and 12,573 rubles respectively. Excise on nicotine-containing non-tobacco mixtures for heating would be 1,097 rubles in 2027, 1,141 rubles in 2028, and 1,187 rubles in 2029.

The bill also increases the duty on nicotine raw materials from 2.6 rubles per milligram in 2027 to 2.7 rubles in 2028 and 2.8 rubles in 2029. Liquids for electronic nicotine delivery systems would be taxed at 52 rubles per milliliter in 2027, 54 rubles in 2028, and 56 rubles in 2029. Cigars would face excise of 374 rubles per piece in 2027, 389 rubles in 2028, and 405 rubles in 2029. For cigarillos, bidis, and kreteks, the rates would be 5,316 rubles, 5,529 rubles, and 5,750 rubles per 1,000 units.

Cigarettes and papirosas would be taxed at 3,491 rubles per 1,000 units in 2027 plus 18% of their assessed value based on the maximum retail price, with a minimum tax of 4,741 rubles per 1,000 units. In 2028, that would rise to 3,631 rubles plus 18%, with a minimum of 4,931 rubles. In 2029, the bill sets the rate at 3,776 rubles plus 18%, with a minimum of 5,128 rubles.

Fuel taxes would also climb. The excise on Euro 5 gasoline would be set at 19,126 rubles per ton in 2027, 19,891 rubles in 2028, and 20,687 rubles in 2029. Diesel fuel would be taxed at 13,566 rubles per ton in 2027, 14,109 rubles in 2028, and 14,673 rubles in 2029. The bill also raises excise on lower-grade gasoline, straight-run gasoline, and motor oils.

For passenger cars, the draft increases excise based on engine power. Vehicles with engines above 90 horsepower would be taxed at 68 rubles per horsepower in 2027, 71 rubles in 2028, and 74 rubles in 2029. Higher rates apply to more powerful cars and motorcycles, reaching 1,948 rubles per horsepower in 2027 for vehicles above 500 horsepower, then 2,026 rubles in 2028 and 2,107 rubles in 2029.

The same package includes broad personal tax changes. Most income earned by individuals would be combined into a single tax base subject to Russia’s progressive personal income tax scale, with rates ranging from 13% to 22%. From January 1, 2027, banks would become tax agents for personal income tax on deposit interest. At

present, that tax is calculated by the tax authority after the end of the year. Under the bill, tax agents would calculate it when the income is actually received, on a cumulative basis from the start of the tax period.

The draft also changes how the tax-free threshold for deposit interest is calculated. It would be based on the Bank of Russia’s key rate for the previous tax period rather than the current one. In practice, the formula would replace the maximum key rate of the current year with the maximum rate of the previous year.

On corporate and cross-border taxation, the bill sets a 35% corporate profit tax rate on dividend income transferred to so-called Type C accounts. It also rewrites some controlled foreign company rules. The ownership threshold for recognizing an individual as a controlling person would rise from 25% to 50%, while the current 10 million ruble non-taxable profit threshold for controlled foreign companies would be removed. At the same time, the bill would extend until 2030 the option to defer profit tax on those companies if sanctions prevent them from distributing dividends.

Another provision would introduce a 22% value-added tax from 2027 on goods bought by individuals in third countries through e-commerce. Electronic trading platforms would pay that tax as tax agents. The explanatory note to the bill says that measure is expected to bring in an additional 75 billion rubles a year.

Other provisions in the package include a substantial increase in fines for tax law violations, a rule allowing companies to qualify for tax monitoring if they meet one of three thresholds rather than all three at once, and the transfer of administration of insurance contributions for workplace accidents and occupational diseases from the Social Fund to the tax authorities.

The bill also proposes tax measures tied to defense and security spending. Goods and services transferred free of charge to the Defense Ministry, the National Guard, the FSB, and the Emergency Situations Ministry for protection against drones would be exempt from VAT. Food supplied to people in shelters or protective structures would also be exempt, and spending on measures to prevent drone attacks could be treated as deductible for profit tax purposes.

In transport, the package would extend until January 1, 2030 a 0% VAT rate for flights to airports in the Far East, Crimea, and Sevastopol, and a 10% VAT rate for Moscow’s air hub. It would also add order pickup points that are part of the logistics infrastructure of a digital intermediary platform operator to the list of real estate taxed on cadastral value for corporate property tax purposes.