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What legislative changes are expected to small businesses in Russia in 2020?

In 2020, a considerable number of changes are planned that will affect entrepreneurs and small companies. For small businesses, it is expected to increase insurance premiums for individual entrepreneurs, and cancel preferential regimes for the sale of certain goods. Of course, there will be positive aspects, for example, the expansion of the territory of the regime for the self-employed, a possible increase in the limits on the simplified tax system and the cancellation of some reporting forms.

Annual contributions of individual entrepreneurs amounted to 36,238 rubles. From next year, the figure will be increased to 40,874 rubles, 32,448 of which will go to pension insurance, and 8,426—to medicine. As in previous years, if the income exceeds 300 thousand rubles, you need to pay 1 percent for the pension from the amount exceeding this figure.

In 2020, the minimum wage will be raised, now it will be 12,130. This leads to a serious increase in the financial burden for entrepreneurs who have employees who are registered under an employment contract. First, the salary of employees should not be less than the minimum wage. Second, payments to the social insurance fund and the Pension Fund of the Russian Federation are counted from this amount.

The most noticeable of the "negative" changes for business in 2020 in terms of taxes is the gradual rejection of the unified imputed income tax. This mode will be completely canceled from January 1, 2021. However, in 2020, it will be prohibited to use unified imputed income tax when selling products that are subject to labeling, such as shoes, clothing and accessories made of natural fur, and medicines.

In early 2019, the government adopted a new high-profile law on the tax on professional income, popularly known as the "Tax on the self-employed". The initiative allowed citizens who work for themselves to get out of the shadows into the legal field and pay minimum contributions to the budget: 4 percent of income when working with individuals and 6 percent—with legal entities.

The innovation was launched as a pilot project in 4 regions: Moscow and the Moscow region, the Republic of Tatarstan, the Kaluga region, St. Petersburg and the Leningrad region. This state of Affairs was expected to continue for another 10 years. But the government decided to speed up the transition and from next year proposed to extend the tax on the self-employed to all other regions of the Federation – only 81 regions.

The main task of the new tax is to reduce the burden on small businesses, primarily individual entrepreneurs. They can use the new tax as an alternative to existing regimes, but it's not that simple. The fact is that the application of the tax on professional income is very limited. The tax on the self-employed applies only to the provision of services and trade in products of their own production (exclusively handmade).

The simplified tax system will also undergo significant changes, but will continue to operate. Currently, individual entrepreneurs with up to 100 employees and income not exceeding 150 million rubles can use the regime.

Starting next year, the limit will be increased: you can apply the simplified tax system if your income is up to 200 million, and the number of employees is up to 130 people. But in this case, the payment will be higher. The tax rate will increase to 8 percent for the "Income" model and 20 percent for the "Income minus expenses" model (now it is 6 and 15 percent, respectively).

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