The Russian Constitutional Court has confirmed that the constitutional principles governing local taxation have not changed in the context of a budget deficit

FAO heads and employees of companies' legal departments, CFOs, chief accountants and tax managers

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Pepeliaev Group advises that, against the backdrop of wide-ranging proposals by the Federal Tax Service to tighten control over regional and local property taxes, the Russian Constitutional Court has issued several rulings aimed at protecting taxpayers' rights to pay property taxes in the lawful (a non-inflated) amount.

In its Ruling No. 48-P of 14 July 2026, the Russian Constitutional Court held that the procedure was unconstitutional under which an individual can lose the opportunity to challenge the historical cadastral value of real estate before learning of its tax consequences. The legislature must amend the rules for revising the value. Until the amendments are made, good-faith taxpayers will be able to apply for a review within one year after they become aware of the amount of their tax liabilities.

The Court substantiated its conclusions by referring to the principle of the supremacy of the law as an integral element of a law-bound state. According to this principle, the right to judicial protection is one of the fundamental inalienable rights and freedoms while, at the same time, serving as a guarantee of all other rights and freedoms. Further, justice, by its very nature, may be recognised as such only if it meets the general legal requirements of equality and fairness and ensures that rights are restored effectively.

In its Ruling No. 52-P of 21 July 2026 ("Ruling No. 52-P"), the Russian Constitutional Court held a number of provisions of the Russian Tax Code to be unconstitutional insofar as they allow the land tax rate to be increased above the maximum of 1.5%.

The Court provided a detailed justification for its decision, relying on legal positions based on the constitutional principles of taxation.

The right of regional authorities and local government bodies to determine specific rates of their own taxes, including to differentiate the rates, must be exercised in such a way that the tax burden does not go beyond the limits established by the federal legislature (the principle of tax federalism).

The procedure for calculating a tax, while secondary in importance within the tax system, cannot be used by the legislature solely to maximise the tax burden, so as to avoid the procedure for calculating tax replacing the tax rate, which is intended to establish a clear and predictable level of tax levies. The state's fiscal claims must be constrained by, among other things, the requirement of proportionality (the principle of the legislature's good faith).

Failure to comply with the conditions for using a tax benefit may result the right to apply a preferential rate being lost in full or in part; otherwise, this would lead to benefits being selectively granted in tax relationships contrary to the requirements of lawful, equal and fair taxation (the prohibition on abuse of a taxpayer).

Provisions of tax legislation must be formulated with sufficient certainty and exclude contradictory interpretation (the principle of the clarity and consistency of tax rules).

The legislature is obliged to eliminate the legal uncertainty of contested provisions, while increased coefficients cannot be applied before a new tax period begins (the prohibition on retroactivity).

Ruling No. 52-P does not have retroactive effect and does not entail tax liabilities relating to land tax being revised, except where a taxpayer applied to a court before the Ruling entered into force and their case or appeal had, at that time, been submitted to and/or was pending before (or under examination by) the courts, including the highest court having jurisdiction over the relevant category of cases. The Russian Constitutional Court emphasised: "When considering such cases (appeals), it should be taken into account that all unresolvable doubts, contradictions and ambiguities in legislative instruments concerning taxes and levies must be interpreted in favour of taxpayers (article 3(7) of the Russian Tax Code)" (the principle of doubt being interpreted against the tax authorities). The applicant's case is subject to review.

What to think about, what to do

Taxpayers should pay closer attention to tax claims made by tax inspectors, critically assessing not only the inspectors' conclusions and demands, but also the legal provisions as the tax authorities and courts have interpreted them. At the same time, it is necessary to take into account not only the formal requirements of laws, but also the constitutional principles of taxation proclaimed in legal positions of the Russian Constitutional Court.

It should be remembered that only proactive taxpayers will receive effective protection of their constitutional rights: not only those who have managed to bring their cases before the Russian Constitutional Court, but also those who have insisted on a constitutional interpretation of how tax rules are applied and who have not given up. At the same time, taxpayers whose cases have already been considered by courts of all levels and who did not apply to the Russian Constitutional Court will no longer receive such protection.

Помощь консультанта

Pepeliaev Group's specialists are ready to:

- provide support during tax audits at all stages: from when an audit is scheduled to when a dispute is resolved in court;
- ensure that the tax authority complies with taxpayers' rights when conducting audits;
- analyse decisions of the tax authority not only in terms of whether they comply with the Tax Code, but also with the Constitution of the Russian Federation;
- represent taxpayers before courts of all levels, including the Russian Supreme Court and Constitutional Court.

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