

Increased Land Tax to Accelerate Development: Awaiting the Position of the Russian Supreme Court

FAO chief executives, finance directors, chief accountants and tax managers in the construction industry

Appeals have been filed with the Russian Supreme Court in two cases concerning increased coefficients of land tax applied in order to accelerate residential development. The cases have been resolved differently by the courts, giving grounds to expect that a harmonised approach will be set.

When abolishing the preferential tax rate for land used for the construction of individual housing undertaken as part of business activity, the legislature did not exclude such land from the scope of the increased coefficients applied for the purpose of accelerating the development of land (articles 396(15), 396(16) and 396(16.1) of the Russian Tax Code). The Russian Federal Tax Service clarified that increased coefficients should be applied to such land¹. This meant that the coefficients were applied not to the preferential but to the standard land tax rates, resulting in a very significant tax burden (3–6% of the cadastral value of a land plot). The letter was challenged before the Russian Supreme Court but was not declared invalid².

The courts' positions on this issue have diverged.

The Commercial Courts of the Central, Moscow and North-Western Circuits have indicated that, now the preferential rate has been abolished, land tax should be levied at a rate not exceeding the generally established rate³.

However, the lower courts, to which some of the cases were referred by the circuit courts to be reconsidered, have again supported a fiscal approach, as has the Commercial Court of the Volga Circuit⁴.

¹ Letter No. BS-4-21/14484@ of the Russian Federal Tax Service dated 16 November 2023.

² Ruling No. AKPI24-861 of the Supreme Court of the Russian Federation dated 23 December 2024.

³ The following Rulings: No. A23-763/2023 of the Commercial Court of the Central Circuit dated 4 June 2024 in case (Rikmas LLC); of the Commercial Court of the Moscow Circuit dated 28 May 2025 in case No. A40-158186/24 (Stroy Holding JSC) and dated 20 October 2025 in case No. A41-2710/2025 (Agalarov Estate LLC); and of the Commercial Court of the North-Western Circuit dated 6 August 2025 in case No. A56-100962/2024 (Pushkinskaya Financial Construction Corporation LLC) and dated 28 August 2025 in case No. A56-82332/2024 (Dalpiterstroy Construction Company LLC).

⁴ The Ruling of the Commercial Court of the Volga Circuit dated 30 October 2025 in case No. A65-42005/2024 (Corner Kazan LLC).

Appeals have been filed to the Russian Supreme Court by the taxpayer and the tax authority in two of the above cases.

A land tax rate of 3–6% turns the tax into a fine for not developing land, is disproportionate to the consequences of the violation, and could deprive a developer of any chance to make a project profitable. In an environment of high borrowing costs, there is also a limited opportunity to transfer a project to another developer. For projects launched at a time when the rate, even with coefficients, could not exceed 1.2%, the application of a 6% rate means a fivefold increase in the tax burden compared to what had been expected.

The increased coefficients were addressed in a draft law of the Government, which subsequently became Federal Law No. 425-FZ dated 28 November 2025. As a result, there were expectations that excessive taxation would be eliminated. However, on the contrary, the adopted amendments abolished the grace period for the commencement of the increased coefficient for land used by individuals in business activities.

One would expect that the Russian Supreme Court will establish a harmonised approach to this issue in the coming months, or else that the matter may end up being considered by the Russian Constitutional Court. Amendments to the Russian Tax Code also cannot be ruled out.

What to think about and what to do

We recommend that developers monitor the progress of the two cases before the Russian Supreme Court in order to identify whether the approach of the tax authorities is softened or, on the contrary, whether judicial practice becomes more stringent. In addition, we consider it important for the business community to act to bring this issue to the attention of legislative bodies.

Help from your adviser

We are ready to advise you on any practical issues relating to the application of increased coefficients to land tax rates or to how related legislative initiatives are moving forward.

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