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A tariff must be imposed on companies that continue to operate in Russia

Why?

Western companies paid €20 billion in taxes to the Kremlin in just the first year of Russia's full-scale invasion of Ukraine. Out of all foreign businesses, American, German, and Swiss companies are the largest donors to Russia's federal budget.
These companies' desire to continue reaping windfall profits not only funds the Russian war effort but also hinders Ukrainian funding by blocking the use of frozen Russian state assets, amounting to approximately €300 billion. The threat of retaliation from Russia, such as the expropriation and nationalization of foreign companies, is one of the primary reasons for foreign businesses to pressure their respective governments against the confiscation of Russian sovereign assets.

Thus, foreign firms that stay in Russia are collaborators with Russia, and effectively hold both Ukrainian and G7 governments hostage as a result of that decision. This situation places the major financial burden of supporting Ukraine's defense efforts on these governments, while the companies themselves continue to benefit from and contribute to the war.

Importance for Germany

Germany provides the second-most support to Ukraine, estimated at €21.22 billion (both bilaterally and through the EU). At the same time, German companies rank second in terms of tax contributions to Russia's budget. 268 German companies continue operating in Russia, resisting demands to exit from the aggressor's market. In 2022, these companies paid approximately $2 billion in taxes to Russia—funding Russia's war machine and undermining the contributions of German taxpayers to support Ukraine.

The burden of financing the military assistance and reconstruction of Ukraine must be placed on the aggressor state and the companies that fund the aggression, not Western taxpayers.

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For every €1 in corporate taxes paid to Russia's budget, €2 should be allocated to Ukraine's defense and reconstruction.

Proposed Action

Step 1.

Require all publicly listed companies to disclose their exposure to Russia, including:

- The amount of taxes paid to the Russian government over the last three years, with an annual breakdown.
- Detailed information on federal taxes such as profit taxes, license fees, tariffs, VAT, rent for natural resource usage, and more.
- Employment-related taxes, including an approximation of the taxes paid by the company's employees to the Russian state.

Step 2.

Under its national laws, the German government imposes a tariff on its multinational businesses that continue to operate in Russia. Alternatively, a tariff may be established on the EU level.

Ukraine's 2024 budget allocates nearly €37 billion — roughly half of its total expenses — to defense. This is three times less than the Russian defense budget, but ironically roughly equal to the amount that Western companies have paid to the Russian one.

Imposing these measures could not only equalize the spending power of the parties, but also reduce Russia's resources for continuing the war in the long-term, while increasing Ukraine's resources for effective defense.

Expected Effects

1. Shift the Burden: These measures will transfer the burden of supporting Ukraine's defense from Western taxpayers to companies profiting from the Russian market and financing Russian aggression.

2. Strengthen Negotiation: Increased taxes will encourage more companies to responsibly exit the Russian market, thereby strengthening the West's negotiating position and preventing these companies from being used as bargaining chips.

3. Ensure Stable Funding: Encouraging businesses to leave Russia will help ensure long-term, stable funding for Ukraine's defense efforts and reconstruction by utilizing frozen Russian assets without fear of economic retaliation against the West.