

The Business of Staying: a closer look at multinational revenues and taxes in Russia in 2022

B4Ukraine & Kyiv School of Economics

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Method

This briefing is based on data collected and analysed by the Kyiv School of Economics (KSE's) on foreign company engagement with the Russian economy. Figures used in this report are derived from KSE's Self Sanctions database accurate as of 11 June 2023.

KSE tracks two types of international businesses: those with local Russian subsidiaries and those that had a trading or other commercial relationship in Russia but no local firm. Figures for revenues and taxation are only available for international companies with local Russian subsidiaries.

Data on company withdrawals comes from KSE's research, which draws on a range of public sources, including the Russian company register, news reports and company statements. The latest version of the data is publicly available as part of KSE's Self Sanctions project.

Data on revenues and taxation is sourced from the Russian company register, which comes from Russian companies' annual reports. KSE-analysed data goes up to the end of 2022, and includes information on revenues, profit and profit tax accruals and payments. It does not include data on other significant taxes levied on Russian companies, such as those related to employees' salaries or sales, like income tax and VAT.

The Russian tax year runs from 1 January to 31 December, and the figures for revenue and taxation for 2022 will cover a period before and after the full-scale invasion of Ukraine on 24th February 2022.

KSE has continued to add companies to its database over the last 16 months, so the proportion of companies staying will be affected by those additions, most of which have recently been companies that have chosen to stay in Russia.

Summary

This report from B4Ukraine and the Kyiv School of Economics (KSE) takes a closer look at multinational revenues and taxes in Russia in 2022. These companies continue to pay taxes in Russia, indirectly financing the war and the severe breaches of international human rights and humanitarian law that we see in Ukraine today.

The report finds:

- In 2022, global corporations – including those that have now exited – made over **\$213.9 billion in revenues** through their local Russian businesses. **\$14.1 billion of this was profit**, and we know that they paid **\$3.5 billion in profit tax** on those takings. This is only the tip of the iceberg and likely a substantial underestimate of the total tax bill.
- Collectively, companies headquartered in EU member states earned **\$75.2 billion in 2022** and paid **\$594 million in profit tax**.
- On a country basis, **American firms have collected the largest total revenues in Russia** and are the biggest contributors to the Kremlin's coffers through taxes on profits, paying \$712 million in 2022. **Germany however, is the second largest**. Its companies paid \$402 million in profit tax to Russia in 2022.
- Companies headquartered in G7 and EU countries were cumulatively the highest profit taxpayers in Russia in 2022, representing 16 of the top 20 country contributors.
- The industries which saw the biggest revenue in 2022 are:
 - Alcohol and Tobacco
 - Fast Moving Consumer Goods (FMCG)
 - Automobiles
- **The FMCG sector deserves attention. It is the second-highest revenue-generating sector, taking over \$21 billion in revenue from Russia in 2022.** This sector includes major European brands Unilever, Danone and Nestlé all of which have chosen to stay in Russia, although they have curtailed their activities since the invasion.
- Companies often cite the **“essential” nature** of the goods they supply as a defence. However, many are stretching the definition to include, for example, shampoo, aftershave and confectionery. In B4Ukraine's engagement with these companies, many decline when asked to disclose which goods they consider to be essential/non-essential or the criteria by which they have decided.

Recommendations

For governments:

- The G7 and allied countries urgently need to address the role that their unsanctioned business sectors are playing in Russia today. They should look beyond sanctions compliance to better define the expected standard of corporate conduct, encourage responsible disengagement from Russia, and promote ethical business practices that align with internationally accepted and endorsed human rights principles.
- Key tools to do this include, but are not limited to, better defining essential goods and services in the context of Russia as an aggressor state and issuance of guidance to companies, outlining key areas of risk and expectations for mitigation.
- States should also introduce deterrent measures such as financial penalties, restriction to access to contracts and exclusion from public procurement opportunities, and greater disclosure for companies continuing to operate in Russia.

For companies:

- All companies should demonstrate public support for Ukraine, opposition to Russia's continued war of aggression, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines for Multinational Enterprises (OECD Guidelines).
- Companies that continue business in Russia should take immediate steps to cut ties and exit responsibly.
- Companies claiming to provide essential goods and services to the Russian population also have a responsibility to clarify the criteria and process they used to reach that conclusion.
- Companies that have suspended operations but have retained subsidiaries in Russia now need to take immediate steps to conclusively cut ties and exit responsibly.

Introduction

When Russia's full-scale invasion of Ukraine first began in February 2022, some Western businesses swiftly exited the Russian market, putting values over profit. While these often high-profile departures generated a lot of media coverage, in reality, the majority of Western firms have chosen to remain in Russia.

16 months after the full-scale invasion of Ukraine, international companies – including those incorporated in G7 nations and allied countries – are still contributing billions of dollars to the Russian state through taxes paid on profits, helping to bankroll the Kremlin's war effort.

According to data from the Kyiv School of Economics (KSE), out of 1,387 Western companies with Russian subsidiaries at the start of the full-scale invasion, only 241 (17%) have completely exited Russia. Companies that have not yet exited the Russian market generated \$177.2 billion in revenue in Russia in 2022.

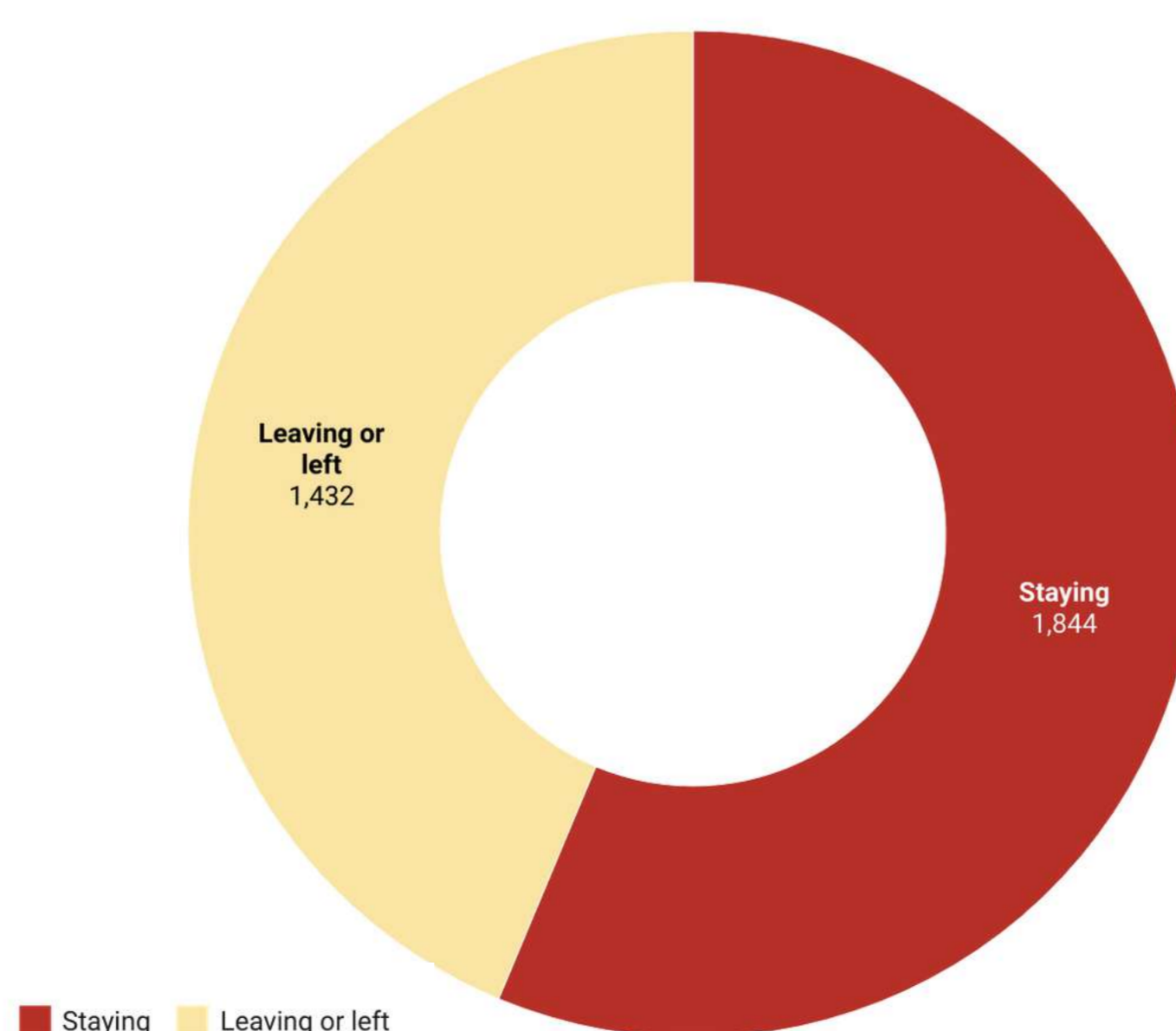
As the G7 moves to further restrict Russia's access to critical technology and sources of finance for waging war, international companies from G7 countries risk undermining their own government's foreign policies by remaining in Russia.

They also expose themselves and their shareholders to an ever-expanding galaxy of material, reputational and legal risks.

Almost a quarter of all profit tax paid in 2022 was paid by companies headquartered in G7 nations.

It should be crystal clear by now: all western companies that have not left the Russian market since the full-scale invasion of Ukraine began 16 months ago are complicit in the Putin regime's war crimes and crimes against humanity.

The only responsible course of action is to exit the Russian market and stop financing the war in Ukraine. Yet, after an initial flurry of exits in the period immediately following the full-scale invasion of Ukraine, exits by international companies have slowed to a slither.



Source: Kyiv School of Economics • Created with Datawrapper

Back in February, we published [Unfinished Business](#), an analysis of company exits revealing that over half (56%) of the international companies active in Russia at the start of the war were still doing business there. Almost nothing has changed even after another three months of violence and mounting evidence of war crimes committed by Russian troops; 56% of companies monitored by KSE are still committed to staying in Russia.

This is not to downplay the significance of the notable company exits that have taken place. The company exits we have seen so far had an outsized role in the Russian economy. According to [KSE analysis](#), despite making up only 17% of companies with a local subsidiary, the firms that have exited employed 28.7% of the personnel used in foreign companies, controlled 17.8% of the foreign company-owned assets and in 2021 generated revenue of \$59.8 billion or 19.7% of total revenue earned by international companies, and paid \$3.7 billion in taxes.

These companies show that a clean break with Russia is possible and that exits have an economic impact, potentially denting Putin's prospects of sustaining his brutal assault on Ukraine.

Russian taxes help fund war

Economists at KSE have [dug into company accounts](#) of international firms with at least one local Russian business; the picture is startling. International companies have paid billions of dollars of taxes to the Russian state at the same time as it has been engaged in a brutal and expensive assault on Ukraine.

In 2022, global corporations – including those that have exited since the war – made over \$213.9 billion in revenues through their local Russian businesses. \$14.1 billion of this was profit, and we know that they paid \$3.5 billion in profit tax on those takings. This is only the tip of the iceberg and likely a substantial underestimate of the total tax bill.

International companies with local subsidiaries in Russia pay a range of other taxes, including income tax on employees' salaries, social insurance payments and VAT. Information on these has been much harder to acquire since the war. Since the full-scale invasion, the Kremlin has classified a lot of financial data making it difficult to estimate the full tax bill of international companies.

How much are companies from each country paying in profit tax to the Russian state?









Companies in the [Self Sanctions](#) database that have not yet exited Russia paid almost \$2.9 billion in profit tax in 2022. We have not included in this figure those companies that were due a profit tax rebate from the Russian authorities.

While some US companies have led the way in making a responsible and swift exit from Russia, American firms have collected the largest total revenues in Russia and are the biggest contributors to the Kremlin's coffers through taxes on profits. 44% of US companies that had a presence at the start of the full-scale invasion remain in Russia. This is substantially lower than for countries like China, Germany or Japan where the majority of companies have chosen to remain. However, the number and significance of the remaining US companies means that American firms were by far the largest profit tax contributor to the Russian state paying \$712 million in total.

The EU, which has been tough on Russia and a major donor to Ukraine, faces a similar problem when it comes to firms headquartered in its member states. Companies headquartered in current EU member states earned \$75.2 billion in 2022 – significantly more than US-registered firms – and paid \$594 million in profit tax.

Company profit tax and revenue in 2022 by country of HQ

Revenue and profit tax figures do not include companies that have exited, and profit tax numbers exclude rebates.

Country of HQ	% staying	Revenue in 2022	Profit tax paid 2022
USA 	44%	\$40,037m	\$712m
Germany 	69%	\$23,183m	\$402m
Switzerland 	53%	\$14,316m	\$275m
Japan 	65%	\$9,068m	\$205m
United Kingdom 	36%	\$12,521m	\$205m
China 	95%	\$10,026m	\$184m
France 	64%	\$19,131m	\$118m
Netherlands 	54%	\$9,090m	\$110m

Country of HQ	% staying	Revenue in 2022	Profit tax paid 2022
South Korea 🇰🇷	84%	\$7,818m	\$99m
Sweden 🇸🇪	32%	\$4,471m	\$90m
Finland	25%	\$2,033m	\$83m
Austria 🇦🇹	80%	\$3,869m	\$62m
Turkey 🇹🇷	94%	\$3,322m	\$53m
Poland 🇵🇱	32%	\$952m	\$45m
Greece 🇬🇷	80%	\$1,377m	\$45m
Italy 🇮🇹	76%	\$4,678m	\$34m
Denmark 🇩🇰	42%	\$2,773m	\$34m
United Arab Emirates 🇦🇪	96%	\$751m	\$27m
Ireland 🇮🇪	22%	\$333m	\$18m
Belgium 🇧🇪	54%	\$598m	\$17m

Table: Kyiv School of Economics • Created with Datawrapper

Doubling down on Russian revenues

Despite Russia becoming a precarious place for global brands to do business, a number have chosen to double down on their Russian activities. For some, this has been a lucrative gamble. As Ukrainians count their dead, many of these companies are counting profits and sending tax payments to the Russian state engaged in a brutal war of aggression.














Some of the worst offenders have been international tobacco companies. The Japanese-Swiss tobacco giant Japan Tobacco International made a huge \$7.4 billion in revenue in 2022, \$1.5 billion more than in 2021, the largest increase of any company. It paid \$193 million in profit tax in 2022.


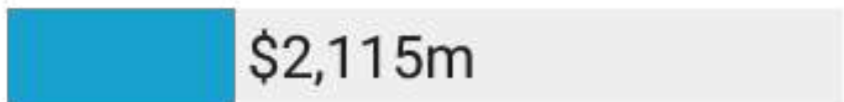

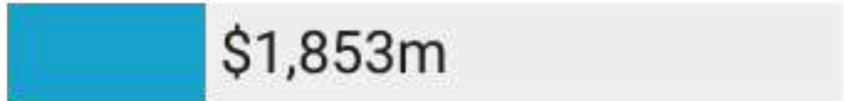

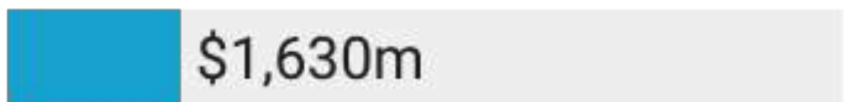

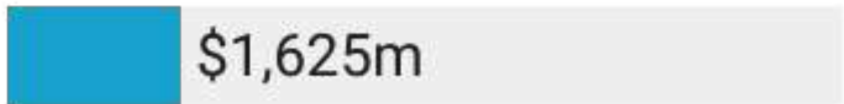

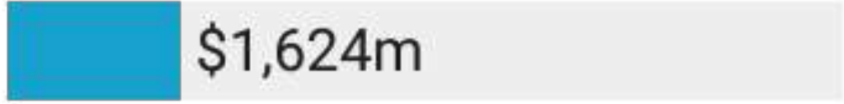

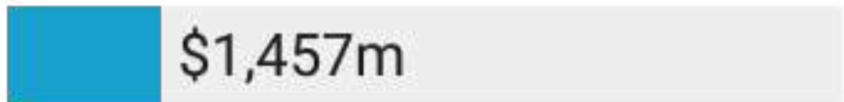
But Japan Tobacco International was not the largest profit taxpayer in 2022. Their competitor, Phillip Morris, the seller of Marlboro cigarettes outside the US, made revenues of \$7.9 billion in 2022 and paid \$206 million in profit tax. Philip Morris said in February this year that it would rather keep its business in Russia than sell it for less than it thought it was worth.

The Russian market has traditionally been lucrative for tobacco companies as it has a relatively high smoking rate. When all duties are considered, tobacco companies have also been some of the highest taxpayers paying around \$7.8 billion a year before the war. In 2020, for instance, Japan Tobacco International paid \$3.6 billion in taxes.

Top 20 companies by revenue in 2022

Figures do not include those companies that have exited

Company name	Status	Revenue in 2022
Philip Morris 	Staying	\$7,888m
Japan Tobacco International 	Staying	\$7,358m
Leroy Merlin 	Staying	\$4,901m
Pepsi 	Staying	\$4,663m
British American Tobacco 	Leaving	\$4,233m
VEON 	Leaving	\$4,088m
Auchan 	Staying	\$3,463m
Metro AG 	Staying	\$3,405m
Danone 	Staying	\$3,002m
Hyundai 	Leaving	\$2,671m
Mars 	Staying	\$2,646m
Procter & Gamble 	Staying	\$2,234m
Chery Automobile 	Staying	\$2,154m

Company name	Status	Revenue in 2022
Raiffeisen 	Staying	 \$2,115m
Samsung 	Staying	 \$1,853m
Carlsberg Group 	Leaving*	 \$1,630m
KIA Motors 	Staying	 \$1,625m
Uniper SE 	Leaving	 \$1,624m
IKEA 	Leaving	 \$1,457m

* Announced leaving after 11 June 2023

Source: Kyiv School of Economics • Created with Datawrapper

Increase in revenue by company

Figures do not include those companies that have exited

Company name	Status	2021 – 2022	Difference in revenue
Japan Tobacco International 	Staying		 \$1,518M
Chery Automobile 	Staying		 \$1,290M
Haier 	Staying		 \$692M
Raiffeisen 	Staying		 \$665M
Philip Morris 	Staying		 \$613M
British American Tobacco 	Leaving		 \$562M
Geely 	Staying		 \$464M
Mars 	Staying		 \$432M
Mondelez 	Staying		 \$415M

Company name	Status	2021 – 2022	Difference in revenue
Haval Motor 	Staying		
AstraZeneca 	Staying		
Carlsberg Group 	Leaving*		
Uniper SE 	Leaving		
Burger King 	Staying		
Cargill 	Staying		
Danone 	Staying		
Auchan 	Staying		
Sany Heavy Industries 	Staying		
Gorenje 	Staying		
Syngenta AG 	Staying		

* Announced leaving after 11 June 2023

Source: Kyiv School of Economics • Created with Datawrapper

The industries still raking it in

Top 10 industries by revenue

Revenue figures do not include those companies that have exited

Industry	% staying	Revenue
Alcohol and tobacco	40	\$24,067m
Fast-moving consumer goods (FCMG)	55	\$21,425m
Automotive	58	\$19,559m
Food and beverages	64	\$18,422m
Pharma and healthcare	87	\$15,368m
Consumer goods and clothing	55	\$14,103m
Electronics	65	\$12,862m
Construction and architecture	58	\$7,154m
Agriculture	73	\$7,010m
Energy, oil and gas	68	\$5,848m

Source: Kyiv School of Economics • Created with Datawrapper

Alcohol and tobacco companies are the top, which is no surprise given the significance of companies such as Japan International Tobacco and Phillip Morris and their massive consumer base there.

The fast-moving consumer goods sector (FCMG) is worth highlighting and is the second-highest revenue-generating sector, taking over \$21 billion in revenue in Russia in 2022. This sector includes major global brands Danone (which made \$3 billion from its Russian business in 2022), Nestlé (\$?), Pepsi (\$4.7 billion) Procter and Gamble (\$2.3 billion) and Unilever (\$1.2 billion). All still operate in Russia, although they have curtailed their activities since the invasion. Nestlé did not publish its 2022 accounts for its Russian businesses, so it is not known how much they earned nor how much profit tax they paid to the Russian state.

Unilever has stopped importing and exporting some products to and from Russia, halted committing new capital and no longer advertises in the country. However, it still owns its local business which employs 3,000 people in Russia.¹ Danone is trying to find a Russian buyer for its local business but does not appear to have found one. Nestlé has curtailed some of its activities and has stopped advertising there.² Pepsi has stopped selling Pepsi, 7-up and Mirinda, but sells other products.³

1. <https://www.unilever.com/news/press-and-media/press-releases/2023/unilever-statement-on-the-war-in-ukraine>

2. <https://www.Nestlé.com/ask-Nestlé/our-company/answers/update-ukraine-russia>

3. <https://www.pepsico.com/our-stories/press-release/pepsico-suspends-production-and-sale-of-pepsi-cola-and-other-global-beverage-brands-in-russia>

More scrutiny of “essentiality” is needed

In the meantime, and as the war continues, how do these companies defend their continued sales and revenues in Russia? In their public statements on the war in Ukraine and when contacted by B4Ukraine, companies often cite the “essential” nature of the goods they supply as a justification. Clearly, there are certain medicines and foods which can be legitimately called essential for the maintenance of human life, but some companies are stretching the definition of essentiality too far when applying it to cookies, ice cream or aftershave. More recently, and in the face of sharp external criticism, companies have begun to adapt their language, citing “affordable, shelf-stable products” or “everyday food and hygiene products” in place of their previous “essentiality” reasoning.

Our contact with international businesses still engaged in Russia has also revealed that where companies cite essentiality as a reason to remain in Russia, they often don’t want to disclose which goods they consider to be essential/non-essential or the criteria by which they have decided that.

This is happening in several sectors including the food and beverage sector, which was hugely lucrative for international companies in Russia in 2022 and which has a below-average withdrawal rate with 64% of companies choosing to stay.

Take for instance the US confectionary maker Mars, one of the top taxpayers in Russia in 2022. Mars paid \$99 million in profit tax and made \$2.6 billion in revenue. In January of this year, Mars said that it had scaled back some parts of its business in Russia and would refocus “efforts in Russia on our essential role in feeding the Russian people and pets”. B4Ukraine wrote to Mars in November 2022 and again in June 2023, asking the CEO to clarify what this new strategy in Russia amounted to and which product lines specifically they were continuing and which they were halting. The company did not respond.

Mars appears to have followed a similar strategy to another sugary snacks brand: Mondelez, famous for making the iconic Oreo biscuits. Mondelez invoked essentiality as a reason for sticking with the Russian market. Mondelez’s decision to stay in Russia has caused consternation in the business community. In June, Scandinavian airline SAS – the flag carrier for Denmark, Sweden and Norway – decided to boycott Mondelez products.

While there are clearly essential goods and services, it is at present too easy for companies to invoke essentiality without scrutiny as to whether what they are providing reaches a reasonable threshold.

Conclusion

16 months after the full-scale invasion there is no excuse for companies continuing to do business in Russia. The fact that more than half of the companies monitored by KSE remain in Russia is deeply troubling and the fact that this shows no sign of changing should be a call to action for all governments and members of the business community that stand in solidarity with Ukraine.

This new data reveals that the business of staying in Russia has been extremely lucrative for several companies that have chosen to stay. All the more troubling is the extent to which these companies have been paying billions of dollars in profit tax to the Kremlin whilst Putin wages a horrific and unprovoked war on Ukraine. The fact that profit tax is just one of many tariffs companies pay to the Russian state suggests that their total financial contributions to the Kremlin is actually far greater.

Certain sectors deserve close attention and governments should focus their efforts there. Tobacco firms and companies operating in the FMCG and food and beverages sectors stick out, making billions of dollars of revenue in Russia and paying hundreds of millions in profit tax. A number of these companies defend their revenues on the basis that they are providing “essential” goods for the Russian people. Given that these firms also have product lines that clearly do not fall into this category, much more scrutiny of this defence is needed.

Governments – particularly those from G7 nations – need to pay close attention to KSE’s data as it reveals a worrying contrast between the attempts by G7 policymakers to restrict Russia’s access to the global economy and the actions of companies from those nations to continue earning and paying taxes there.

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