

Russian Legislation Update Taxation



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Tax accounting and reporting

Amendments to taxation of income of foreign entities

Regulatory framework:

Federal Law No. 376-FZ dated 24.11.2014 "On amending parts one and two of the Russian Federation Tax Code (as regards taxation of profit of controlled foreign companies and income of foreign entities)" (the "Law")

Summary:

The document amends the RF Tax Code across the following five areas:

- **Disclosures.** Under the Law, Russian taxpaying individuals and legal entities are required to disclose information on the participation in foreign corporate and non-corporate entities, and on the control over such entities, in particular:
 - Direct and/or indirect interest in foreign companies if the ownership interest is above 10%
 - Establishment of non-corporate entities and control over such entities or actual right for income earned by such entities
 - Controlled foreign companies (CFC) with respect to which the taxpayer is the controlling party

In addition, the Law obliges foreign entities (non-corporate foreign entities) that own real estate in the Russian Federation to submit information on their owners (founders, beneficiaries and management companies) together with a property tax return on an annual basis. Indirect participation (if any) of an individual or a public company should be disclosed if the participation interest in a foreign entity (non-corporate foreign entity) exceeds 5%.

- **Rules applied to CFC.** The Law introduces rules to be applied to taxation of profit of foreign companies controlled by RF tax residents ("CFC rules") according to which retained earnings of a CFC may be taxable in Russia at the level of the controlling party at the rate of 13% (if the controlling party is deemed to be an individual that is an RF tax resident) or 20% (if the controlling party is deemed to be an entity that is an RF tax resident). An RF tax resident may be deemed to be controlling a foreign corporate/non-corporate entity if it directly/indirectly owns a certain share in a foreign company or exercises (or has the possibility to exercise) a dominant influence on decisions relating to the allocation of profit of the foreign corporate/non-corporate entity.
- **Defining tax residency of legal entities.** The Law provides for the procedure for recognizing foreign companies as Russian tax residents if their place of effective management is the Russian Federation (based on criteria set by the Law). The recognition of a foreign company as a Russian tax resident will oblige it to assess profit tax on its worldwide income and to comply with other rules prescribed by the Russian tax legislation.
- **Defining the actual income recipient.** The Law introduces the notion of "a party having the actual right to income" which is used in international tax treaties, according to which

the direct income recipient, in a number of cases, may not qualify for exemption from or application of reduced rates of withholding tax in the RF.

- **Indirect sale of real estate property in the Russian Federation.** The Law sets the rate of withholding tax in the RF at 20% with respect to income of foreign companies received from indirect sale of Russian real estate property.

Comments:

For details on the amended legislation, please refer to [the analytical review](#) prepared by Deloitte specialists.

Introduction of trade duty and certain amendments to the Russian tax legislation

Regulatory framework:

Federal Law No. 382-FZ dated 29.11.2014 "On amending parts one and two of the Russian Federation Tax Code"

Summary:

Trade duty

Under the Law, the trade duty will be included in local taxes (amendments to Article 15 of the RF Tax Code). Regional authorities of Moscow, St. Petersburg and Sevastopol will have the right to introduce the trade duty starting from 1 July 2015, while in other municipal governments it will have to follow the adoption of a relevant federal law. The trade duty will be defined as follows:

- **Subject of taxation.** Taxpayers' use of movable and immovable property in the course of trading activities not less than once in a quarter
- **Taxpayers.** Legal entities and individual entrepreneurs who conduct business activities involving the use of movable and immovable property
- **Taxation period and payment deadlines.** A quarter. Payment is effected not later than the 25th day of the month following the taxation period
- **Taxable activities.** Trading via fixed retail chain outlets having no front shops (except for fixed retail chain outlets with no front shops which are petrol stations); trading via non-fixed retail chain outlets; trading via fixed retail chain outlets with front shops; trading through release of goods from the warehouse
- **Rate.** The trade duty rate is determined by municipal authorities for a quarter per the sales outlet or its area. However, the trade duty rate may not exceed the estimated amount of tax under the patent taxation system with respect to a specified activity for which a patent was issued by this municipal authority for 3 months
- **Possibility to apply for a credit for other taxes in recognition of trade duty paid.** Companies shall have the right to reduce profit tax portions payable to the RF regional budget. Individual entrepreneurs shall have the right to reduce personal income tax. Taxpayers who apply a simplified tax system and have chosen income as the basis for taxation shall have the right to reduce taxes payable to the RF regional budget

Profit tax

- **Extending the list of payroll expenses** related to termination payments (including payments under mutual consent agreements on termination of employment).
- **Extending the list of depreciable property** with respect to fixed assets that are in the process of reconstruction or modernization but are still used in income generating activities.

VAT

- **Extending the list of zero-rated taxable activities:** air cargo services provided by Russian companies if the point of origin and the point of destination are outside the RF

with a landing in the territory of the RF, provided that the place of arrival of goods in the RF is the same as the place of departure of goods

- **Resolving the issue under discussion with respect to the tax deduction application period:** Taxpayers will be able to apply for deductions only within the three-year period after the recognition of acquired goods, work or services for accounting purposes. Taxpayers will be able to apply for deductions in the tax period when goods, work or services were recognized, even if relevant VAT invoices were received in the next tax period, but not later than filing the return
- **Changes to the period for filing a tax return and effecting advance tax payments: the deadline is moved from the 20th day to the 25th day of the month**

Tax maneuver law enactment

Regulatory framework:

Federal Law No. 366-FZ dated 24.11.2014 “On amending part two of the Russian Federation Tax Code and certain legislative acts of the Russian Federation”

Summary:

Starting from 1 January 2015, tax maneuver will consist in the following:

- Phased out reduction of export duties for oil and oil products over a period of three years. Increase of the mineral extraction tax rate by 1.7 times for oil and 6,5 times for gas condensate
- 5% - 20% annual increase of excise rates for alcohol products and beer. Excise rates for tobacco products and passenger cars with engine capacity of over 90 hp will also undergo a phased out increase
- Increase of the PIT rate applied to dividends received by individuals who are RF tax residents from 9% to 13%
- Increase of the profit tax rate applicable to income received by Russian entities as dividends from Russian and foreign entities from 9% to 13% effective 1 January 2015
- Removal from the list of tax-free property of movable property recognized as fixed assets starting from 1 January 2013 as a result of reorganization or liquidation of legal entities or transfer of property
- Exemption of fixed assets included in groups 1-2 as per the Classification of fixed assets approved by the Government of the Russian Federation from property tax
- Amendments to the procedure for reversal of VAT amounts deducted with respect to fixed assets acquired or constructed, subject to their subsequent use for VAT exempt transactions
- Effective 1 January 2015, the provision stating the possibility of reversal of VAT for goods with respect to sales of goods (work, services) taxable at zero rate becomes void

Introduction of a concept of tax monitoring

Regulatory framework:

Federal Law No. 348-FZ dated 04.11.2014 "On amending part one of the Russian Federation Tax Code"

Summary:

Tax monitoring is a new form of communication with tax authorities based on trust and transparency and is aimed at eliminating the uncertainty of position on tax matters.

Possible advantages of participation in tax monitoring:

- Tax authorities shall not have the right to perform desk and field tax audits for the period of tax monitoring, except for special cases
- Tax arrears identified during tax monitoring shall not be subject to interest charges
- Possibility to agree the position on tax matters in advance (except for transfer pricing)

Possible disadvantages of participation in tax monitoring:

- Tax authorities shall have the right to request a significant amount of information related to the company's activities and owners as part of the tax monitoring process
- Potential increase of the company's expenses related to workflow with the tax authority.

Potential participants: major taxpayers (and members of a consolidated group of taxpayers effective 2016) that comply with the following requirements based on the results of their operations for the year preceding tax monitoring:

- Amount of taxes paid (VAT, excises, profit tax, PIT) - not less than RUB 300 million
- Accounting income - not less than RUB 3 billion
- Book value of assets - not less than RUB 3 billion

Tax monitoring period:

- Period subject to tax monitoring - a calendar year
- Tax monitoring time frames - from 1 January of the reporting year to 1 October of the following year

Participation: subject to the company's application to the tax authority; deadline for filing an application is not later than 1 July of the year preceding the period of proposed tax monitoring

Early termination of tax monitoring

Early termination of tax monitoring may be initiated by the tax authority in the following cases:

- Failure to comply with the information exchange procedure which hindered the tax monitoring process
- Persistent failure to submit information at the request of the tax authority (two times and more)
- Provision of unreliable data

Early termination of tax accounting may not be initiated by the taxpayer.

Amendments to part two of the Russian Federation Tax Code

Regulatory framework:

Federal Law No. 81-FZ dated 20.04.2014 "On amending part two of the Russian Federation Tax Code"

Summary:

VAT

- **Starting from 2015, data from sales and purchase ledgers should be included in a VAT return.** As such, a new form of a VAT return will be approved. Since the information on VAT invoices received and issued by the company will be available to the tax authority, companies will be no longer required to maintain a ledger for VAT invoices (except for intermediaries).
- Entities acting as commissioners or agents, and intermediaries shall have to maintain VAT invoice ledgers in 2015.

Profit tax

- **Write-off of inventories on a last-in-first-out basis is eliminated.** From now on, three methods of inventory write-off will be used in financial and tax accounting: weighted average method; cost of unit method; and the FIFO method.
- **Establishing the procedure for expensing inventories received free of charge.** In this case, expenses may be recognized in the amount recognized as income on free of charge receipt of inventories.
- **Summing differences for tax accounting purposes will be referred to as exchange differences** - the way they are referred to for accounting purposes. Settlements will be effected at the CBR exchange rate or at the rate specified in the agreement.
- Tools, fixtures, overalls shall be expensed for tax purposes over their useful lives (rather than on a one-off basis)
- Loss from the assignment of receivables may be expensed on a one-off basis.

Changes to the VAT return form

Regulatory framework:

Order of the Federal Tax Service of Russia No. MMB-7-3-558@ dated 29.10.2014 "On the approval of the VAT return form, procedure for its completion and format of VAT return submission in electronic form".

Summary:

Approving a new VAT return form, procedure for its completion and format of its submission in electronic form by telecommunication channels via an electronic document flow operator.

Starting from the tax period for the first quarter of 2015, VAT returns shall include sections containing data from purchase ledgers, sales ledgers, logs of VAT invoices received and issued.

Changes to the taxation of securities and debt liabilities

Regulatory framework:

Federal Law No. 420-FZ dated 28.12.2013 "On amending Article 27.5-3 of the Federal Law "On the securities market" and parts one and two of the Russian Federation Tax Code"

Summary:

The document introduces changes to the procedure for determining the tax base for securities transactions:

- Effective 1 January 2015, the procedure for determining the tax base for securities transactions will be changed. Gains (losses) on operations with traded securities should be recorded in the general tax base following the general procedure.
- The general tax base shall mean the tax base for profit taxable at the statutory rate (20%). In addition, such tax base shall not be subject to profit and loss accounting treatment different from the general procedure.

Also, the document introduces changes to the procedure for accounting for interest on debt liabilities.

Effective 1 January 2015, under the general rule interest on debt liabilities of any type will be recognized as income (expense) based on the actual rate. If the debt liability arose as a result of a controlled transaction, income (expense) shall be interest calculated on the basis of the actual interest rate taking into account the provisions of section V.1 of the RF Tax Code on controlled transactions. In particular, an exception to this rule is specified in clause 1.1 of Article 269 of the RF Tax Code.

Changes to the procedure for the taxation of individuals who are real estate owners

Regulatory framework:

Federal Law No. 284-FZ dated 4 October 2014 "On amending Articles 12 and 85 of part one, and part two of the Russian Federation Tax Code and recognizing the Russian Federation Law "On individual property taxes"" void (the "Law").

Summary:

Effective 1 January 2015, the RF Tax Code is supplemented with a new Chapter 32 "Individual property tax", and the RF Law "On individual property taxes" becomes void.

The new provisions of the RF Tax Code defined by the Law specify taxpayers of individual property tax, expand the list of taxable items, provide for the algorithm for tax base calculation based on the property cadastral value (with some exceptions), and establish individual property tax rates, payment procedure and possible incentives.

Payers of individual property tax are all individuals who own a title to real estate property located in the territory of the Russian Federation. The list of taxable items has been extended to include garages, parking lots, assets under construction and integral immovable complexes.

The tax base shall be calculated based on the cadastral value of the property or, if the transfer to cadastral value is not yet effected, based on the aggregate inventory value of the property as at 1 March 2013 adjusted for a deflator coefficient.

Depending on the procedure for tax base calculation pursuant to RF Tax Code new provisions, effective 1 January 2015, individual property tax rates may be established by municipal structures (cities with federal status) as zero and above, but not exceeding the standard tax rate multiplied by three, i.e.:

- 1) When calculating the tax base on the basis of the cadastral value of the property - 0,1% (for residential premises and constructions), 2% (for commercial real estate) and 0,5% (for other types of real estate property)
- 2) When calculating the tax base on the basis of the inventory value of the property - from 0,1% to 2% depending on the aggregate inventory value of the property adjusted for a deflator coefficient.

The amount of the tax calculated shall be payable not later than 1 October of the year following the expired tax period, which is a calendar year, following a tax notice sent to the taxpayer by the tax authority.

Changes to compulsory social insurance effective 1 January 2015

Regulatory framework:

Federal Law dated No. 406-FZ dated 01.12.2014 "On amending certain legislative acts of the Russian Federation relating to compulsory social insurance".

Resolution of the RF Government No.1316 dated 04.12.2014 "On the limiting value of the base for social insurance contributions to the Social Insurance Fund of the Russian Federation and the Pension Fund of the Russian Federation effective 1 January 2015".

Summary:

Law No. 406-FZ eliminates the limiting value of the base for compulsory medical insurance contributions. Effective 1 January 2015, all payments to employees will form the base for contributions to the Federal Compulsory Medical Insurance Fund.

Also, the Law extends the validity of reduced rates of insurance contributions paid to state non-budgetary funds through 2017.

In 2015, standard rates and limiting values of bases for compulsory insurance contributions are as follows:

- The RF Pension Fund - 22% of the annual compensation not exceeding RUB 711 thousand + 10% of the compensation exceeding the set limit.
- The RF Social Insurance Fund - 2,9% of the annual compensation not exceeding RUB 670 thousand
- The Federal Compulsory Medical Insurance Fund - 5,1% of the aggregate compensation

Submission deadlines have also been changed. In particular, the deadline for submitting the calculation of insurance contributions assessed and paid is not later than the 20th day of the month following the expired quarter for hard copy, and not later than the 25th day of the second calendar month following the reporting one for electronic form.

In addition, effective 1 January 2015, standards prescribing the procedure for the taxation of individuals upon receipt of termination benefits and standards prescribing the procedure for assessing insurance contributions with respect to termination payments for those paying insurance contributions. Namely, those effecting termination payments shall be released from paying insurance contributions relating to termination payments exceeding threefold average monthly salary or sixfold average monthly salary for employees dismissed from

entities located in the High North regions and equated areas, and relating to remuneration paid to CEOs, deputy CEOs and chief accountants exceeding the amount of threefold the average monthly salary.

Also, there were introduced changes to social insurance of foreign nationals employed in the RF.

Effective 1 January 2015, all foreign nationals (except for foreign specialists employed in the RF as highly qualified specialists) temporarily staying in the RF and employed under labor contracts or civil contracts shall be included in the list of persons subject to compulsory pension insurance *from the date of conclusion of such contracts irrespective of their term*. Rules in effect prior to 1 January 2015 require employers to pay compulsory contributions to the RF Pension Fund only in case foreign nationals are employed in the RF *under contracts entered into for a total period of not less than six months within a calendar year*.

Furthermore, a special rate of 1,8% for contributions to the Social Insurance Fund shall be applicable to foreign nationals. Provided that such contributions are paid for the period of not less than six months, foreign nationals shall be entitled to insurance coverage in the form of temporary disability benefits.

Changes in the taxation of private income from the sale of immovables

Regulatory framework:

Federal Law No. 382-FZ dated 29.11.2014 "On amending Parts I and II of the Russian Federation Tax Code"

Summary:

Federal Law No. 382-FZ entered into force as of 1 January 2015 and increased the minimum fixed ownership period for immovable property from three to five years. After five years of ownership, the income that the individual owner who is a tax resident of Russia gains from selling such property will be exempt from private income taxation in full.

New rules will not apply if the sold immovable property had been received as gift, inherited, privatized or had become property of the owner pursuant to the agreement of lifelong inhabitation with a dependant. The minimum fixed ownership period for such immovables will still amount to three years.

The law also stipulates certain limitations of tax deductions applied to the sale of immovable property that is non-residential and has been owned by the taxpayer for a shorter time than the minimum fixed ownership period. The amount of tax deduction for such immovables is reduced from 1 mln rubles to 250,000 rubles.

The changes introduced by Federal Law No. 382-FZ will also involve the procedure of determining the PIT tax base on the sale of immovables worth less than their cadastral value multiplied by 0.7 downward coefficient.

The new law also allows the governments of the constituent entities of the Russian Federation to reduce the minimum fixed ownership period for immovable property and the downward coefficient down to zero.

Comments:

These new rules will become effective as of 1 January 2016 and will apply to the immovable property the right of ownership to which will be obtained after 1 January 2016.

New rules of claiming social tax deductions for voluntary life insurance coverage

Regulatory framework:

Federal Law No. 382-FZ "On amending Part I and Part II of the Tax code of the Russian Federation" of 29 November 2014.

Summary:

Federal Law No. 382-FZ introduces regulations that allow individuals who are tax residents of the Russian Federation to claim social tax deductions in the amount of premiums paid under voluntary life insurance contracts.

- **Procedure of claiming tax deductions.** Social tax deductions may be claimed either through filing a tax return or through the payroll. Maximum social tax deduction (for all types of actual expenses except for expenses incurred by the taxpayer and related to their children's education) that may decrease an individual's taxable income within one tax period (one calendar year) amounts to 120,000 rubles.
- **Conditions of tax deduction.** The voluntary life insurance contract duration must be at least five years. If the contract is terminated, the insurer must withhold the PIT on the premiums paid for each calendar year when the taxpayer was entitled to social income tax deduction from the paid income. This liability will not arise if the taxpayer provides the insurer with a confirmation issued by tax authorities that they never received such tax deduction before.

Comments:

The provisions of Federal Law No. 382-FZ "On amending Part I and Part II of the Tax code of the Russian Federation" become effective as of 1 January 2015.

New employment procedures for foreigners who are entitled to visa-free access to the Russian Federation and taxation on income from such employment

Regulatory framework:

Federal Law No. 357-FZ "On amending Federal Law 'On the legal status of foreign citizens in the Russian Federation'" of 24 November 2014 (hereinafter Federal Law No. 357-FZ).

Federal Law No. 368-FZ "On Amendments to Articles 226 and 227-1 of Part II of the Tax Code of the Russian Federation" (hereinafter Federal Law No. 368-FZ).

Summary:

On 25 November 2014 two federal laws were officially published that amend employment procedures for foreign citizens who are entitled to visa-free access to the Russian Federation (hereinafter citizens of visa-free countries) and taxation on income from such employment.

- **Essential changes.** As of 1 January 2015, the citizens of visa-free countries are entitled to working in Russia on the basis of a patent. Prior to 1 January 2015 foreign citizens were allowed to be employed by organizations or individual entrepreneurs only on the basis of a work permit (unless otherwise stipulated by international agreements).

The new procedure introduces shorter terms for the patent issue, but at the same time, the Government of the Russian Federation and regional migration authorities may suspend the issue of patents for an infinite term. Provisions for certain types of economic activities stipulate that the head of the constituent region of the Russian Federation (such as governor, head of a republic or mayor of a constituent city) may impose a moratorium on attracting foreign citizens depending on the situation on the labor market.

- **Highly qualified specialists.** Federal Law No. 357-FZ includes no amendments to or limitations of the issue of work permits to highly qualified specialists. However, it remains unclear whether the citizens of visa-free countries will be able to obtain such work permits after 1 January 2015. The new procedure specifies transition rules for the citizens who obtained their work permit before 1 January 2015, including highly qualified specialists. Their work permit will serve as proof of their right for temporary employment in the Russian Federation.
- **Penalties.** Penalties for the employment of foreign citizens in the Russian Federation without a patent are similar to penalties for the employment of foreign citizens without a work permit. Administrative liability is introduced for non-compliance with the stipulated time period for the patent application process, with fines amounting to 10,000 – 15,000 rubles.
- **Changes in tax legislation.** As of 1 January 2015, the citizens of visa-free countries working in the Russian Federation on the basis of a patent will be required to pay the personal income tax in the form of a fixed advance payment ("the FAP") for the period of the patent's duration at the place of employment (1,200 rubles per month, without consideration of indexation and regional coefficient).

The employer (customer) who acts as a tax agent may decrease the amount of PIT subject to withholding at the source of payment by the amount of the remitted FAP.

Federal Law No. 368-FZ does not specify whether the taxpayer will be able to offset the remitted FAP amount through filing a tax return. However, if the FAP amount is less than the actual PIT amount due to be paid, this difference cannot be returned or offset against future tax liabilities.

Comments

New regulations contain a number of controversies and uncertainties that do not allow us to make definite conclusions with regard to their application. We expect that these issues will either be clarified by the responsible authorities or defined more precisely in new laws regulating the employment of the foreign citizens in Russia.

Clarification of the remittance of PIT on advance payments and salary payments in the middle of the month

Regulatory framework:

Letter from the Ministry of Finance of Russia No. 03-04-06/46268 dated 16 September 2014, Letters from the Federal Tax Service of Russia No. BS-4-11/14507@ dated 25 July 2014, No. BS-4-11/19714@ dated 29 September 2014 and No. BS-4-11/19716 dated 29 September 2014.

Summary:

According to Clause 2 of Article 223 of the Tax Code of the Russian Federation, the date of the actual receipt of the remuneration income is the last day of the month for which the

remuneration is paid. The Ministry of Finance specifies in its letters that the remuneration income cannot be deemed received by the taxpayer before the end of the month. There is consequently no reason for the assessment of PIT withholdable and payable to the budget. The amounts remitted by the tax agent as advance payments, i.e. prior to the date of the actual receipt of the remuneration income by the taxpayer, are not deemed as tax and are considered to be paid from the tax agent's own funds.

Comments:

To avoid disputes with tax authorities, we recommend that you should pay attention to the dates of remuneration and advance payments and remit PIT on the remunerations to the state budget after the end of the month for which the payments are made, i. e. on the day when remunerations are paid to employees.

Changes in the taxation of individuals' income in the form of interest on ruble deposits in Russian banks

Regulatory framework:

Federal Law No. 462-FZ "On amending Articles 46 and 74.1 of Part I and Article 217 of Part II of the Civil Code of the Russian Federation" of 29 December 2014 (hereinafter the Law).

Summary:

The Law introduces changes to the calculation of the maximum amount of income in the form of interest on ruble deposits in Russian banks that is not subject to personal income tax. These changes will remain in effect from 15 December 2014 to 31 December 2015.

The Law stipulates that in order to define the maximum amount of income in the form of interest on ruble deposits in banks located in Russia that is not subject to PIT, the following is considered:

- the amount of interest received by the individual which is calculated on the basis of the effective refinancing rate of Russian Central Bank (as at 16 January, it amounted to 8.25%),
- *increased by 10 percentage points.*

Before the Law came into effect, the amount of interest calculated on the basis of the Russian Central Bank refinancing rate was increased by 5 percentage points.

Thus, if the interest rate on the deposit is higher than 18.25%, the difference between the amount of interest the taxpayer receives pursuant to the deposit agreement and the amount of interest calculated on the basis of this rate will constitute the individual's income, which is taxable at the rate of 35%.

Law on tax preferences for residents of the territories of priority social and economic development (TPSED) passed by the State Duma

Regulatory framework:

Federal Law No. 380-FZ "On amending Part II of the Tax Code of the Russian Federation due to the new Federal Law 'On territories of priority social and economic development in the Russian Federation'" of 29 November 2014.

Summary:

TPSED is a new special status granted to certain territories in order to attract investments. It was designed for the least attractive Russian regions in terms of investment, such as the Russian Far East and monotowns. TPSED objects are meant to be organized in a similar way to Special Economic Zones: a 100% government owned managing company of the TPSED enters into agreements with individuals pretending to receive the status of a TPSED resident. The agreements stipulate the size of capital investments that TPSED residents must make and other conditions of their TPSED residence.

The following tax preferences are provided to TPSED residents:

- **Income tax.** During the first 5 tax periods starting from the tax period when the first profit from business activities under the TPSED agreement is gained, the federal income tax rate will be 0% and the regional income tax rate will not exceed 5%. During the subsequent 5 tax periods income tax rates will amount to 2% and at least 10%, respectively.

- **VAT.** Declarative application for VAT reimbursement secured by the guarantee of the managing company without a bank guarantee.
- **Mineral extraction tax.** Downward coefficients that characterize the mineral extraction territory (Clause 5 of Article 342.3 of the Tax Code of Russia) depending on the tax period will apply to TPSED residents.

Comments:

The town administration of Nizhny Tagil is now preparing documents to apply for the TPSED status.

Other monotowns in Sverdlovsk Oblast (Krasnoturyinsk, Novouralsk, Kamensk-Uralsky, Pervouralsk) may also pretend to obtaining TPSED status. Nadezhdinsky Industry Park in Primorsky Krai is planning to obtain the TPSED status. TPSED objects can appear in other regions of the Russian Far East, such as 'Zarechye' in the Sakha (Yakutia) Republic, 'Khabarovsk' and 'Komsomolsk' in Khabarovsk Krai, 'Kamchatka' in Kamchatka Krai.

Besides, TPSED status can be granted to the Russian part of Bolshoi Ussuriysky Island and all Kuril Islands.

Law "On the ratification of the Convention on Mutual Administrative Assistance in Tax Matters" signed by the president as amended by the Protocol of 27 May 2010

Regulatory framework:

Law "On the ratification of the Convention on Mutual Administrative Assistance in Tax Matters" as amended by the Protocol of 27 May 2010.

Summary:

The Convention was developed by the European Union and the Organization for Economic Co-operation and Development (OECD). Russia signed it on 3 November 2011.

- **Purpose of the Convention.** Cooperation and coordination of efforts between the signatory states in combating taxation avoidance and tax evasion on an international level.
- **Forms of administrative assistance.** Information exchange, simultaneous tax audits, the opportunity of tax officials' participation in tax audits of a foreign country, tax payables collection and injunctive relief.
- **Result.** Federal Tax Service of the Russian Federation will receive access to tax information and administrative assistance of the tax authorities in Convention countries. Previously information exchange with some of these countries was impossible due to the lack of double tax treaties (including offshore jurisdictions, such as Belize, Bermuda, the Virgin Islands, the Cayman Islands, the Isle of Man, Gibraltar, the Bailiwick of Jersey, the Bailiwick of Guernsey ect.).
- **Periods of access to information.** Federal Tax Service of the Russian Federation will have access to the tax information of all tax periods starting from 1 January 2016 and from 1 January 2012 in case of criminal prosecution of the taxpayer.

Comments:

The Convention will become effective as of the first day of the month that will follow a three-month period after the ratification document is submitted to a depositary (no earlier than March 2015).

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