

# Brief summary of taxation, statistical and ecological reporting for representative offices and branches of foreign legal entities for 2017<sup>1</sup>

Tax	Tax Base	Rate	Deadline <sup>2</sup> for tax payment	Filing obligations	Filing deadline
<b>Annual activity report (submitted with an explanatory note to profit tax declaration)<sup>3</sup></b>				Annually	No later than 28 March of the year following the reporting year.
<b>Profit tax</b>	Actual profit for the quarter on a cumulative basis.	20 per cent including: 3 p.p. — federal budget; 17 p.o. <sup>4</sup> — regional budget.	For quarterly payments: no later than the 28th day of the month following the reporting quarter.	Interim quarterly tax return	<b>Quarterly declarations</b> — no later than the 28 <sup>th</sup> day of the month, following the reporting quarter.
	Dividend income received by foreign legal entities from Russian legal entities.	15 per cent <sup>5</sup>	For the final tax payment for the year: no later than 28 March of the year following the reporting year.	Annual tax return	<b>Annual declaration</b> — no later than 28 March of the year, following the reporting year

<sup>1</sup> Please note that we summarised the most common statutory, taxation, statistical and ecological reporting for RLE not taking into account special taxation regimes and special types of activities (financial institutions, insurance companies, organizations engaged in mining, agriculture etc).

<sup>2</sup> If the statutory deadline falls on a non-working day (weekend or public holiday), it is transferred to the first working day following the due date.

<sup>3</sup> An explanatory note is recommended by the Moscow tax authorities, it should contain the detailed information on an FLE's activity in Russia. The tax authorities of other regions can have similar requirements, which needs to be clarified on a case-by-case basis.

<sup>4</sup> The regional rates can be reduced by a decision of the regional authorities, but not by more than 4.5 p.p.

<sup>5</sup> Please note that these rates can be reduced according to the relevant double tax treaty.

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<b>Withholding tax on Russian-sourced income payable to a FLE (Foreign Legal Entity)<sup>6</sup></b>	Income that is not related to the permanent establishment of this FLE in Russia, including (but not limited to): <ul style="list-style-type: none"> <li>• Dividends</li> <li>• Interest on loans</li> <li>• Royalties</li> <li>• Rental income</li> <li>• Leasing and freight operations</li> <li>• Income from international shipments</li> </ul>	20 per cent — general rate 15 per cent — on dividends 10 per cent <sup>7</sup> — on income paid from rent, leasing, freight of ships, aircraft, trailers, and other transportation equipment, used in international shipments.	Tax should be withheld and paid within one day following payment of income to the FLE.  For dividends, tax must be paid within one day.	Quarterly reports The procedure is the same as for the profit tax.	<b>Quarterly</b> — no later than the 28 <sup>th</sup> day of the month, following the reporting quarter  <b>Report for the 4th quarter</b> — no later than 28 March of the year, following the reporting year
<b>VAT<sup>8</sup></b>	Value of goods (works, services) sold in Russia, transfer of goods (works, services) for own needs, installation and construction works for own use. VAT <sup>9</sup> , payable to the tax authorities, is determined as the difference between the VAT charged to customers (output VAT) and the VAT paid to suppliers of goods (works or services) and customs (input VAT), provided that certain criteria are met.	18 per cent — standard rate 10 per cent — for certain foodstuffs, goods for children, medicines, books and periodical literature. 0 per cent — exports, international passenger transportation and some other operations. Some types of activities are VAT- exempt (medical, educational and cultural services).	One third of the tax amount payable is due no later than the 25 <sup>th</sup> day of each month of the quarter, following the reporting quarter.	Quarterly tax returns VAT returns must be submitted to tax authorities electronically.	<b>Quarterly</b> — no later than the 25 <sup>th</sup> day of the month, following the reporting quarter.
	For imported goods, the taxable base is determined as their customs value, plus import duties and excises, where applicable.	10 per cent — for certain foodstuffs, goods for children, medicines, books and periodicals.	VAT for import operations is paid to the customs authorities during the clearance process. Later this	No special obligation	

<sup>6</sup> To be withheld by the tax agent from the amount of income due to a FLE. Please note, that the reports should be submitted to the tax authorities even if the income paid is not subject to taxation.

<sup>7</sup> Please note that these rates can be reduced according to the relevant double tax treaty.

<sup>8</sup> Companies are entitled to an exemption from VAT if the amount of net sales revenues for three successive months is no more than RUB 2,000,000. To obtain the exemption, confirmation documents to the tax authorities no later than the 20th of the month, when the exemption is applied for 12 months consecutively.

<sup>9</sup> Taxpayers must maintain separate accounting records for expenses, and consequently for input VAT, related to activities taxable by VAT and VAT exempted . Failure to do so may mean that any input VAT will not be allowed for offset.

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<b>Tax</b>	<b>Tax Base</b>	<b>Rate</b>	<b>Payment deadline</b>	<b>Filing obligations</b>	<b>Filing deadline</b>
		18 per cent — standard rate,	input VAT is off-set against output VAT.		
<b>Withholding VAT tax on revenue payable to a FLE<sup>10</sup></b>	Income paid to a FLE, not registered as a taxpayer in Russia, for services provided in Russia.	18 per cent — standard rate 10 per cent	VAT withheld is due to the budget on the day of income payment to FLE.	Withheld VAT is disclosed in a separate section of the ordinary VAT return.	<b>Quarterly</b> — no later than the 25 <sup>th</sup> day of the month following the reporting quarter.
<b>Property tax</b>	For foreign entities performing their activities in Russia through a permanent establishment — the average annual net book value of fixed assets which are subject to property tax <sup>11</sup> ; for other entities — the value of immovable property determined by special state authorities	Rates are established by the regional authorities <sup>12</sup> .  Moscow — 2.2 per cent	Payment deadlines are established by the regional authorities.	The annual tax return. Quarterly reports are regulated by the regional authorities.	<b>Quarterly</b> — no later than the 30 <sup>th</sup> day of the month following the reporting quarter. <b>Annually</b> — no later than 30 March of the year following the reporting year.
	For particular objects of real estate, the tax base is determined as the cadastral value as of 1 January for the tax period. From 1 January 2016, advance tax payments with regard to real estate which tax base is determined as the cadastral value is calculated for each quarter separately	For fixed assets based on cadastral value: Moscow and other regions - 2 per cent	Moscow: <b>Quarterly</b> — no later than the 30 <sup>th</sup> day of the month following the reporting quarter <b>Annually</b> — no later than 30 March of the year following the reporting year.	Moscow: Interim (quarterly) and final (annual) tax returns.	
<b>Transportation tax</b>	Engine horsepower of vehicle	Rates are established by regional authorities.  Moscow: Rates vary from RUB 7 to RUB 2,000, depending on the type of vehicle and its engine power.	Deadlines for payments are established by regional authorities.  Moscow: Once a year, no later than 5 February of the year, following the reporting year.	Annual tax return.  Moscow: Annual tax return.	<b>Annually</b> — no later than 1 February of the year following the reporting year.

<sup>10</sup> To be withheld by the tax agent from income due to an FLE.

<sup>11</sup> According to the recent amendments to the Russian Tax Code, the movable property put on the books after 2013 will not be subject to property tax.

<sup>12</sup> The tax rate cannot exceed 2.2 per cent. The regional authorities can also establish varied tax rates in accordance with the categories of taxpayers and property.

**Brief summary of taxation, statistical and ecological reporting for foreign legal entities for 2017**

<b>Tax</b>	<b>Tax Base</b>	<b>Rate</b>	<b>Payment deadline</b>	<b>Filing obligations</b>	<b>Filing deadline</b>
<b>Land tax</b>	The cadastral value of a plot of land determined in compliance with the Russian land legislation, as of 1 January for the tax period (year).	Rates are established by local authorities (regional laws for the cities of Moscow and St. Petersburg) <sup>13</sup> .	Deadlines for payments are established by local authorities.	Annual tax return.	<b>Annually</b> — no later than 1 February of the year following the reporting year.
		Moscow: Rates vary from 0.025 per cent to 1.5 per cent, depending on the category of the plot of land.	Moscow: <b>Quarterly</b> — no later than the last day of the month following the reporting quarter. <b>Annually</b> — no later than 1 February of the year following the reporting year.	Moscow: Annual tax return.	
<b>Sales duty (effective in Moscow from 1 July 2015)</b>	Number of sales outlets / sales area.	Rates are established by the local authorities (regional laws for the cities of Moscow and St. Petersburg).  Moscow: Rates vary from RUB 21,000 to RUB 81,000 per quarter per outlet, when the tax base is the number of outlets, and from RUB 50 to RUB 1,200 per quarter per square meter when the tax base is the sales area.	Not later than the 25 <sup>th</sup> day of the month following the tax period (quarter).	Registration and de-registration of sales-tax payers is done based on a notification provided by company/sole proprietor.  Sales-tax payers must notify the tax authorities of any change in the number of outlets/sales area will result in change of tax amount.	Within five business days starting from the date when the taxable sales point is created.  Within five business days starting from the date of respective change.

<sup>13</sup> Tax rate cannot exceed 0.3 - 1.5 per cent depending on the category of a land plot. The local authorities, Moscow and St. Petersburg laws can also establish varied tax rates.

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<b>Tax</b>	<b>Tax Base</b>	<b>Rate</b>	<b>Payment deadline</b>	<b>Filing obligations</b>	<b>Filing deadline</b>
<b>Personal income tax (PIT)<sup>14</sup></b>	FLEs acting as tax agents are obliged to withhold PIT and pay it to the budget, based on salaries and benefits in kind paid or provided to employees and other individuals.	13 per cent — for tax residents <sup>15</sup> and highly qualified specialists <sup>16</sup> 35 per cent — for bonuses, insurance, receipts and interest with certain conditions 13 per cent — for dividends, received by tax residents from Russian or foreign corporations 30 per cent — for non-residents 15 per cent — for dividends, received by non-residents from Russian corporations	On a monthly basis, no later than the day following the day of salary payment. For sick leaves and vacations payments - no later than the end of the month.	Annual report with information of income and PIT of individuals received from FLE (2-NDFL form) <sup>17</sup>  Quarterly report with calculation of PIT (6-NDFL)	Electronic 2-NDFL forms must be filed no later than 1 April of the year, following the reporting year.  <b>Quarterly (1,2,3)</b> – no later than the last day of the month following the reporting quarter <b>Annually (for 4<sup>th</sup> quarter)</b> – no later than 1 <sup>st</sup> April of the year following the reporting year.
<b>Personal information of employees (full name, taxpayer's ID (INN), social security number (SNILS))</b>				Monthly report to the Pension Fund (from 1 April 2016)	<b>Monthly report</b> – no later than the 15 day of the month following the reporting month
<b>Report</b>				<b>Filing obligations</b>	<b>Filing deadline</b>
<b>Information about Average Number of Employees</b>				Annual report to the tax authorities	<b>Annual report</b> – no later than 20 January of the year, following the reporting year
<b>Confirmation of the main type of company's activity</b>				Annually report to the Social Security Fund.	<b>Annually</b> – no later than 15 April of the year, following the reporting year.

<sup>14</sup> Please note that for the purposes of this calendar, we do not provide information on legislative requirements for individuals submitting PIT declarations (3-NDFL) and paying the tax individually.

<sup>15</sup> Individuals (both Russian and foreign), who spend more than 183 days in Russia during a 12-month rolling period (not interrupted by academic or medical leaves of up to six months).

<sup>16</sup> Highly qualified specialists are eligible for the 13 per cent personal income tax rate (i.e. the rate applicable to tax residents) on income received from Russian employment even before qualifying as a Russian tax resident. Please note that according to the official clarifications, the Ministry of Finance qualifies the concept of income from the employment duties of a highly qualified specialist, covering only the salary, bonuses, and business trip payments.

<sup>17</sup> If the employer provides any benefits in kind to the employees and cannot withhold and pay the applicable amount of tax, information regarding the benefits in kind received by the employees should be provided to the tax authorities. In such cases, the taxpayer files his reports twice: no later than 1 March and no later than 1 April of the year following the reporting year.

**Brief summary of taxation, statistical and ecological reporting for foreign legal entities for 2017**

<b>Tax / Contribution</b>	<b>Tax Base</b>	<b>Rate</b>	<b>Payment deadline</b>	<b>Filing obligations</b>	<b>Filing deadline</b>
<b>Pension insurance contributions<sup>18</sup></b>	Payroll (salary, bonuses and other employee benefits). Pension insurance contributions are calculated for insured persons registered with the Pension Fund. In 2017 the tax base is capped at RUB 876,000 <sup>19</sup> .	22 per cent for the tax base capped at RUB 876,000, and 10 per cent of any amount exceeding.	Compulsory monthly payments must be paid no later than the 15 <sup>th</sup> day of the month, following the month when contributions are accrued by the employer.	Quarterly reports on pension insurance contributions, on medical insurance contributions, on social security contributions in case of temporary disability or due to maternity leave must be submitted to the tax authorities.	<b>Quarterly</b> — no later than the 30 <sup>th</sup> day of the month following the reporting quarter.
<b>Medical insurance contributions<sup>18</sup></b>	Payroll (salary, bonuses and other employee benefits).	5,1 per cent	Same as for Pension insurance contributions.	Quarterly reports on pension insurance contributions, on medical insurance contributions, on social security contributions in case of temporary disability or due to maternity leave must be submitted to the tax authorities.	<b>Quarterly</b> — no later than the 30 <sup>th</sup> day of the month following the reporting quarter.
<b>Social security contributions<sup>18</sup></b>	For 2017 the tax base is capped at RUB 755, 000 <sup>20</sup> .	2.9 per cent	Same as for Pension insurance contributions.	Quarterly reports on pension insurance contributions, on medical insurance contributions, on social security contributions in case of temporary disability or due to maternity leave must be submitted to the tax authorities.	<b>Quarterly</b> — no later than the 30 <sup>th</sup> day of the month following the reporting quarter.
<b>Accident insurance contributions<sup>21</sup></b>	Payroll and other payments to employees with certain exceptions (statutory welfare benefits, business-related expenses, etc).	Rates vary from 0.2 per cent to 8.5 per cent and are assigned on an annual basis by SSF depending on the type of RLE activity in Russia.	Monthly, depending on salary dates, but no later than the 15 <sup>th</sup> day of the following month.	Quarterly reports to the Social Security Fund.	<b>Quarterly</b> — no later than the 20 <sup>th</sup> day (for reports in hard copy) and the 25 <sup>th</sup> day (for electronic reports) of the month following the reporting quarter.

<sup>18</sup> Insurance contributions are not payable in respect of foreign nationals temporarily staying in Russia if they hold the status of a highly qualified employee (except for accident insurance contributions to the Social Insurance Fund that are accrued for all employees).

<sup>19</sup> The cap is adjusted by the Government on an annual basis.

<sup>20</sup> The cap is adjusted by the Government on an annual basis.

<sup>21</sup> Companies should confirm the rate with the Social Security Fund for each year no later than 15 April of the current year.

## Transfer pricing regulations

Documents to be submitted to tax authorities	Criteria for controlled transactions	Filing deadline
<b>Notification on controlled transactions<sup>22</sup></b>	<ol style="list-style-type: none"> <li>1. For transactions between interdependent entities that are residents of the Russian Federation:                             <ol style="list-style-type: none"> <li>a. The volume of transactions (including those performed through a chain of intermediaries) exceeded RUB 1 billion.</li> <li>b. The volume of transactions exceeded RUB 60 million in a calendar year, and:                                     <ol style="list-style-type: none"> <li>i. It involves operations with mineral resources subject to payment of the ad valorem part of the mineral extraction tax (MET), and one of the parties is an ad valorem MET tax payer, or</li> <li>ii. One of the parties does not pay the profit tax or pays it at a 0 per cent rate (Skolkovo resident), or</li> <li>iii. One of the parties is a member of the regional investment project which pays the corporate income tax at a 0 per cent rate to the federal budget and (or) at a reduced tax rate to the regional budget, or</li> <li>iv. One of the parties is a member of a regional investment project or a participant of a free economic zone, therefore entitled to the corporate income tax benefits, while (the) other party(-ies) to the transaction is not a resident of this special economic zone / participant of a free economic zone (the Crimean economic zone project), or</li> <li>v. One of the parties is a license-holder or an operator on a new offshore hydrocarbon deposit, with a special accounting regime for income (expenses) for the corporate income tax purposes, while the other party is not a license holder or an operator of a new offshore hydrocarbon deposit, or it is a license holder or an operator of a new offshore hydrocarbon deposit, but it does not record the income (expenses) from such transaction for corporate income tax purposes according to a special procedure, set forth in the law</li> </ol> </li> <li>c. The volume of transactions exceeded RUB 100 million in a calendar year and one of the parties pays the unified tax on imputed income or the unified agricultural tax.</li> </ol> </li> <li>2. For transactions with foreign organisations:                             <ol style="list-style-type: none"> <li>a. Transactions with interdependent entities (including through a chain of intermediaries).</li> <li>b. Transactions with a counterparty registered/domiciled/ having tax residency in an offshore zone, if the transaction amount exceeds RUB 60 million.</li> <li>c. Foreign trade transaction in oil and oil products, ferrous and non-ferrous metals, mineral fertilisers, precious metals and jewellery), if the transaction amount exceeds RUB 60 million.</li> </ol> </li> </ol>	No later than the 20 May, following the calendar year when the controlled transactions were conducted.

<sup>22</sup> Please find the detailed information for notifications on controlled transactions in Article 105.16 of the Tax Code

## Non-tax fees and reporting

Report	Filing obligations	Filing deadline
<b>Ecological levy</b> <sup>23</sup>	Special reporting forms for different pollution types: atmospheric pollution, water pollution, waste disposal, noise and others. The levy has graduated rates (depending on the type of pollution).	<b>Annually</b> — reporting no later than 10 March and payment no later than 1 March, following the reporting year.
<b>Environmental duty</b>	Special reporting forms for recyclable goods/packageg.  The duty has graduated rates (depending on the type of goods or their packaging) <sup>24</sup> .	<b>Annually</b> — Calculation form of the amount of the environmental fee and payment no later than 15 April, following the reporting year <b>Annually</b> — Declaration of goods and packaging no later than 01 April of the year, following the reporting year <b>Annually</b> — Report on the implementation of standards of waste disposal from use of the goods subject to disposal after loss of consumer properties no later than 1 April of the year, following the reporting year
<b>Statistical reporting</b> <sup>25</sup>	Form P-4: <b>Monthly</b> — for entities with more than 15 employees <b>Quarterly</b> — for entities with less than 15 employees	<b>Monthly</b> — no later than the 15 <sup>th</sup> day of the month, following the reporting month <b>Quarterly</b> — no later than 15 <sup>th</sup> day of the month, following the reporting quarter
<b>The structure of reporting package depends on the type of activity and size of a company</b> <sup>26</sup>	Form 1-Enterprise: Annually for all entities (except small-scale businesses, banks, insurance and financial organizations)	<b>Annually</b> – no later than 1 April of the year, following the reporting year
	Form 1-VES for entities with foreign participationI	<b>Annually</b> — no later than 24 March of the year, following the reporting year
	Form 1-T	<b>Annually</b> — no later than 20 January of the year, following the reporting year
	Form P-1 for entities with more than 15 employees	<b>Monthly</b> — no later than the 4 <sup>th</sup> day of the month, following the reporting month
	Form P-3: monthly and quarterly — for entities with more than 15employees;	<b>Monthly</b> — no later than 28 <sup>th</sup> day of the month, following the reporting month <b>Quarterly</b> — no later than 30 <sup>th</sup> day of the month, following the reporting quarter
	Form P-6 for entities receiving/making foreign investments	<b>Quarterly</b> — no later than 20 <sup>th</sup> day of the month, following the reporting quarter
	Form 1-DA for for an entity working in the service sector	<b>Quarterly</b> — by the 15 <sup>th</sup> day of the second month after the reporting quarter

If you have any questions, please contact Deloitte professionals in the Business Process Solutions group at our Moscow office on +7 (495) 787 06 00.

<sup>23</sup> The Ecological levy is not considered as a tax payment and is regulated by the State Body Rostekhnadzor. The appropriateness and procedures for reporting and payment should be negotiated with this body.

<sup>24</sup> If the goods or their packaging are no longer usable, they must be recycled, or the manufacturer or importer must pay an environmental duty. Exported goods/goods not intended for domestic use in Russia are not subject to the environmental duty.

<sup>25</sup> Please note that these reports do not provide for any taxes and levies to be paid, but only disclose overall accounting figures with regards to the various activities of an entity. Please enquire about the full list of reports with the local statistics office.

<sup>26</sup> The current list includes only the main statistical forms that should be filed. In addition to these, there are other forms specifically assigned to each type of activity or property of an RLE.



## **Rules for electronically supplied services, effective from 1 January 2017.**

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### **VAT accounting and compliance.**

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The law applies to foreign providers of electronically supplied services ("ESS" or "e-services") and foreign intermediaries involved in supplying e-services.

These entities are required to apply for Russian tax registration, assess and pay VAT by on the e-services provided to private customers.

The first reporting period is the first quarter of 2017, i.e. 1 January 2017 – 31 March 2017. The VAT return for 1Q2017 should be submitted, and VAT paid, by 25 April 2017. The form of the VAT return was approved and officially published.

It also contains the requirement to keep a register of operations to confirm that the place of supply of services is Russia. The register of operations is not submitted to the tax authorities alongside with the VAT return; it should be provided if requested by the tax authorities during a tax audit. The format of the register has not been finalized yet.

#### **Keep transaction registers**

- Create a table listing transactions deemed to be supplied in Russia for each calendar quarter
- Indicate if conditions are met for recognising Russia as the place of supply of services to private customers
- Indicate service fees in RUB (fees received in foreign currency to be converted into RUB)
- To be submitted only if requested by the tax authorities
- No requirements to keep other VAT registers/books and issue VAT invoices for ESS

#### **Determine tax point**

- The last day of the quarter in which the payment is received
- Foreign currency payments to be converted into RUB at the Central Bank of Russia's exchange rate effective on the last day of the quarter

#### **Calculate VAT liability**

- Multiply VAT-inclusive service fees in RUB by the 15.25 per cent VAT rate (no reduced rates envisaged)

#### **Prepare your VAT return and file it with tax authorities**

- Special ESS VAT return form
- Submit on a quarterly basis by the 25th day of the month following the reporting quarter
- No Russian input credit or refund

#### **Pay VAT liability**

- Pay in RUB by the 25th day of the month following the reporting quarter
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**Brief summary of taxation, statistical and ecological reporting for foreign legal entities for 2017**

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