



Research & Development and Government Incentives April-May News

18 May 2017

Regions continue to amend laws governing the applicability of tax incentives

A draft law introducing a property tax incentive for oil producers has passed the first reading in [Republic of Bashkortostan](#). The incentive applies to the assets used to extract and transport crude hydrocarbons. To qualify for the new incentive, entities must meet a number of criteria, e.g. to invest at least RUB 1 billion annually starting from 1 January 2017.

[Tumen Region](#) has developed a draft law lowering the single tax rate from 6 to 1 percent for IT companies that use simplified taxation treatment and have elected to be taxed on the basis of their income. To be entitled to this benefit, taxpayers will have to comply with certain criteria such as valid state accreditation etc.

[Vladimir Region](#) is further lowering the effective corporate profits tax rate by 1 percent for investors implementing qualifying investment projects (category 2 and 3) due to tax distribution changes between the federal and regional budgets. Lower tax rate will apply until 2020.

[Vologda Region](#) is lowering corporate profits tax rates for entities engaged in certain types of priority investment projects. The new rates will be effective from 1 January 2018.

[Republic of Mordovia](#) has introduced an exemption from property tax for entities primarily involved in cement production. To qualify for the benefit, taxpayers will have

to meet a number of criteria, including minimum production capacity levels. The exemption will be effective to and including 31 December 2021.

[Tomsk Region](#) has expanded the list of requirements for investors seeking governmental support in the form of tax incentives, to include a new condition. Apart from ensuring compliance of their investment projects with the region's social and economic priorities, investors will now have to put efforts to increase taxable income, create new jobs, and register with the relevant local tax authority to obtain a status of a regional taxpayer.

15 May 2017

Federal subsidies

The government has approved the [federal subsidy rules](#) for Russian entities that will compensate a portion of their costs incurred in the transportation of high-tech products included on the list approved by the Ministry of Industry and Trade. Subsidies will apply to the entities that incurred transportation costs not earlier than 1 October of the year preceding their current financial year. In addition, there are new requirements with respect to the type of transport used for the conveyance of the said products. Governmental support is granted upon signing a subsidy agreement.

Russian government has approved the [rules](#) regulating the procedure for granting federal subsidies to manufacturers of equipment for the food and processing industries to compensate their costs incurred in manufacturing and selling the said equipment. To qualify for a subsidy, manufacturers must meet certain criteria, e.g. provide at least a 15-percent discount to customers. The subsidy will amount to 15 percent of the equipment price (net of VAT) but may not exceed RUB 150 million (as of 2017). This incentive is granted after signing a subsidy agreement.

10 May 2017

Regional legislation governing special investment contracts and regional investment projects amended

[Vladimir Region](#) has lowered corporate profits tax rates for investors implementing special investment contracts (SPICs) and regional investment projects (RIPs). Entities implementing regional investment projects may enjoy lower rates for a maximum of five years. Those engaged in SPICs are entitled to apply the incentive starting from their first profitable year and until the contract expires, but not later than 2025. This law extends to legal relations that arose on or after 1 January 2017.

[Tula Region](#) has lowered corporate profits tax rates and property tax rates for entities implementing SPICs. Where the investor is liquidated or the investment contract is terminated before its expiry date, the tax on the property created and/or purchased as part of the project shall be payable to the regional budget.

[Ivanovo Region](#) has approved a procedure for signing SPICs. The minimum capital expenditure on such investment projects is set at RUB 250 million.

[Zabaikalsky Region](#) is lowering the existing beneficial corporate profits tax rates and property tax rates for entities implementing RIPs, provided that such entities invest at least RUB 30 billion for at least five years before the end of their first profitable year. The incentive will be effective for 10 years. In addition, entities implementing regional investment in mineral extraction worth at least RUB 30 billion are relieved from the obligation to process the mined minerals and achieve a 90-percent share of manufacturing in the total income under the project.

10 May 2017

Applicability of energy efficiency incentive for apartments and premises in multi-unit residential buildings

The [Russian Ministry of Finance](#) has released a letter to acknowledge the applicability of property tax energy efficiency incentive for apartments and premises in multi-unit residential buildings (the building's energy passport is required).

It is worth noting that in March 2017 the Russian Supreme Court denied [Case No. A26-11202/2017](#) escalation to the Supreme Court's Panel on Economic Disputes, noting that the taxpayer had inappropriately applied the property tax energy efficiency incentive with respect to apartments in a multi-unit residential building, due to lack of documentary evidence that the properties for which the incentive was claimed were highly energy efficient.

2 May 2017

A draft law limiting the applicability of energy efficiency tax incentive developed

There are new [amendments](#) to the draft federal law limiting the applicability of tax incentives for energy efficient properties.

The draft law proposes:

- to preclude the application of a depreciation multiplier to properties of an energy efficiency class;
- to set forth that, from 1 January 2018, the property tax benefits for newly built properties of an energy efficiency class will apply only subject to the adoption of a respective regional law.

Notably, there have been examples of courts ruling to transfer the management of federal tax incentives to the regions. The corporate property tax incentive for movable properties will be passed to the regions effective from 2018. However, no Russian region has passed a relevant law yet.

26 April 2017

Territories of Advanced Social and Economic Growth establishment criteria for other types of monotowns approved

The [criteria](#) for the establishment of Territories of Advanced Social and Economic Growth (TASEGs) in Russian monotowns facing the risk of deteriorating social and economic conditions and in those with solid social and economic standing have been approved.

These criteria include:

- availability of potential investors prepared to implement projects in the proposed TASEG;
- present ability to provide the future TASEG residents with land plots, human resources and other resources necessary to implement their projects;
- positive balance of additional income flowing into the federal, regional and local budgets to compensate for possible shortfalls in the said budgets during the period of existence of the proposed TASEG;
- proven track record of successful implementation of major investment projects in the relevant Russian region or municipality.

13 April 2017

Changes in the selection procedure for investment projects aimed at construction of renewable energy plants

According to [the changes](#) made, entities that have failed to comply with earlier contractual power supply obligations, as well as entities directly or indirectly linked with the above entities are not entitled to participate in the selection procedure.

In addition, the maximum period between the signing date of a power supply contract and the date of commencement of the services thereunder, has been extended from three to four years.

Furthermore, the procedure for the supplier's refusal to sell (supply) power under renewable energy (power) supply contracts has been clarified.

11 April 2017

Yamalo-Nenets Autonomous District approves the subsidy procedure for Russian legal entities engaged in the timber industry

[Yamalo-Nenets Autonomous District](#) has approved the procedure for granting subsidies to entities operating in the timber industry to compensate a portion of their costs incurred to produce sawn/structural timber while launching the production and reaching the project capacity. The applicants must meet certain criteria with respect to the lines of business, production volumes and number of jobs created, and must have state registration in the Yamalo-Nenets Autonomous District.

Contacts

Should you have any questions on any issues covered in this guide, please email/call your tax consultant or to the Research & Development and Government Incentives group:



Vasily Markov

Director

+7 (812) 703 71 06,
ext. 2556

+7 (911) 840 80 77

vmarkov@deloitte.ru



Natalia Vagina

Consultant

+7 (495) 787 06 00,
ext. 1599

+7 (916) 456 04 24

nvagina@deloitte.ru

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