



Research & Development and Government Incentives December News

29 December 2016

Reduced social contributions rates for IT companies preserved

The period of reduced social contribution rates at 14% for Russian [IT companies](#) was extended till 2023.

At the same time, there will be no gradual raise of such preferential rates (as previously planned), and effective 2024, the IT companies will have to pay the social contributions at the regular rate of 34 percent.

The [limitations](#) that were to be set for the above-mentioned tax benefits have not been introduced.

29 December 2016

Two new territories of advanced social and economic development established

In December 2016, the Russian Government approved the establishment of two new territories of advanced social and economic growth ("TASEG") in Bashkortostan Republic, namely TASEG "[Belebey](#)" in Belebey municipality, and TASEG "[Kumertau](#)" in

Kumertau municipality. To become a resident of these TASEGs, a company must invest RUB 5 million during the first year of residency and create 20 new jobs.

TASEG "South Yakutia" was established in Neryungrinsky district (Sakha Republic (Yakutia)). The investors seeking residency in this TASEG need to commit not less than RUB 500,000.

Karelian Republic offers reduced corporate profit tax rates (depending on the period of application) to its residents for a ten-year term.

29 December 2016

Changes in taxation of rolling stock and public railroad property

The introduced amendments have lifted the restrictions on the application of lower tax rates to the rolling stock manufactured on or after 1 January 2013 (the date of manufacturing to be determined based on the manufacturer's specification).

As the mandate to grant movable property tax incentives will be delegated from the federal authorities to the regions effective 1 January 2018, the companies that own rolling stock should assess their imminent property tax burden and adjust their tax strategy accordingly.

Property tax rate thresholds for railroad property and infrastructure, which are determined by the regional laws, have been changed for the period from 2017 to 2020.

A reduction factor of 0 to 0.8 will be introduced for the property tax rates applied to the public railroads, initially recognised as property, plant and equipment after 1 January 2017 (the reduction factor can be applied for six years upon property commissioning).

28 December 2016

Legislation governing special investment contracts and regional investment projects amended

The regions are consistently amending their local laws regulating the relations between the parties to special investment contracts (SPIC) and regional investment projects (RIP):

- Yaroslavl Region is putting forth additional RIP requirements;
- North Ossetia-Alania is offering reduced corporate profit tax rates and corporate property tax exemption for the participants, which signed the SPIC with regional authorities;
- The RIP participants in Karelian Republic may apply for the reduced corporate profit tax rates during five years following their first reported profit;
- Altai Republic has established the requirements for investors wishing to set up a SPIC: they need to create at least 50 new jobs as a result of SPIC implementation;
- Moscow Region is offering tax incentives to:
 - SPIC participants - a reduced corporate profit tax rate applicable for the period of ten years (the rate will vary depending the period of application and the SPIC level) and a corporate property tax exemption for the period of ten years;
 - RIP participants - a reduced corporate profit tax rate applicable until the amount tax saving reaches the amount invested, and a reduced property tax rate (the rate will vary depending on the period of application) for a seven-year term;

- [Yamalo-Nenetsk Autonomous District](#) specifies the procedure for registering the residents as RIP participants or denying such registration.

26 December 2016

Regions continue to amend laws governing applicability of tax incentives

In December 2016, a number of regions were amending their tax incentive regulations, to name but a few:

- [Oryol Region](#) changed the preferential rate of the corporate profit tax paid to the regional budget by the companies engaged in construction and ceramics manufacturing in the region;
- [Komi Republic](#) is introducing a reduced corporate property tax rate for the local companies that have recorded a tax base growth of more than RUB 10 billion year on year. The term of this incentive was not specified;
- [Karelian Republic](#) is introducing the following tax incentives:
 - a preferential corporate property tax rate for timber processing businesses;
 - a preferential corporate profit tax rate for the companies that record a tax base growth year on year, while keeping the average headcount and the revenues at the level of the previous two years;
- [Tula](#) and [Astrakhan](#) Regions changed the corporate profit tax reduction threshold, following the change of tax breakdown between the federal and the regional budgets.

23 December 2016

Court practice concerning application of tax incentives

The Court of Cassation reversed the lower courts' decision on [Cases No. A21-10346/2015](#) and [No. A21-8349/2014](#) due to the erroneous interpretation of the statutory provisions governing the application of the preferential tax rate for the residents of Kaliningrad Region's Special Economic Zone, and denied the application of a zero percent corporate property tax rate.

In [Case No. A27-8271/2016](#), the Court of Cassation agreed that the reduced corporate property tax rate for movables was appropriately applied as the tax authority failed to prove the company's relation with its counterparty at the time of property acquisition.

In its ruling on [Case No. A12-42007/14](#), the Commercial Court acknowledged that the Company inappropriately applied the regional corporate property tax benefits in respect of its two corporate cars, as these cars were not used by the Company in agricultural production.

In its ruling on [Case No. A40-178063/2015](#), the Commercial Court acknowledged that the Company inappropriately applied a reduced corporate property tax rate with respect to the overhead power lines and its technological structures. This is the first dispute over overhead power lines, where the Court required an expert review.

In [Case No. A37-1978/2016](#), the Commercial Court ruled that the Company has inappropriately applied a lower profit tax rate envisaged for the residents of the Magadan Region's Special Economic Zone.

Contacts

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