



Research & Development and Government Incentives February News

3 March 2017

Corporate income tax rate for residents of special economic zones lowered in Tatarstan

Following the reallocation of the corporate profit tax components payable to the federal and regional budgets in [Republic of Tatarstan](#), the CIT rate for the residents of special economic zones was lowered to a new statutory minimum for 2017 – 2020.

1 March 2017

Legislation governing special investment contracts and regional investment projects amended

The [Volgograd Region legislature](#) passed a law introducing lower corporate profit tax rates for participants of regional investment projects (RIPs) and special investment contracts (SPICs) for the following periods:

- the term of the contract (for special investment contracts), but not later than 2025 (inclusively);

- the period until the amount of the benefit reaches the amount of capex, but no more than ten years (for regional investment projects).

28 February 2017

Court practice: application of tax incentives

In [Case No. 27-18064/2016](#): the Court of Cassation agreed that the application of a lower corporate property tax rate for movables was appropriate, as the tax authority failed to prove the company's relation with its counterparty at the time of asset acquisition.

The Court of Cassation confirmed the ruling of a lower instance court on [Case No. A57-14781/2016](#), which found that a regional corporate property tax benefit was incorrectly applied by the company which engages in processing, not producing, of agricultural products.

[Case No. A76-19362/2016](#): The first instance court denied the application of the corporate property tax benefit with respect to movables acquired as a result of the reorganisation.

[Case No. A21-7635/2014](#): The Supreme Court reversed decisions of lower instance courts, citing the misinterpretation of the legislation on the start of the period of preferential rate application for residents of the Special Economic Zone in Kaliningrad Region, and ruled that the companies cannot apply the reduced corporate property tax rate of 0%.

22 February 2017

Changes in regional tax incentives regulations

In February, Russian regions continued amending their legislation governing the applicability of tax incentives:

- [Volgograd Region](#) legislature passed a law extending the corporate property tax incentives for entities engaged in investment projects to include the modernised and/or reconstructed properties or properties recognised before the signing of the investment agreement. The tax benefits with respect to such properties will apply on condition that investments of at least RUB 50 billion have been made, or the investment in modernisation and/or reconstruction does not exceed the amount of the benefits. This tax relief is available to the investors who signed agreements with the regional government after 1 January 2017.
- Authorities in [Republic of Mordovia](#) may expand the list of priority investment projects to include entities investing over RUB 500 million in Saransk municipal district and/or over RUB 200 million in the municipalities in which they are implemented. In addition, the authorities adjusted the criteria for assigning high priority to investment projects, including the list of qualifying economy sectors, the requirements to create new jobs with preset salary thresholds, launch principally new products, and increase tax payments.
- Investors in [Samara Region](#) were exempted from the corporate property tax with respect to the facilities, which were constructed/purchased or reconstructed/upgraded as part of their regional investment projects. The tax relief period may range from two to five years, depending on the scale of investments.

- The Government of [Republic of Tatarstan](#) approved the procedure for companies submitting innovation project documentation to the Ministry of Economy, when seeking state support. The procedure includes submission of an application specifying the form/amount of the state support sought, and other required documents.
- [Yamalo-Nenets Autonomous District](#) legislature passed the law, according to which the application of a lower tax rate (linked to the annual growth of CIT payments to the regional budget) will not apply to the entities engaged in the investment projects with capex under RUB 50 billion, unless they belong to consolidated taxpayer groups, and the investment project's period is ten years or more.
- [Republic of Sakha \(Yakutia\)](#) granted the local crude oil producers a five-year tax relief with respect to the corporate profit tax payable to the regional budget and the corporate property tax. To use the tax benefits, the entity should meet the following requirements:
 - the entity's capital investments in Sakha (Yakutia) should exceed RUB 10 billion in the year preceding the tax relief year;
 - the entity's crude production in Sakha (Yakutia) should be at least 1 million tonnes in 2016-2018 and 3 million tonnes in 2019-2020;
 - the entity should obtain a state registration in Sakha (Yakutia);
 - the entity should not belong to a consolidated group.

22 February 2017

Voronezh Region to grant subsidies for innovation technology development and implementation

The Voronezh Region Government set out [procedures](#) for providing R&D subsidies to Russian investors implementing projects under the Industry Development and Competitiveness Enhancement Program in 2017-2019. To receive the subsidy, the applying entities should meet the following requirements:

- engage in R&D for the purposes of the investment project;
- implement the investment project in one of the designated industries;
- operate in Voronezh Region for at least one year;
- increase the headcount by at least five percent;
- establish salary rates at no lower than the minimum wage.

The subsidies will not exceed 50 percent of the documented costs, or RUB 3 million. The subsidy recipients are selected on a tender basis.

3 February 2017

Subsidy rules for Russian producers of assistive devices approved

The Russian Government approved the [rules](#) for providing subsidies to partially compensate the Russian producers on a tender basis for the R&D costs incurred in integrated investment projects, involving assistive device production in 2017-2019. To qualify for the subsidy, the applicants should comply with certain requirements, e.g. meet a three-year deadline for R&D completion, ensure compliance of the investment

project with the list of technology development areas, have at least 15 staff employees, and earn the revenue of at least RUB 50 million in 2014-2016. The maximum amount of the subsidy is RUB 200 million.

Contacts

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