



Research & Development and Government Incentives June News

10 July 2017

Amendments to draft law aimed at streamlining operation of special economic zones ("SEZ")

The [amendments](#) update the draft law, which passed the first reading in 2014, introducing the following changes:

- The list of activities permitted in different SEZ and the list of excisable goods that can be produced in SEZ are expanded;
- A SEZ resident will be required to invest at least RUB 120 million (exclusive of intangibles), with at least RUB 40 million (exclusive of intangibles) to be invested within three years of signing a SEZ residency agreement;

- The list of documents that must be attached to the request for signing a SEZ residency agreement has been changed, replacing business plan with investment project passport;
- The procedure for imposing penalties for early termination of a SEZ residency agreement in the event of a material breach by a SEZ resident has been revised: the penalty will now be imposed only if the resident refuses from signing a termination agreement and the residency agreement has to be terminated by a court decision.

28 June 2017

Law expanding Free Port of Vladivostok signed

In June 2017, the borders of the Free Port of Vladivostok were expanded to include the Ulgorskiy Municipal District (Sakhalin Region).

Residents of the new Free Port of Vladivostok area will enjoy lower social contribution rates (7.6 percent vs. 30 percent) during 10 years of commencement of their residency, lower profit tax rates (up to five percent for the first five years after the first reported profit and at least 12 percent (13 percent in 2017-2020) for the next five years), as well as expedited VAT refund requiring no bank guarantees.

28 June 2017

List of activities eligible for lower social contribution rates refined

The Russian Federal Tax Service has clarified the lower social contribution rates eligibility criteria for IT companies in view of enactment of a new business classifier (OKVED-2) as of 1 January 2017 (*with account of official clarifications by the Russian Ministry of Economic Development No. D18i-281 of 29 May 2017*).

Thus, according to the Russian Federal Tax Service [Letter](#), IT activities are now covered by codes 62.01, 62.02, 62.09, 63.11, 63.11.1 and 95.11 as per applicable OKVED-2.

28 June 2017

List of basic best available technology equipment subject to accelerated depreciation as of 1 January 2019 approved

The [list](#) of best available technology ("BET") equipment that, starting 1 January 2019, will qualify for a depreciation multiplier of up to two, has been approved. The List specified material BAT equipment properties and values set out in the best available technology guides.

21 June 2017

Regions continue to amend tax benefit regulations

The [Republic of Bashkortostan](#) introduces corporate property tax for companies registered in the Republic and holding exploration licences. The tax benefit will apply to the property used for production, initial treatment, and transportation of hydrocarbons subject to the provisions of

the regional law over the period from 1 January 2017 to 31 December 2019.

[Kaliningrad Region](#) grants property tax benefits for the developers of sports facilities with a capacity of at least 35,000 seats. The tax benefit will apply as of 21 July 2017.

[Tyumen Region](#) adopts a law reducing the income tax rate for IT companies applying the simplified tax regime. The tax benefit will apply from 1 January 2017 to 31 December 2019. For more details, please refer to our [issue](#) for April-May 2017.

[Kursk region's](#) most effective investment projects will now have to comply with one more criteria to be eligible for government subsidies: the candidate may not be a foreign entity or a Russian entity, in which more than 50 percent is owned by an offshore company.

The [Republic of Tatarstan](#) plans to extend the term of the tax benefits for the companies investing in new downstream facilities from seven to 13 years after the first investment.

20 June 2017

Regions continue to amend their subsidy regulations

[Tula Region](#) amends the procedure for compensating the interest on loans taken by manufacturers to upgrade technologies and expand their competitive product offering. According to the new policies, subsidies may be granted to a company with a headcount of 50 employees and more for light industry and of 150 employees and more for other industries (vs. 200 employees regardless of the industry in the previous version).

[Voronezh Region](#) establishes the procedure for subsidising businesses investing in the modernisation and upgrade of production facilities to migrate to and (or) scale up competitive high-tech manufacturing. To be eligible for the subsidies, investors must comply with a number of criteria, for instance, to complete their investment projects within three years and to increase the job count by at least five percent. The subsidies will be limited to RUB 4.5 million per recipient.

19 June 2017

Regions continue amending their special investment contracts and regional investment project regulations

The [Republic of Bashkortostan](#) adopts a law that expands the federal regional investment project ("RIP") criteria. According to the additional requirements, a regional investment project must imply acquisition of unused fixed assets, reconstruction and (or) new construction activities performed solely for the purpose of manufacturing products that had not been manufactured by the taxpayer prior to its registration as a RIP participant. The minimum investment requirement has also been changed to:

- RUB 50 million for up to three-year investments in the territories covered by the Republic's municipal comprehensive social and economic development programmes;

- RUB 100 million for up to three-year investments in other territories of the region;
- RUB 500 million for up to five-year investments.

[Chukotka Autonomous Region](#) offers lower profit tax rates for RIP participants for the period of 10 years.

6 June 2017

Court practice concerning application of tax incentives

Case [No. A26-8363/2016](#): the court of first instance denied the application of a property tax benefit towards apartments in a multi-unit residential building of the high energy efficiency class in 2012-2013. According to the judgement, the high energy efficiency class of a building does not necessary entail that of the apartment.

In March 2017, the [Russian Supreme Court](#) denied escalation of the case to the Supreme Court's Panel on Economic Disputes citing the taxpayer's undue application of lower corporate property tax rates to the apartments in a multi-unit residential building due to lack of documentary evidence of the High Energy Efficiency class of the properties for which the tax benefit was claimed.

At the same time, the Russian Ministry of Finance in its [letter](#) supported the tax authorities in that the lower property tax rates for energy-efficient properties in multi-unit residential buildings can be granted subject to the availability of the energy efficiency certificate, required for such building.

Case No. [A27-6902/2017](#): the first instance court supported the application of a regional corporate property tax benefit in a year preceding the exclusion of the investment project from the list of subsidised projects. In its ruling, the court held that the regional law that regulated governmental subsidies did not provide for a retrospective effect of the decision to cease the subsidies.

6 June 2017

The Republic of Tatarstan develops draft law regulating creation and operation of regional SEZ

The [Republic of Tatarstan](#) has developed a draft law establishing the legal framework for creating and operating regional SEZ. The draft law envisages government subsidies for regional SEZ residents, as well as profit, corporate, and transportation tax benefits.

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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