



## Research & Development and Government Incentives September News

The overview of judicial practice for September-October 2016 concerning the application of tax incentives is expected to be published on 21 October 2016. The overview will focus on judicial cases concerning the applicability of federal and regional tax incentives, including R&D incentives.

### 5 October 2016

#### **Regions continue to pass laws granting tax incentives to participants of regional investment projects and special investment contracts**

In [Sakhalin Region](#), participants of Regional Investment Projects (RIP) for which inclusion in the register of RIP entities is not required are now entitled to apply a reduced corporate profit tax rate. Thus, a regional component of the corporate profit tax rate for such companies will amount to 5 percent during the first five years and 10 percent over the following five years.

In the [Khanty-Mansysk Autonomous District-Ugra \(KMAD-Ugra\)](#), special investment contracts (SPIC) participants are now entitled to apply a regional component of the corporate profit tax rate reduced to 10 percent within the period of such SPICs.

In Chelyabinsk Region, [corporate profit](#) and [property tax](#) incentives are envisaged for the participants of SPICs signed in 2016. According to these changes, SPIC

participants are entitled to apply a reduced corporate profit tax rate in the amount of 13.5 percent from when they receive their first profit until the expiration of SPICs. Moreover, they are exempt from the corporate property tax for the duration of SPICs.

### **30 September 2016**

#### **Residents of Territories of Advanced Social and Economic Growth (TASEGs) in Kemerovo Region entitled to tax incentives**

In [Kemerovo Region](#), corporate profit and property tax incentives are envisaged for the residents of TASEGs. Thus, a regional component of the corporate profit tax rate will amount to 5 percent during the first five years from the time when they receive their first profit and 10 percent over the following five years.

It should be noted that if the residents do not generate profit within the period of three years from the year of inclusion in the register, tax incentives will be effective from the fourth year after its inclusion in the register.

TASEG residents are also exempt from the corporate property tax for the period of five years from the month following the month of inclusion in the register, and are entitled to a reduced rate of 1.1 percent over the next five years.

### **28 September 2016**

#### **SPIC conclusion rules approved in Oryol, Tambov and Kaluga Regions**

Regulations defining the procedure for the conclusion of SPICs was approved in [Oryol](#), [Tambov](#) and [Kaluga](#) Regions in September 2016. A minimum investment amount required to conclude a SPIC in Oryol and Tambov Regions was set at RUB 100 million, and at RUB 300 million in Kaluga Region.

One of the main requirements for signing a SPIC in Oryol and Tambov Regions is the investor's obligation to create new jobs as part of an investment project implementation. The minimum number of new jobs is 250 and 10 in Oryol and Tambov Regions respectively.

### **28 September 2016**

#### **New Territories of Advanced Social and Economic Growth in Monocities**

In September 2016, TASEGs were created in the following monocities in four Russian regions:

- [Tolyatti](#) (Samara Region);
- [Nadvoitsy](#) (Republic of Karelia);
- [Krasnoturyinsk](#) (Sverdlovsk Region);
- [Anzhero-Sudzhensk](#) (Kemerovo Region).

A minimum investment amount qualifying for the status of a TASEG resident was RUB 20 million, in addition to restrictions on the types of economic activity.

Moreover, it was stated that investors should invest RUB 5 million and create at least 20 new permanent jobs during the first year after the receipt of the status of the resident of the above four TASEGs.

## **22 September 2016**

### **Tax incentives for Free Port in Petropavlovsk-Kamchatski residents**

In July 2016, the Petropavlovsk-Kamchatski Urban District (Kamchatka Krai) was included in the territories of the Free Port of Vladivostok.

Starting from September 2016, Free Port residents are entitled to tax incentives in [Kamchatka Krai](#). Thus, a reduced corporate profit tax rate for the allocation to the regional budget will amount to 5 percent during the first five years from the time when residents recognise their first profit and 10 percent over the following five years.

Residents are also exempt from corporate property tax during the period of five years starting from the year when their property was recognised as Property, Plant and Equipment.

## **12 September 2016**

### **Procedure for subsidising automotive manufacturers established in Leningrad Region**

[Subsidies](#) are available to automotive manufacturers to reimburse for expenditures related to services (work), including research (testing) and examination of samples of manufactured products and materials used for the production of goods, as well as testing of industrial equipment used for the production of goods.

The key requirements to be met by subsidy recipients are:

- The principal activity of a subsidy recipient is manufacturing vehicles, trailers and semi-trailers;
- The subsidy recipient performs its activities in Leningrad Region and is registered with the local tax authorities in Leningrad Region.

Subsidies amount to 75 percent of the amount of actual costs incurred by a subsidy recipient for the previous financial year.

In order to receive subsidies it is required to sign a subsidy agreement with the Committee for Economic Development and Investment Activity of Leningrad Region.

## **12 September 2016**

### **Regions establish procedures for monitoring performance of special investment contracts**

Procedures for monitoring and controlling the performance of investors' obligations under the signed SPICs were established in [Voronezh](#) and [Tambov](#) Regions.

Monitoring, including the collection, generalisation, systematisation and accounting for information about the performance of the abovementioned obligations and the amount of actual investments in the investment project is performed every six months.

Monitoring is performed based on the data received from an investor within 10 business days from the end of the monitoring period.

Control procedures include the following:

- Fulfilment by the investor of its SPIC obligations;
- Achievement of objectives (goals) of the investment project specified in the SPIC for the reporting period and by the expiration of the SPIC.

The procedures also include samples recommended for the provision of information by the investor.

# Contacts

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