



## LT Digest

### Be in the know

#### Legislative initiatives

##### **Jewish Autonomous Region introduces profit tax deduction for investors**

The deduction will be granted to companies or their branches located in the region and engaged in certain types of business, namely:

- manufacturing
- operating health resorts
- water collection, treatment and distribution
- waste water collection and treatment.

The investment tax deduction will amount to 20 percent of the historical cost of fixed assets acquired/created in the current period and/or 50 percent of the cost of modernisation/upgrading/refitting/completion/retooling of the facilities.

For the purposes of calculating the investment deduction cap, the rate of profit tax payable to the regional budget will be set at 10 percent.

The law does not provide for carrying forward the unused deductions.

The deduction will be offered as of 1 January 2019.

[Official Internet Portal for Legal Information](#)

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## Russian State Duma considers package of bills

The Russian State Duma considered the following bills:

- Bill No. [374838-7](#), clarifying the commercialisation of medical drugs, passed the third reading
- Bill No. [383208-7](#), streamlining the procedural laws, passed the third reading

[Official website of the Russian State Duma](#)

## Russian State Duma holds first reading of bill on national database of labelled goods

For more details, please refer to LT Digest of [29 October - 2 November 2018](#).

[Official website of the Russian State Duma](#)

## Bill aiming to boost Russian offshore exploration developed

In particular, the document proposes permitting the deduction of oil discovery, evaluation and/exploration expenses, subject to a formation volume factor (FVF)

of:

- 3.5 for offshore hydrocarbon deposits
- 1.5 for other hydrocarbon deposits.

If adopted, the law will enter into force on 1 January 2020.

[Federal draft legislation portal](#)

## Unemployment benefit to increase since 2019

The benefit's floor will be raised from RUB 850 to RUB 1,500 and the cap – from RUB 4,900 to RUB 8,000.

The minimum benefit for unemployed pre-retirees will be the same as for the other categories, while the cap will be set at RUB 11,280 – a subsistence minimum for the working-age population set for Q2 2018.

The document will enter into force as of 1 January 2019.

[Official Internet Portal for Legal Information](#)

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## Media review

### Federal Antimonopoly Service and Central Bank of Russia to fight commodity exchange speculators

The Russian Antimonopoly Service teamed up with the Central Bank of Russia (CBR) and the Saint Petersburg Commodity Exchange to develop anti-speculation initiatives, to name but a few:

- admit only the full exchange and section members that are subject to stricter financial and, hence, business reputation requirements, to servicing end-customers
- setting higher clearing collateral rates and penalties for non-producing sellers
- establishing sanctions for cancelling deals by mutual agreement, if such deals are used for pricing purposes
- introducing a multiplier for repeated submissions of orders to the trading system and their subsequent recall to create a false impression of liquidity and thus impact pricing.

CBR will strengthen the monitoring of deals carried out by traders and other participants of Saint Petersburg commodity exchange for price manipulations.

[RBCdaily](#)

### Start of online alcohol sales might be postponed

Minister of Industry and Trade Denis Manturov said the government had to postpone the start of online sales of alcohol that was originally planned since 2019 as the respective bill was still pending approvals.

[Kommersant](#)

### Machine-readable legislation to be introduced in Russia in 2019

The Digital Economy roadmap envisages making the legislative acts machine-readable. This idea is also provided for in the "Statutory Regulation" project that is

to be approved shortly as part of the government's Digital Economy agenda.

The concept aims to enable the use of artificial intelligence (AI) technologies and big data processing in law making and enforcement.

The automation of law enforcement activities is expected to cut litigation costs and simplify the identification and punishment of offenders.

[RBCdaily](#)

### Russia to take part in developing international AI standards

According to a decision made at the meeting of the International Standards Committee in California, Russian experts will be involved in the design of the first three standards.

Rosstandart has already initiated the development of policies regulating face and voice recognition, deciphering of satellite images, and some other intellectual data processing systems, including methods to identify aggressive driving behaviour.

First draft standards are expected to appear by the end of 2018.

[Rossiyskaya Gazeta](#)

### High level concept of regulation of social media user data developed

The Digital Economy competence centre has developed a concept of the bill that will regulate access to social media users' data.

According to the concept, social media operators will have to inform new users that any data they post will be made publicly available.

However, if a social media offers confidentiality settings enabling to close the profile, it will be responsible for the safety of such closed profile.

The bill is expected to be finalised by the end of November 2018.

[Kommersant](#)

### Digital agriculture roadmap developed

The roadmap designed by the Ministry of Agriculture is expected to accelerate the digital transformation of the industry, using the following innovative platforms:

- Digital Agriculture – a digital platform, containing large volumes of data on the national agricultural resources
- Smart Farm, Smart Field, and Smart Greenhouse – digital solutions, enabling the automation of agricultural production

The digitalisation and roll-out of these platforms and solutions are expected to drive industry disruption and result in a twofold increase in productivity by 2021.

[Rossiyskaya Gazeta](#)

### Federal Tax Service assesses performance of electronic customs

By the end of 2020, Russia may have three categories of customs authorities: physical control, electronic, and full-service. Physical control customs and their subordinate customs points will be overseeing the imports and exports and partially handle the declaration of certain categories of goods.

E-customs and e-declaration centres will oversee electronic filings.

The use of e-customs and e-declaration centres fosters accessibility of electronic declaration platforms to all importers/exporters, warehouse owners, and other stakeholders, regardless of their location.

The plan is to digitalise 99 percent of all customs filings across the country.

First e-customs in Privolzhskiy District, Urals, and North Caucasus were launched on 24–25 October 2018 and processed the majority of the regions' customs declarations during the first few weeks.

[Official Russian Federal Customs Service website](#)

### EAEU to establish single track-and-trace database for industrial products

The industrial block of the Eurasian Economic Commission is to develop a single digital database that will trace the industrial products across the entire life cycle - from raw material suppliers to end customers.

A full-scope traceability system will enable the real-time tracing of goods and components within the EAEU, obtaining accurate production (assembly) localisation data and minimising the risks of ready-made products' exporters in their key foreign markets.

[Official Eurasian Economic Committee website](#)

### Russia may establish centralised offshore hydrocarbon extraction authority

Deputy Prime Minister Dmitry Kozak tasked the Energy Ministry, the Ministry of Natural Resources, and other

relevant authorities to consider the feasibility of establishing a new watchdog for offshore hydrocarbon extraction projects.

A detailed action plan is to be submitted by 1 April 2019 and will also include proposals regarding the relevant amendments to the regulatory framework.

The hydrocarbon producers are currently overseen by Rosnedra, Rosprirodnadzor, and several other authorities.

[Kommersant](#)

### Users might be rewarded for allowing access to their personal data

Rewarding mechanisms may be incorporated in the data regulation concept currently developed by the Centre for the Regulation of Digital Economy; they have been already included in the Digital Economy Programme action plan.

The legal regime of user data monetisation will resemble the intellectual property regime, when authors benefit from the use of their works by third parties.

The key provisions of the future concept are now discussed by the working group, while the compensation format (monetary payment, bonuses, discounts, etc.) will be determined by the business community jointly with the public authorities.

[RBCdaily](#)

### Investigation Committee urges to identify crimes related to tax offences

Having analysed the statistics of criminal prosecution of tax offenders, the Russian Investigation Committee concluded that the related offences envisaged by Articles 172, 173.1, 173.2, 303, and 327 of the Russian Criminal Code (bank fraud, establishment of shell companies and the associated illicit use of documents, document and evidence forgery) are seldom prosecuted, which impedes the adequate countering of tax offences.

The procedural control department recommended that the investigative authorities revise their approach towards countering the tax offences to consider the elements of the associated crimes as well.

Thus, apart from tax evasion itself, the circumstances that accompanied such evasion must also be analysed, followed by the initiation of criminal prosecution, where appropriate.

[Kommersant](#)

### Russian regions ranked by digitisation rates

The index was prepared.

The Digital Russia index was developed by the Financial Innovation and Cashless Economy Centre of The Moscow School of Management Skolkovo based on the open data, reflecting the impact of regional initiatives on the region's digitalisation.

The impact was assessed against seven key criteria: statutory regulation, personnel and training programmes, research capabilities, IT infrastructure and security, performance indicators, and social impact.

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The index was topped by Moscow that scored 75.15, Tatarstan (scored 74.74), and Saint Petersburg (scored 75.55).

Among the top 10 regions, four are from the Urals Federal District: Khantry-Mansi, Yamalo-Nenetsk, Tyumen, and Chelyabinsk regions.

[Financial Innovation and Cashless Economy Centre website](#)

### **Russian Federal Tax Service reports 10M 2018 results**

The regulator reported a consolidated tax revenue of RUB 17.6 trillion, 23 percent or RUB 3.3 trillion up year on year.

The federal portion of the revenue amounted to RUB 9.8 trillion, adding 30 percent or RUB 2.3 trillion.

Oil & gas sector contributed for more than half of the growth (RUB 1.6 trillion).

[Official Russian Federal Tax Service website](#)

### **Federal Tax Service proposes repealing corporate land and transport tax returns**

FTS developed a bill that proposes repealing transport

and land tax returns for legal entities.

Already discussed with First Deputy Prime Minister and Minister of Finance Anton Siluanov, the bill will be submitted to the Russian State Duma.

[Vedomosti](#)

### **Labelling of black caviar to be mandated**

The Federal Agency for Fishery developed a roadmap towards the labelling of highly valuable (sturgeon) and valuable (salmon, etc.) fish products.

The first pilot round will involve the members of the Association of Sturgeon Producers that will voluntarily label sturgeon caviar and flesh.

The project is expected to be launched within three upcoming months at one of the Astrakhan Region's fisheries.

The first results are to be expected by the end of Q1 2019 - by then, label types and technologies will have been set up.

The labelling will be voluntary so far, but may be mandated in the future, the Association believes.

The labelling rules will be developed in 2019 based on the pilot results.

[Vedomosti](#)

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## **International law news**

### **US expands its anti-Russian sanctions over petroleum shipments to Syria**

The Specially Designated Nationals' List was expanded to include six individuals and three companies, two of them Russian.

[Official website of the Ministry of Finance of Japan](#)

### **OECD releases residence/citizenship by investment update**

The update presents an overview of residence/citizenship by investment programmes offered by Panama.

[Official OECD website](#)

### **Swiss principal company, finance branch rulings discontinued as from 1 January 2019**

The Swiss Federal Tax Administration (FTA) announced on 15 November 2018 that as from 1 January 2019, no new rulings for the Swiss principal company regime (governed under Circular Letter No. 8) and for the Swiss finance branch regime will be granted.

The existing rulings for these regimes are scheduled to sunset on 1 January 2020 as part of the tax reform that provides for the reduction of cantonal corporate tax rates, introduce special tax regimes for certain types of business, and repeal a number of taxes.

For details, please refer to World Tax Advisor of [23 November 2018](#).

# Deloitte publications

## Russia modernises data privacy legislation

On 10 October 2018, Russia signed Amending Protocol ETS No. 223 to the Council of Europe Convention for Protection of Individuals with regard to Automatic Processing of Personal Data (ETS No.108). The accession to the Convention will require ratification of the Protocol by the Russian parliament and will entail changes in the Russian data privacy laws and enforcement practices.

For details, please refer to Legislative Tracking in Focus of [28 November 2018](#).

## And yet it moves! Or does it?

Starting from 1 January 2019 movable property would be exempt from taxation.

It creates a shortfall in the regional fiscal revenues, which have been estimated by Minister of Finance Anton Siluanov at up to RUB 181 billion.

This, in turn, may lead to more litigations over the tax authorities' attempts to classify movable property as immovable to collect more tax.

For details, please refer to Legislative Tracking in Focus of [23 November 2018](#).

## First prosecution for FATCA non-compliance, 12 September 2018

On 11 September 2018 in federal court in Brooklyn, Adrian Baron, the former Chief Business Officer and former Chief Executive Officer of Loyal Bank Ltd pleaded guilty to conspiring to defraud the United States by failing to comply with the Foreign Account Tax Compliance Act (FATCA). The Loyal Bank is an off-shore bank that has offices in Budapest, Hungary and Saint Vincent and the Grenadines.

According to court documents, in June 2017, an undercover agent met with Baron and explained that he was a U.S. citizen involved in stock manipulation schemes and was interested in opening multiple corporate bank accounts at Loyal Bank.

For details, please refer to Legislative Tracking in Focus of [12 September 2018](#).

## Amendments to the Russian Tax Code

Federal Law No. 302-FZ «On amendments to Part I and II of the Russian Tax Code» (The Law) introduced a number of changes aiming to reduce the administrative burden for VAT payers. In particular, the Law optimizes the list of documents to be filed with the tax authorities to justify the application of a zero VAT rate.

For details, please refer to Legislative Tracking in Focus of [23 August 2018](#).

## Increase of Russian VAT rate

Federal Law No. [303-FZ](#) 'On Amendments to Certain Tax Laws of the Russian Federation' of 3 August 2018 (hereinafter, "Federal Law No. 303-FZ" ) has introduced amendments to the Tax Code of the Russian Federation (hereinafter, the "Russian Tax Code"), including an increase of the general VAT rate from 18 to 20 percent.

The raise is expected to generate additional budget revenue of RUB 620 billion p.a., starting from 2019.

Along with the added revenue from the oil and gas 'tax maneuver', the measure is viewed as a source of financing for the national development agenda outlined by the President of the Russian Federation in May 2018.

For details, please refer to Legislative Tracking in Focus of [17 August 2018](#).

## The Convention on the legal status of the Caspian Sea

Meeting at the summit in Aktau on 12 August 2018, the leaders of Russia, Kazakhstan, Azerbaijan, Iran, and Turkmenistan signed a milestone document, which brings the relations among the countries to a new level - the [Convention](#) on the legal status of the Caspian Sea. It has taken the five neighbors more than 20 years to come to an agreement.

For details, please refer to Legislative Tracking in Focus of [17 August 2018](#).

## New approach to tax treatment of transactions between related parties

On 15 June 2018, the Nineteenth Commercial Court of Appeals considered a [dispute](#) between PepsiCO and the Russian Federal Tax Service (FTS) over the tax treatment of intragroup transactions.

Courts of two instances supported the tax authorities in classifying the arrangement between the plant and the trading/holding company as free of charge provision of services.

According to the tax authorities, the plant's advertising and marketing expenses had contributed to an increase in the earnings of the trading/holding company and not the plant itself.

For details, please refer to Legislative Tracking in Focus of [31 July 2018](#).

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We hope that you will find this edition interesting and informative. Should you have any questions on this subject, please do not hesitate to contact us.

Best regards,  
**Deloitte CIS Partners**

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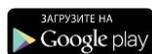


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## TaxSmart app



## [deloitte.ru](https://deloitte.ru)

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