



LT Digest

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Legislative initiatives

President of Russia signs package of tax laws

The President of the Russian Federation signed a package of federal laws:

- Federal Law [493-FZ](#) of 25 December 2018 that revises the **VAT treatment of airport services and application of beneficial income ownership concept** for cross ownerships (for more details, please refer to LT Digest of [16-22 July 2018](#), [10-16 December 2018](#))
- Federal Law No. [478-FZ](#) of 25 December 2018, amending the regulation of housing **construction co-investment** (for more details, please refer to LT Digest of [3-11 November 2018](#) and [17-23 December 2018](#))
- Federal Law No. [496-FZ](#) of 25 December 2018, **streamlining environmental impact assessment** (for more details, please refer to LT Digest of [10-16 December 2018](#).)
- Federal Law [483-FZ](#) of 25 December 2018 on switching to the **new municipal solid waste rules**
- Federal Law No. [488-FZ](#) of 25 December 2018 **on creating a national database of labelled goods** (for more details, please refer to LT Digest of [29 October – 2 November 2018](#) and [10-16 December 2018](#))

[President of Russia signs package of federal laws](#)

[State Duma to take on bill ratifying Protocol on amendments to Russia-Sweden tax treaty](#)

[Government approves track & trace and labelling concept](#)

[Government approves package of documents on medicine labelling](#)

[Bill amending tax treatment of certain intellectual property transactions adopted](#)

[Federal Tax Service updates list of activated country-by-country report exchange relationships](#)

[Russian Federal Tax Service \(FTS\) updates list of automatic information exchange relationships](#)

[Bill on tax incentives for Far Eastern investors developed](#)

[Draft tobacco labelling rules developed](#)

[Russian Government approves mineral resources strategy until 2035](#)

[Bill clarifying biometrics collection procedures submitted to State Duma](#)

[Bill introducing electronic document exchange as part of finance organisations' bankruptcy procedures developed](#)

[Ministry of Industry and Trade may become e-commerce regulator](#)

[Human genome may be treated as personal data](#)

[Ministry of Finance: transfer pricing methods can be applied to uncontrolled transactions to prove unjustified tax benefit](#)

[Ministry of Finance clarifies profit tax treatment of offsets of interest payable to foreign lender against capital contributions](#)

[Ministry of Finance clarifies VAT treatment of electronic services rendered by foreign providers to Russian businesses since 2019](#)

[Federal Notary Chamber approves simple electronic signature rules](#)

[Government sets tasks after meeting on oil market situation](#)

[Government's Expert Council calls for fine-tuning bill on securing uninterrupted operation of Runet](#)

[EAEU introduces additional labelling requirements for GMO-containing food](#)

- Federal Law No. [546-FZ](#) of 27 December 2018, clarifying the **imposition of late payment sanctions on withholding agents** (for more details, please refer to LT Digest of [6-12 August 2018](#) and [10-16 December 2018](#))
- Federal Law [No. 527](#) of 27 December 2018, **cancelling national roaming** (for more details, please refer to LT Digest of [26 June – 2 July 2017](#) and [17-23 December 2018](#))
- Federal Law No. [507-FZ](#) **on simplified non-quota residence** permits for foreigners (for more details, please refer to LT Digest of [4-17 June 2018](#))
- Federal Law No. [533-FZ](#), offering **entrepreneurs additional safeguards against unfair prosecution** (for more details, please refer to LT Digest of [26 November – 2 December 2018](#))
- Federal Law No. [565-FZ](#) on control over certain operations, involving **foreign bank cards** (for more details, please refer to LT Digest of [18-24 June 2018](#) and [10-16 December 2018](#)).
- Federal Law No. [490-FZ](#) of 25 December 2018, **clarifying the tax treatment of international holding companies**
- Federal Law No. [485-FZ](#) of 27 December 2018, clarifying the **statutory regulation of international holding companies**

Official Internet Portal for Legal Information

State Duma to take on bill ratifying Protocol on amendments to Russia-Sweden tax treaty

For more details about the Protocol, please refer to LT Digest of [23-29 April 2018](#).

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

Government approves track & trace and labelling concept

The concept sets forth the tasks and objectives of the labelling and track & trace system, its key parameters and requirements.

The system will have the status of a government database that can be established as a public-private partnership.

The labelling and track & trace processes will rest upon the following principles:

- before labelling a particular category of goods, its feasibility must be analysed
- labelling will be the responsibility of the parties involved in the production and distribution of goods
- the mandatory data will be owned by the state
- the use of labelled goods tracking data by third parties for their commercial purposes will be banned
- to test the mechanism's efficiency, voluntary labelling will be permitted
- the minimisation of labelling costs for all stakeholders must be ensured
- every product item must be identified by a label
- all stages of a product's life cycle, from the production or import to retail sale or other form of goods disposal

[List of companies applying tax monitoring regime to expand since 2019](#)

[Priority measures ensuring introduction of electronic vehicle passports in EAEU approved](#)

[Plastic gift card regulation might be introduced in Russia](#)

[Russian Constitutional Court clarifies application of property tax benefits to movable corporate property acquired from related parties](#)

[Supreme Court releases fourth digest of court opinions for 2018](#)

[Russian Constitutional Court: lower land tax on allotments does not apply to businesses](#)

[EU releases decision to extend anti-Russian sanctions](#)

[China issues nationwide list of industries restricted for domestic and foreign investors](#)

[Great Britain to raise plastic bag charges](#)

- the Government will charge a fee for generating the codes for labelling
- effective public control of the labelled goods must be ensured.

Businesses will be obliged to label goods, submit data to the government database, and install labelling and machine vision equipment to verify the labels and aggregate goods into multiple and/or transportation packages.

[Official website of the Russian Government](#)

Government approves package of documents on medicine labelling

The Government approved the following regulations:

- [regulation](#) on medicine track&trace system
- track & trace [procedures](#) for vital and essential medicines
- [rules](#) for posting open medicine track&trace data online.

As a reminder, medicine labelling becomes mandatory starting from 1 January 2020 in accordance with Federal Law No. [425-FZ of 28 December 2017](#).

[Official website of the Russian Government](#)

Bill amending tax treatment of certain intellectual property transactions adopted

The bill proposes enabling taxpayers to waive VAT benefits for intellectual property transfers, including licensing (which means moving the provision from Para 2 to Para 3, Article 149 of the Russian Tax Code).

The document also proposes enabling the exemption from VAT on software/database development and access services.

Software and database access services will mean providing access to online servers (owned or leased) by right holders.

The taxpayers might also be allowed to claim recovery of input VAT on software development and e-services exports.

[Federal draft legislation portal](#)

Federal Tax Service updates list of activated country-by-country report exchange relationships

The list of exchange relationships was expanded to 53 states (vs. 49) to include Qatar, China, Costa Rica, and Nigeria, and four territories (vs. two) to include Bermuda and Curaçao.

[Garant:Prime](#)

Russian Federal Tax Service (FTS) updates list of automatic information exchange relationships

The number of states increased from 62 to 75, of territories – from 11 to 13.

In particular, the list included the following jurisdictions: Antigua and Barbuda, Azerbaijan, Aruba, the Bahamas, Bahrain, Vanuatu, Hong Kong, Grenada, Qatar, Kuwait, Macau, the Marshall Islands, Monaco, the United Arab Emirates, and Saint Kitts and Nevis.

[Garant:Prime](#)

Bill on tax incentives for Far Eastern investors developed

In particular, the investors running projects in the Far East may enjoy a zero rate of the federal profit tax component.

The regional authorities also may reduce the regional profit tax component (down to zero).

The lower tax rate will apply only if the investment revenue accounts for at least 90 percent of the total taxable income net of FX gains.

The lower rate of the federal tax component will apply subject to and consistently with the lower rate of the regional component.

The bill also proposes expanding the list of deductible expenses to include:

- the depreciation charges accrued on the assets, the cost of creation (acquisition) of which is taken into account when determining the capital investments, including the external infrastructure created as part of an investment project in the Far Eastern Federal District
- the costs incurred to upgrade/modernise/complete/refurbish the assets, the cost of creation (acquisition) of which is taken into account when determining the capital investments, including the external infrastructure created as part of an investment project in the Far Eastern Federal District
- the value of assets, the cost of creation (acquisition) of which is taken into account when determining the capital investments, including the external infrastructure created as part of an investment project in the Far Eastern Federal District.

To compensate the infrastructure development costs, the investors will be able to apply a zero territorial coefficient (ktd) to MET on certain mineral resources.

[Federal draft legislation portal](#)

Draft tobacco labelling rules developed

A draft order to that effect has been posted at the Federal Draft Legislation Portal.

The draft proposes approving the rules that would regulate the labelling of tobacco before bringing it to the market and the input of turnover data into the labelled goods monitoring database, including the labelling stakeholder requirements, criteria for tobacco registration in the database, and the label placement rules.

The labels will have to be placed by the companies and individual entrepreneurs that produce tobacco.

The producers will place and the importers will ensure the placement of the labels on tobacco packaging starting from 1 July 2019.

Starting from 1 July 2019, the production and importation of unlabelled cigarettes (Codes 12.00.11.130 and 12.00.11.140 (classification by economic activity, or OKPD 2) and 2402 20 (import/export classification, or TN VED) that are not entered into the database prior to the first sale, as well as the retail sale of such tobacco, produced or imported after 1 July 2019, will be prohibited without entering the sales data in the database.

The sale of unlabelled cigarettes under codes OKPD 2 12.00.11.130 and 12.00.11.140 and TN VED 2402 20 will be banned from 1 July 2020, while the sale of other unlabelled tobacco products will be prohibited after 1 July 2021.

The document also sets forth the labelling deadlines and implementation procedures for specific products and market participants.

As a reminder, tobacco labelling becomes mandatory, starting from 1 March 2019 in accordance with Federal Law No. [272-FZ](#) of 29 July 2018.

[Federal draft legislation portal](#)

Russian Government approves mineral resources strategy until 2035

The strategy defines the geological industry priorities, tasks and objectives aimed to ensure the adequate resource supplies to meet the national economy's needs and export commitments.

The tools include improving the investment appeal of the exploration projects of all stages, as well as the quality of projections and discovery of new fields, effective development of the existing fields by introducing the cutting-edge refining, beneficiation, and extraction technologies.

The government also plans to incentivise the exploration, replacement, and development of mineral resources.

The strategy will be implemented in two stages:

- the first stage (until 2024) provides for increasing the funding of large-scale regional geological surveys, creating a database of geological data, developing the relevant software and engineering documents that will ensure the concentration of financing, technologies, and personnel to achieve the set targets
- the second stage (2025-2035) will see the continuation of efforts towards improving the investment potential of the Russian mineral resources, creation of a self-regulated system that would ensure an optimal balance of growth and maturity of mineral reserves, and the completion of transformation of the geological data collection, processing, analysis, storage, and provision processes.

[Official website of the Russian Government](#)

Bill clarifying biometrics collection procedures submitted to State Duma

In particular, the bill proposes:

- setting forth that the banks must ensure collection of biometrics by their branches and internal departments

- extending the biometrics collection deadline for banks with basic licences until 1 January 2021, which does not prevent the banks from connecting to the system voluntarily
- entitling the banks to use the information obtained from the Single Biometrics System to perform any banking operations and private client transactions.

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

Bill introducing electronic document exchange as part of finance organisations' bankruptcy procedures developed

In particular, the document proposes digitalising the key functions of the Deposit Insurance Agency ('Agency') and enabling the Agency to commission agent banks with identifying and authenticating depositors and processing the information they submit.

A consent to the processing of personal data of an individual or a legal entity, signed by a simple electronic signature, will be deemed an electronic equivalent of a hard-copy document bearing a regular signature.

The document also regulates the electronic exchange of information.

[Federal draft legislation portal](#)

Ministry of Industry and Trade may become e-commerce regulator

A respective draft government resolution was posted on the Federal Draft Legislation Portal.

The ministry's new powers may include the development of foreign and domestic trade policies, including those regulating e-commerce, public catering, consumer services, folk art, and children's products industry (except baby food).

[Federal draft legislation portal](#)

Human genome may be treated as personal data

A bill on the protection of the human genome that introduces amendments to the laws on personal data and protection of consumer rights was developed by Rospotrebnadzor.

Human biomaterials containing the genome and DNA will be classified as protected information.

The use and transfer of such data will be regulated by the Government.

If adopted, the bill will enter into force in 180 days following its publication.

[Federal draft legislation portal](#)

Clarifications from government bodies

Ministry of Finance: transfer pricing methods can be applied to uncontrolled transactions to prove unjustified tax benefit

The ministry reminded that its position regarding the tax control of related-party transactions is set forth in Letter No. [03-01-18/8-145](#) of 18 October 2012.

The territorial authorities may exercise tax control in the form of desk and field audits, including to prove unjustified tax benefits. A discovered unjustified tax benefit that results in a decrease of tax liabilities needs to be quantified; however, the Russian Tax Code neither offers a closed list of computation methods, nor bans the use of the methods established by Chapter 14.3 of the Russian Tax Code.

Therefore, the methods from Chapter 14.3 can be used to determine the amount of an unjustified tax benefit alongside other instruments not envisaged by the Tax Code.

As a reminder, starting from 1 January 2019, the criteria of domestic controlled transactions have changed significantly, most of them are treated as not controlled.

This, in turn, may entail attempts to check their pricing via field and desk tax audits; however, the taxpayers will no longer be able to rely on the guarantees provided for controlled transactions.

[Consultant Plus](#)

Ministry of Finance clarifies profit tax treatment of offsets of interest payable to foreign lender against capital contributions

According to the ministry, interest offset by members and/third parties against contributions to the (additional) capital of an organisation does not cause the latter to generate taxable income as per Chapter 25

of the Russian Tax Code.

However, when paying off debt to a foreign lender by way of an offset, a Russian borrower will be treated as a withholding agent, obliged to pay corporate profit tax.

[Garant: Prime](#)

Ministry of Finance clarifies VAT treatment of electronic services rendered by foreign providers to Russian businesses since 2019

The Ministry reminded that, pursuant to Federal Law No. [335-FZ](#) of 27 November 2017, starting from 1 January 2019, foreign suppliers of both B2B and B2C e-services in Russia will be obliged to tax-register locally and pay VAT on the supplied services.

Therefore, starting from 1 January 2019, the Russian buyers of foreign e-services will not be treated as withholding agents.

[Consultant Plus](#)

Media review

Federal Notary Chamber approves simple electronic signature rules

The procedures for using simple digital signatures on notarised electronic documents were approved on 24 December 2018.

Previously, to create an electronic document, one had to obtain an advanced qualified digital signature, which required a certain amount of time and money, as well as the knowledge of the necessary procedures.

In 2019, the advanced qualified digital signature will no longer be needed to notarise electronic documents.

According to the [law](#), adding a simple digital signature in the presence of a notary who certifies it with his (her) advanced qualified signature will suffice.

Notary offices will be equipped with the digital devices, allowing for an easy and comprehensive signing of electronic documents. Thus, an individual wishing to notarise a consent to a transaction will just need to visit a notary, who will create the required document in the electronic format and have the individual sign it on a special tablet, thus ensuring the individual's accurate identification and verification of the client's own free will.

[Official website of Federal Notary Chamber](#)

Government sets tasks after meeting on oil market situation

Thus, the following assignments were given:

- by 31 January 2019, to review the rolled products and pipe prices charged by metal producers, for antimonopoly compliance
- by 1 March 2019, to consider the feasibility of amending the tax legislation to enable, when determining the volumes of Class V motor fuel and Class 5 diesel produced from crude oil, owned and sold by the taxpayer in the tax period via a commodity exchange, taking into account the

volumes of Class V motor fuel and Class 5 diesel purchased by the taxpayer's related party and further sold through a commodity exchange

- by 1 March 2019, to analyse the oil market, taking into account new tax and customs rules effective as of 1 January 2019 and report on any requirement amendments.

[Official website of the Russian Government](#)

Government's Expert Council calls for fine-tuning bill on securing uninterrupted operation of Runet

In the Council's opinion, the bill may disrupt the Runet's (the Russian segment of the Internet) operations, gives too much power to Roskomnadzor and requires billions of roubles in costs, including for R&D, creation and maintenance of traffic exchange points register, expansion of Roskomnadzor entities' staff, trainings, and payment of compensation to telecom operators.

The bill has been conceived as a windshield against the potential threat from the US that has recently adopted the national cybersecurity strategy.

Experts say some of the requirements are impracticable: the document essentially invites the telecom operators and other stakeholders to transfer to Roskomnadzor their networks and traffic routing, which is technically impossible, as the network is a constantly expanding and evolving multi-level system.

Transferring the router control from telecom operators to the regulator will lead to the network's instability. Furthermore, a concentration of the regulatory, supervisory, and industry control functions with Roskomnadzor implies unacceptable corruption risks.

The Council proposes reworking the bill to refine its objectives, specify the threats it aims to confront, and obtain the Government's resolution on the budgetary spending, which is currently pending.

[Kommersant](#)

EAEU introduces additional labelling requirements for GMO-containing food

New requirements are implemented starting from 26 December 2018 and are expected to help the buyers make informed and healthy food choices.

GMO labels must be placed next to the EAC mark and be consistent with the latter in terms of the form and size.

The former version of the food labelling regulations obligated the producer to inform the buyers of GMO ingredients (over 0.9 percent) with such inscriptions as 'Genetically modified products', 'Products derived from genetically modified organisms', 'The products contain components of genetically modified organisms';

however, the inscriptions did not have to be capitalised and had no specific designated location, which could impact visibility.

The Eurasian Economic Commission set a transitional period of 18 months, during which the production and distribution of GMO-containing food in the EAEU will be allowed in accordance with the mandatory labeling requirements established by the previous version of the technical regulations.

The products can be distributed until their respective 'best before' dates.

[Official Eurasian Economic Committee website](#)

List of companies applying tax monitoring regime to expand since 2019

Starting from 1 January 2019, the tax monitoring regime is applied by 44 more companies, which collectively generate 12.25 percent of the federal tax revenues.

[Official Russian Federal Tax Service website](#)

Priority measures ensuring introduction of electronic vehicle passports in EAEU approved

In particular, the following activities will be carried out:

- designating an authority in each EAEU member state that will oversee the implementation of the inter-country agreement on uniform electronic vehicle passports
- appointing the national operators that will be interacting with the EAEU administrator of the electronic vehicle passport system
- determining the rules for the creation and maintenance of a national segment of the EAEU register of e-passport issuers and the methods of e-passport testing in the EAEU
- analysing the applicable regulations of the Eurasian Economic Commission for necessary updates
- testing the national segments of the e-passport system by 1 November 2019, after which the system must go live across the EAEU.

The governments of the EAEU states must ensure the implementation of the majority of activities by Q4 2019.

[Official Eurasian Economic Committee website](#)

Plastic gift card regulation might be introduced in Russia

Two options are currently on the table: to classify gift cards as banking products subject to all applicable identification requirements or oblige individuals to make advance payments and ban transfer of gift cards to third parties.

[Izvestiya](#)

Court practice

Russian Constitutional Court clarifies application of property tax benefits to movable corporate property acquired from related parties

A tax inspectorate challenged the use of the tax benefit envisaged by Article 381 (25) of the Russian Tax Code for corporate movable property, purchased from related parties and recorded after 1 January 2013.

The taxpayers believed that the benefit was applicable unless the related party also recorded the property as a fixed asset.

In the taxpayers' opinion, the economic and legal effect of Article 381 (25) of the Russian Tax Code should vary for same-category property, depending on the source of its acquisition.

The Constitutional Court acknowledged that Article 381 (25) of the Russian Tax Code did not imply that the corporate movable property that, prior to related-party transactions, restructuring or liquidation of legal entities, had not been recorded as taxable items by the original owner, was subject to tax only because of its recognition as a result of such restructuring, liquidation or transfer between the related parties.

In the court's opinion, the provision does not prejudice the rights of the bona fide companies that receive tax-exempt property under civil transactions and/or from corporate restructuring (liquidation).

Any interpretation to the contrary would imply a retrospective application of the provision with respect to the property recorded over the period from 1 January 2013 to 1 January 2015, as during this period all movable property recognised as fixed assets as of 1 January 2013 was exempt from corporate property tax.

The case has been sent for retrial.

[Official website of the Russian Constitutional Court](#)

Supreme Court releases fourth digest of court opinions for 2018

The digest provides an overview of decisions issued in civil cases, bankruptcy and competition protection proceedings, cases arising out of the administrative and other public offences, as well as on the customs and tax disputes.

The digest includes a summary of opinions in the following tax and customs disputes:

- Case No. [A60-7484/2017](#), in which the court acknowledged the inapplicability of the energy efficiency benefit to commercial property (for more details, please refer to [Tax Benefits and Other Incentives of 17 August 2018](#) and [18 September 2018](#))

- Case No. [A40-154449/2017](#), in which the court agreed that the property tax did not have to be paid on a demolished building despite a missing demolition record in the real estate register
- Case No. [A81-813/2017](#), in which the court acknowledged that an untimely submission of the documents confirming eligibility for a benefit could not be a reason for depriving of such benefit
- Case No. [A50-16961/2017](#), in which the court agreed with the classification of fees paid to a foreign provider for non-supplied services as passive income, which is subject to withholding tax
- Case No. [A51-3860/2017](#), in which the court established that a request for a refund of overpaid customs fees should be considered by the customs authorities, if the petitioner had initiated the adjustments to the customs declaration and submitted the documents confirming the need for such adjustments.

[Official website of the Russian Supreme Court](#)

A tax inspectorate challenged the use of a lower land tax rate for allotments and assessed back taxes and respective penalties.

Citing the clarifications of the Russian Tax Service and the local tax authorities, a taxpayer stated that the land it owned qualified as a gardening allotment taxed at a rate of 0.3 percent.

In the tax authority's opinion, the provisions of Article 388 (1) and Article 394 (1(1)) do not allow the use of the lower tax rate by for-profit organisations.

The tax authority's position was upheld by the courts of three instances (Case No. [A40-230150/2016](#)).

The Constitutional Court also denied the taxpayer's claim, citing that the lower land tax rates envisaged by Article 394 (1(1(4))) did not apply to the businesses that had acquired the land to build summer cottages for further sale to legal entities and individuals for profit-making purposes.

[Official web site of the Russian Constitutional Court](#)

International law news

[Russian Constitutional Court lowers land tax on allotments does not apply to businesses](#)

The restrictive measures were renewed on 21 December 2018 until 31 July 2019.

[Official Federation Council website](#)

[China issues nationwide list of industries restricted for domestic and foreign investors](#)

Of 151 sectors on the list, investments into four are prohibited and for the rest, the government's approval is needed.

The prohibited areas include 'illegal financing' (e.g. online services) and 'unlawful Internet activities' (online sale of medicines).

Other areas will require licensing or will be subject to foreign trade restrictions.

A total of 10 lists were released, including for the agricultural, mining, utilities, IT, media, and finance sectors.

In the production list, special conditions mainly apply to the food, energy (in particular, nuclear), ship and aircraft (including space), railway transport and infrastructure maintenance, telecommunications (including equipment imports), security systems using cryptographic technologies, construction of chemical plants, weapons and explosives transactions, production and importation of cosmetics, production of pharmaceuticals and medical devices, and car scrapping sectors.

[Kommersant](#)

[Great Britain to raise plastic bag charges](#)

As part of its environmental agenda, the UK plans to double the charges to 10 pence.

The plastic packaging tax was introduced in 2015 and now amounts to five pence.

[Vedomosti](#)

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](#).

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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