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Legislative initiatives

Russian State Duma considers package of bills

- Bill No. [991147-7](#) on establishment of the national traceability system passed the first reading Bill No. [990129-7](#) that clarifies the CFC rules and establishes an equal tax treatment of indirect and direct investment passed the first reading (for more details please refer to the LT of 21 July 2020)
- Bill No. [987383-7](#), streamlining the VAT payment mechanism for bankrupt individuals, passed the first reading
- Bill No. [984546-7](#) on excise refund for ethane and liquefied petroleum gases.

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

Bill on increase of personal income tax for high earners developed

Personal income tax rate will be increased to 15 percent for annual personal income that exceeds RUB 5 million.

The tax will be charged on the total of tax bases, including equity income, CFC profit, salary, and investment income.

For taxable incomes below RUB 5 million, the 13-percent rate will remain.

PIT on taxable incomes above RUB 5 million will amount to RUB 650,000 (13 percent of RUB 5 million) plus 15 percent on the amount in excess of RUB 5 million.

If adopted, the law will enter into force on 1 January 2021.

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

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

The updated list might include Anguilla, the British Virgin Islands, Hong Kong, the Turks and Caicos Islands, Andorra, the Bahamas, Belize, Monaco, the United Arab Emirates, Peru, San Marino, Saudi Arabia, and the Seychelles.

[Federal draft legislation portal](#)

Bill aimed at implementing key areas of fiscal policy submitted to State Duma

The document:

- introduces a mechanism for crediting WHT on dividends payable to a foreign entity for further transfer to the individual beneficial owner against the latter's personal income tax obligations (subject to certain conditions)
- discontinues the participation exemption for companies claiming the look-through approach (subject to certain conditions, the exemption can still be claimed during the transitional period set until the end of 2023)
- extends the tax exemption to property received free-of-charge from an indirect member with at least a 50-percent interest
- permits equity holders with a participation interest of over 50 percent to transfer not only property, but also proprietary rights to subsidiaries without incurring additional tax obligations
- extends investment allowance to R&D
- raises deductible interest caps for controlled loans in 2020
- discontinues, with a few exceptions, capital gains tax benefits for proceeds from the sale (redemption) of shares of Russian property-rich companies (companies that derive over 50 percent of their value from Russian real estate)
- establishes that in 2020, a FX clause will apply for the thin capitalisation rules purposes.

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

Bill on creating communication hub for international trade players submitted to the Russian State Duma

A system proposed for launch starting 1 January 2021 is designed as a one-stop-shop for electronic communications between importers/exporters, government authorities, FX control agents, and other organisations.

The system will be regulated by the Government advised by the Central Bank of Russia.

According to the explanatory note, the system will enable:

- centralised access to government services, including offered by the supervisory authorities and the Russian Export Centre to entities engaged in international trade
- going paperless and reducing the servicing timeline
- ensuring one-time provision of documents and their re-use in the future
- minimising personal contacts between the parties
- providing access to business intelligence
- offering remote expert support.

The system will also be adapted for currency control functions to enable the residents to submit required documents and information.

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

Draft government resolution on national traceability system developed

The resolution provides for establishing the national document-based traceability system starting from 1 January 2021, overseen by the Ministry of Finance, the Federal Tax Service, the Federal Customs Service, and the Federal Property Management Agency.

Goods subject to traceability in the national system include refrigerators, washing machines, monitors and projectors, baby carriages, integrated circuits, child seats, forklifts, bulldozers and others.

According to Clause 3 of the Resolution, the goods that are in scope of the national traceability system cannot be subject to other traceability controls and, vice versa, the goods subject to other traceability mechanisms are out of scope of the national traceability system.

[Federal draft legislation portal](#)

Timelines for suspension of routine and extraordinary field customs audits updated

In 2020, extraordinary field customs audits will not be appointed until after 30 September 2020, except for audits of entities that have applied for admittance to the register of authorised economic operators, audits performed on behalf of other EAEU member states' customs

authorities, and extraordinary field audits associated with instances of wrongful death, injuries, natural and man-made catastrophes.

Previously scheduled routine field customs audits will be suspended until 31 December 2020; extraordinary field audits – until 30 September 2020.

[Consultant Plus](#)

Mutual agreement procedure rules approved

The updated rules establish the following procedures for the filing and consideration of mutual agreement procedure requests (“MAP”):

- a MAP can be requested by taxpayers whose income/capital/property taxation under a DTT is the subject matter of a tax dispute, as well as by foreign competent authorities
- a MAP request is to be filed with the Ministry of Finance in any format, accompanied by the relevant confirmation documents (in Russian or English)
- MAP requests can be filed within three years following the receipt of tax audit report or a reasoned tax ruling as part of the tax monitoring regime or foreign tax decisions which, in the taxpayer’s opinion, leads to inconsistencies in the tax treatment of its income/profit/property and the tax treaty provisions (unless a different period is provided by the applicable DTT itself)
- within 90 days of receipt, the ministry initiates or denies a MAP
- a MAP can be denied if:
 - the filing deadlines are missed
 - provided information is incomplete and/or inaccurate
 - a court decision has been made regarding the same dispute.

The changes will apply as of 11 October 2020.

[Consultant Plus](#)

First agreements for encouragement and protection of investment to be signed until year

Starting from 2021, the Ministry of Economic Development is anticipating an increase in investments, having received nearly 1,600 applications for signing of agreements for protection and encouragement of investments.

By the end of 2020, the ministry is planning to streamline the physical signing procedure and shift to the electronic format in 2021, once the legal framework has been adjusted in line with the business community needs.

The Government intends to limit compensations for violation of agreements by the state to the amount of fiscal charges on new investment projects.

[Kommersant](#)

Amendments to Tax Code relating to mineral extraction and added income taxes developed

The amendments were discussed on 15 September 2020 at the meeting of the Government's Legislative Commission.

The amendments encompass MET-related changes and a 3.5-fold increase of the MET rate for fertilisers and some ores.

In particular, starting from 1 January 2021, a "rent coefficient" of 3.5 to the MET rate will apply to the following mineral resources:

- potash salts (the current rate is 3.8 percent of cost of sales)
- apatite-nepheline, apatite and phosphate ores (four percent)
- natural salts and pure sodium chloride, nepheline, bauxite, non-metallic mining raw materials, conditioned non-ferrous metal ores (except nepheline and bauxite, the current rate is six percent)
- iron ore (4.8 percent).

Amendments also [discontinue](#) some of MET benefits.

[Vedomosti](#)

Russia to start subsidising interest on loans for Arctic residents in 2021

The Ministry of the Russian Far East and the Ministry of Finance agreed that the subsidised rate of interest on loans accommodated to the residents of the Russian Arctic zone would be set at 6.75 percent and that the subsidies mechanism would start operating in 2021.

Other Arctic investor support mechanisms are also being discussed.

[Tass News Agency](#)

Ministry of Finance considers bill on online sale of alcohol irrelevant

Deputy Minister of Finance Alexei Sazanov said that there were no plans to submit the bill to the State Duma, since the document developed by the ministry in 2019 no longer had practical relevance.

[Kommersant](#)

FTS expects more exchange relationships in 2020

Relationships for the exchange of CRS information may be activated with the Bahamas, Hong Kong, Turkey, Bahrain, Kuwait, and a number of other territories.

According to the regulator, the number of countries that provided financial information to Russia increased by 22 percent vs. 2018; the number of financial accounts disclosed to Russia in 2019 increased by 18 percent.

According to Deputy Head of the FTS Dmitry Volvach, although the exchange deadlines are extended until December due to the COVID-2019 outbreak, some countries have already provided data for 2019.

[Tass News Agency](#)

Ministry of Finance calls for raising excise on cigarettes

Amendments to the Russian Tax Code prepared by the ministry provide for a 20-percent increase of the excise tax on cigarettes, tobacco and e-cigarettes.

[RBC](#)

New version of bill combatting digital monopoly developed

According to the amendments to the Administrative Offences Code proposed by the Russian Federal Antitrust Service (“FAS”), if a company was fined for antitrust offences and issued a violation notice it failed to address, it can be fined again – for twice the amount.

According to the media, the new fine cannot be less than RUB 100,000 or greater than one-fiftieth of the offending company’s revenues for the year preceding the violation.

The initiative has been included in the new version of the fifth antitrust package, which was designed to combat the digital monopolies – owners of large infrastructure and Internet platforms with market dominance.

The regulator requests to be allowed to seek court permission to use patented inventions, utility models, and industrial designs of non-compliant right holders in Russia.

Another proposed mechanism is to be able to request the court to prohibit violators from selling goods produced using protected intellectual property.

The new version of the fifth antitrust package also adjusted the definition of the term “network effect” (a phenomenon where the value of goods depends on the number of same-category users). The FAS must take into account network effects when analysing competition in a particular market, where transactions between seller and buyers are made online using specific software.

The regulator proposes introducing restrictions for the owners of such software, if through the network effect they are able to exert a decisive influence on the distribution of goods, or where a software owner controls over 35 percent of the market for respective services and its attributable revenue exceeds RUB 400 million a year.

[RBC](#)

Bill enabling to penalise retail management companies for lack of cash register equipment

The bill mandates the use of cash register equipment by retailers and establishes fines for management companies, if the requirement is not met.

[RBC](#)

International tax news

U.S. House Resolution Opposing Digital Services Taxes

The text of a resolution (H.Res.1097) has been published, expressing strong opposition to the imposition of digital services taxes by other countries that discriminate against U.S. companies.

In the resolution, the House of Representatives:

- is committed to free and fair trade between the United States and other countries
- agrees with the findings of the report issued by the United States Trade Representative on 2 December 2019, which concludes that the French digital services tax (DST) discriminates against United States companies and is in violation of existing international income tax and trade agreements
- calls on all other countries to cease and desist from implementing any DST and to immediately stop unfairly targeting United States companies
- calls on all countries to continue to work towards consensus with the Organisation for Economic Co-operation and Development (OECD) to address the tax challenges of a global, digitalized economy; and
- calls on the relevant United States Government agencies to use all available methods and resources to protect United States companies from the discriminatory effects of DSTs.

[Orbitax](#)

European Commission proposes cutting EU carbon emissions by 55 percent by 2030

As revealed by the European Commission President Ursula von der Leyen in her State of the European Union address on 16 September, the European Commission presented its plan to reduce the EU’s

greenhouse gas (GHG) emissions by at least 55 percent by 2030, compared to the 1990 levels.

Member States can draw on the EUR 750 billion NextGenerationEU recovery fund and the EU’s next long-term budget to make investments in the green transition.

By June 2021, the Commission will also review and, where necessary, propose to revise all relevant policy instruments to further reduce net greenhouse gas emissions.

[Tass News Agency](#)

Isle of Man to amend beneficial ownership regime to satisfy MONEYVAL

The Isle of Man's government has issued a consultation on amendments to the Beneficial Ownership Act 2017 (the Act), intended to address compliance deficiencies identified by the Council of Europe's anti-money laundering watchdog MONEYVAL. MONEYVAL prepared a mutual evaluation report on the jurisdiction in 2016, concluding that its beneficial ownership regime was only moderately effective.

The territory's government proposes the following changes:

- instead of three months, beneficial ownership details are to be provided within a week of a legal entity's incorporation
- the beneficial owner or intermediate owner must now provide their details to the legal owner within one week
- the Department for Enterprise has delegated powers to issue regulations on the 'reasonable steps' to be taken by nominated company officers, especially if a nominated company officer reports that the entity has no registrable beneficial owners, to verify the information submitted, and to remove any suspected false information from the database. The deadlines for submitting details of beneficial owners to the authorities have not yet been published.
- Other amendments will permit the extraction of anonymised data by the relevant authorities in order to assist with international reporting obligations.

This will further the jurisdiction's public commitment to deliver an effective public register of company beneficial ownership by 2023. Consultation closes on 21 October 2020..

[STEP](#)

Deloitte publications

New guidelines for man-made and natural emergencies training

The Russian Government has approved [new rules](#) for training Russian and foreign nationals and stateless persons in emergency preparedness and response to natural and man-made disasters. The new rules replace the current Government Resolution No. [547](#) of 4 September 2003 and will apply from 1 January 2021 to 31 December 2026.

Adherence to established emergency response practices has become especially important in 2020 due to the persistent spread of coronavirus and continued state of high alert in Russia. In April 2020, the Russian Code for Administrative Offences was supplemented with Article 20.6.1, which establishes liability for individuals and corporate officers for failing to comply with the rules in an existing or potential emergency, and in particular, when a state of high alert has been declared.

Read on for more details in our LT in Focus of [28 October 2020](#)

MET Increase in tax rate on ores and chemical Minerals

On 15 October 2020, Federal Law No. [342 FZ](#), which provides for an increase of the tax burden on mining companies, entered into force.

One of the Law's objectives is to increase effectiveness of MET collection, compensating and preventing the shortfall in the federal budget's revenues.

Read on to learn more in our LT in Focus of [23 October 2020](#)

Ministry of Finance initiates a revision of tax burden on oil & gas and mining companies

On 30 September, the Russian State Duma held the third reading of Bills No. 1023275-7, No. 1023276-7, and No. 1023277-7, which provide for an increase of tax burden on oil and gas and mining companies.

The legislative package is aimed at generating additional fiscal revenue to compensate undercollection: in January–August 2020, the total tax revenue decreased by 12 percent YoY1.

The main provisions of the bills are expected to enter into force in 2021.

Read on for more details in our LT in Focus of [1 October 2020](#)

In the Circle of Trust: who is to keep the Cypriot privileges?

Further to the President's instructions to hike tax on dividends and interest paid out to "transit" jurisdictions, Russia initiated amending the tax treaty with Cyprus.

After a series of talks, two countries did manage to find common ground.

A protocol on amendments was signed on 8 September 2020.

Despite the increase of the dividend and interest tax rate to 15 percent, benefits will still be preserved in certain instances

Read on to learn more in our LT in Focus of [4 September 2020](#)

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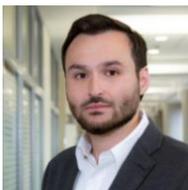
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