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21-27 September 2020

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Legislative initiatives

COVID-19-driven stay of aliens in Russia extended until 15 December 2020

The running of period of temporary stay, temporary or permanent residence, and residence registration of foreign nationals in Russia has been suspended, if such period expires during the above-mentioned period.

Foreign nationals will be allowed to exit Russia for their country of origin (without transit through other foreign countries) based on qualifying IDs that expired after 14 March 2020.

The presidential order entered into force as of 16 September 2020.

ConsultantPlus

Citizens arriving from overseas by air must self-isolate pending their COVID-19 test results

Starting from 24 September 2020, Russian nationals arriving from abroad by air must have a PCR test within three days of arrival and self-isolate until the test results are ready.

ConsultantPlus

Ministry of Economic Development proposes simplifying currency regulations for Russian service exporters

A proposal submitted to the Government sets forth the instances where resident suppliers of qualifying services are not required to credit FX earnings to their bank accounts, if such earnings are set off against payables under international service contracts.

Companies, especially in the IT sector, that are unable to set off their liabilities, have to bear extra costs. To be able to transfer their earnings, they have to prepare documents to credit FX or rouble earnings to their bank accounts with authorised banks, which generates additional expenses for bank fees.

Once the government resolution takes effect in 2021, Russian exporters of IT and educational services will not have to credit FX earnings to their bank accounts, if they are used to fulfill obligations to foreign counterparties.

The list of qualifying services for which the offset of obligations is permitted is planned to be expanded in the future.

Official website of the Ministry of Economic Development

Ministry of Economic Development proposes transition to paperless document flow

A bill that regulates conversion and storage of electronic documents and creation of electronic and physical duplicates was submitted to the Government.

In particular, the bill:

- enables creation of electronic duplicates equivalent to the original paper documents subject to certain conditions
- enables conversion of electronic documents into other formats, such converted documents to be considered equivalent to the originals subject to certain conditions
- regulates creation and storage of electronic duplicates by accredited companies
- establishes general requirements for storage of electronic documents
- permits reducing the retention period of paper documents (generally, to one year) subject to creation of electronic duplicates and some other conditions.

The bill will apply to all legally binding documents, unless other relevant regulations provide otherwise.

Official website of the Ministry of Economic Development

Russia wraps up repatriation programme for nationals stranded abroad

As of 21 September, Russia stops flying back Russians stranded abroad due to the COVID-19

Outbreak, as they can now return using the resumed regular air service.

Official website of the Russian Government

Bill discontinuing export duty exemptions for certain types of oil passes first reading

The bill proposes cancelling export duty exemptions for heavy crude oil and crude oil with non-standard physical and chemical properties starting from 1 January 2021.

The bill was developed with a view to optimising the tax benefits for oil companies and disables the use of special formulas for calculating the export customs duties that are currently applied to heavy oil with in-situ viscosity of at least 10,000 millipascal-secondsYet, according to another bill, for some deposits, for which the exemption will be discontinued, companies will be able to shift to the added income tax (AIT) regime.

Official web site of the State Duma

Bill changing MET formula for certain types of mineral resources and expansion of deposits whose licensees qualify for AIT passes first reading

The bill raises MET for metals and chemical companies 3.5 times.

At the same time, a rent coefficient Crent (Крент) of gas is set for potassium salts, apatite-nepheline, apatite and phosphorite ores, conditioned ores of ferrous and non-ferrous metals, rare metal ores, mining chemical non-metallic raw materials, natural salt and pure sodium chloride, mining non-metallic minerals, concentrates and other intermediate products (excluding those containing gold and silver), multicomponent complex ores and their components (excluding precious and rare metals), as well as a number of other minerals (excluding the widespread ones). For other minerals, the coefficient will amount to one.

The document establishes the rules for determining the minimum gas price for MET purposes in the absence of a fixed gas price for the production region and proposes discontinuing the MET benefits (reduced MET and export duty) for depleted deposits and for heavy oil.

Taxpayers operating deposits qualifying for export duty exemptions. The deposits fully or partially located within the borders of the North Caucasian Federal District, Sakhalin Region (with the exception of offshore hydrocarbon deposits, as well as deposits partially located within the borders of internal sea waters and/or territorial sea waters of the Russian Federation) were included in Group Three for AIT purposes.

The provisions are expected to enter into force as of 1 January 2021 except for the AIT provisions that will take effect after a month from the date of publication.

Official website of the State Duma

Russian State Duma holds first reading of bill on antitrust compliance

The bill establishes a MET deduction for oil production on licensed blocks, which in aggregate meet the following criteria: are located in areas belonging to Khanty-Mansi Autonomous Okrug–Yugra; their licences are valid until 1 January 2018; have one billion tonnes or more of recoverable oil reserves as at 1 January 2018; are subject to signing investment agreements with the Ministry of Finance and the Ministry of Natural Resources for three to 12 years. The total deduction for all hydrocarbon deposits is established by the relevant investment agreement and may not be higher than RUB 3,830 million for one tax period, if the price of one barrel of oil in this period was higher than the benchmark set in Paragraph 4, Article 96 of the Russian Budgetary Code.

Official web site of the State Duma

Initiative to simplify visa procedures for foreigners with Russians in their extended family

A respective bill was submitted to the Russian State Duma.

According to the bill, foreigners having Russians in their extended family will not require an invitation to get a Russian visa, but only an application from the respective family member.

The bill extends validity of multiple-entry visas to one year.

Furthermore, the qualifying foreign nationals’ total stay in Russia will no longer be limited to 90 days within each period of 180 days.

Official web site of the State Duma

Jewellery labelling timeline outlined

The date was announced at the Moscow’s J-1 Jewellery Show by the Ministry of Finance and the Federal Assay Chamber.

- The soft launch of the system is scheduled for 1 December 2020, when personal accounts will be opened.
- Labelling will be voluntary first, but will be mandated as of 1 January 2021
- Starting from 1 July 2021, only the labelled jewellery will be admitted to the market.

Official website of the Russian Ministry of Finance

Federal Tax Service calls for updating list of automatic information exchange relationships

Nigeria and Turkey can be added to the list.

Federal draft legislation portal

Bill on changes to TP agreement signing procedure submitted to State Duma

The following changes are proposed:

- to clarify the criteria of controlled international export transactions in qualifying goods (oil, ferrous and non-ferrous metals, mineral fertilisers, precious stones and metals)
- to clarify the rules for calculation of income when a party to the transaction does not assess CIT in accordance with Chapter 25 of the Russian Tax Code or if the transaction was carried out through an agent
- to enable the tax authorities to initiate checks of controlled transactions irrespective of ongoing tax audits, including technology support
- to ensure that taxpayers do not need to attach to requests for advance pricing agreements ("APA") the documents that the tax authorities already have at disposal
- to clarify the calculation of deadlines for submitting the documents requested by the FTS for APA signing purposes or revised APA to avoid delays in signing
- to extend consideration deadlines for APAs involving a foreign tax administration from nine to 27 months
- to prevent the postponement of APA signing each time when the taxpayer is requested to provide extra documents, including by the FTS
- to enable taxpayers to sign the APAs not involving foreign tax administrations without having to repay the stamp duty
- when signing the APAs involving a foreign tax administration, to enable applying pricing methods of the respective foreign state concurrently with those prescribed by the Russian Tax Code
- to streamline reporting of changes in the taxpayers' participation interest in foreign entities.

Official web site of the State Duma

Bill on streamlining tax monitoring submitted to State Duma

The bill introduces the following changes:

- tax monitoring eligibility thresholds have been lowered from RUB 300,000 million to RUB 100 million for past year's taxes (which includes personal income tax and social contributions) and from RUB 3 billion to RUB 1 billion for total income and asset value
- the review of VAT and excise tax refunds claimed in tax returns, as well as the review of returns amended to report higher or lower tax liabilities, will be included in the scope of tax monitoring
- companies using the tax monitoring regime will be entitled to reclaim VAT/excise tax on a declaration basis.

Official web site of the State Duma

Moscow resumes restrictions as COVID-19 cases grow

Starting from 28 September 2020, 65+ seniors and individuals suffering from chronic diseases are urged to self-isolate except in special cases (seeking medical help, going to work/nearest store/pharmacy, etc.).

Companies are advised to:

- resume the work-from-home regime, primarily for high-risk employee categories
- adopt local policies establishing the number of employees who can work remotely or on site
- take measures aimed at minimising office attendance.

The regulatory authorities were instructed to strengthen control over employers' compliance with the public health requirements (body temperature monitoring, COVID-19 tests).

Restrictions on holding public events and mandatory wearing of masks and gloves in public places, as well as the social distancing requirements, remain in place.

Official website of the Moscow Mayor

Media review

Ministry of Economic Development to establish and maintain national register of IT startups

The ministry proposes creating a register of tech startups that are government support recipients.

The register is conceived as a basic digital startup support platform, which will accumulate disparate data from databases of public authorities and organisations.

With the permission of a startup, all stakeholder companies and development institutions will have access to its digital footprint, which should speed up the process of applying for and obtaining government support and will enable the Government to monitor startups and have understanding of their needs for support.

Kommersant

Ministry of Industry and Trade to mandate labelling of strong alcohol

Labelling of strong alcohol will be mandated after labelling of beer has been introduced, said Denis Manturov, Minister of Industry and Trade.

Izvestiya

Ministry of Finance to update crypto currency regulations

The Ministry of Finance plans to discuss with the stakeholders a new crypto currency regulation package, which is to be adopted in view of enactment on 1 January 2021 of the law “On digital financial assets”.

The package includes amendments to the Criminal, Criminal Procedure, Administrative Offences, and Tax Codes and the law “On prevention of money laundering”.

According to the amendments, an individual or a company that received more than RUB 100,000 worth of digital currency in a calendar year must report transactions in such assets and respective balances to the tax authorities.

Non-compliance will result in a fine of 30 percent of the crypto asset’s value, but at least RUB 50,000.

Non-declaration of a crypto wallet with annual transactions exceeding RUB 1 million can be a criminal offence punishable with an imprisonment of up to three years.

There are still no final decisions on the regulation of digital currencies, strong oversight and complete ban being the two options offered by the international practice and the FATCA recommendations.

Kommersant

International tax news

Netherlands releases tax plans for 2021

On 15 September 2020, the Dutch Ministry of Finance published the government’s tax plans for 2021.

The bill includes the following legislative proposal:

- the previously planned reduction of the headline tax rate on corporate income exceeding EUR 200,000 would be reversed, leaving the rate at 25 percent. The planned reduction of the “step-up rate” to 15 percent would take place; this rate would apply to the first bracket of taxable profits only. The ceiling for the first bracket would be increased to a taxable amount of EUR 245,000 in 2021 and EUR 395,000 in 2022
- the effective corporate income tax rate for qualifying income from the innovation box would be increased from 7 percent to 9 percent as from 1 January 2021
- corporate income taxpayers would be permitted to report a reserve in their 2019 corporate income tax return for losses they expect to incur in financial year 2020, provided the losses are the result of the economic consequences of the coronavirus (COVID-19) pandemic.

The bill will be discussed by parliament, but it is expected to be finalized by the end of 2020, taking effect as from 2021.

- In addition, the state secretary announced that the following are planned:
- a bill to amend the rules relating to the arm's length principle (in the spring of 2021)
- research on the introduction of a capital deduction in combination with a restriction of the earnings stripping rule

- a bill to introduce an (additional) dividend withholding tax for payments to listed low-tax and non-cooperative jurisdictions (in the spring of 2021).

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Proposal to ratify agreement on tobacco excise policy for EAEU

The harmonisation of tobacco excise tax rates within the EAEU will be ensured by establishing:

- a single indicative excise tax rate
- a five-year period to reach the indicative rate
- ranges of deviation of the effective excise tax rate from the indicative one (“deviation range”).

The indicative rate and deviation ranges will be approved every five years, starting from 2024.

The agreement proposes setting the indicative rate at EUR 35 per 1,000 cigarettes and the maximum deviation – at 20 percent (up or down).

Official web site of the State Duma

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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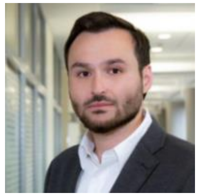
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