



LT Digest

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News of the day

Russia to terminate tax treaty with Malta

A notice of the development of a respective bill was posted on the federal draft legislation portal.

In mid-April 2020, the Ministry of Finance approached Malta with double tax treaty amendments, envisaging a WHT increase to 15 percent.

Similar letters were sent to finance ministries of Cyprus and Luxembourg.

Most likely, the bill was driven by Malta's reluctance to accept the change.

According to the existing provisions, to exit the tax treaty starting from 1 January 2021, Russia must serve a respective written notice to Malta by 30 June 2020.

[Federal draft legislation portal](#)

Legislative initiatives

Traceability pilot for certain imported goods extended

Scheduled to end on June 30, the pilot will now run until 31 December 2020.

[Consultant Plus](#)

[Russia to terminate tax treaty with Malta](#)

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[Bill on phasing out currency repatriation requirements for non-resource exporters developed](#)

[Government eases entry requirements for foreign specialists](#)

[Distressed distributors of excisable goods to receive Government subsidies](#)

[CBR prolongs certain post-pandemic support measures](#)

[Ministry of Communications and Mass Media calls for cancelling VAT exemption on software distribution](#)

[Federal law signed introducing traceability system for precious metals, gemstones, items made from them](#)

Bill on phasing out currency repatriation requirements for non-resource exporters developed

The bill prepared by the Ministry of Finance proposes:

- phasing out the requirement to repatriate currency earnings under international non-resource export contracts as well as currency-denominated up-front payments under defaulted export contracts:
 - from 2021 – for up to 10 percent of the contract value
 - from 2022 – for up to 30 percent of the contract value
 - from 2023 – for up to 50 percent of the contract value
 - from 2024 – for up to 70 percent of the contract value
 - from 2025 – for the entire contract value
- permitting resident legal entities to credit currency earnings (similarly to rouble earnings) under the contracts with non-residents, for whom repatriation requirements has been waived, directly to such legal entities' foreign accounts with non-authorized banks.

The change will not apply to certain commodities (e.g., salt, pearls, coal), for which the phasing out of currency earnings repatriation requirements has been previously approved, provided that the respective export contracts are denominated in roubles.

[Federal draft legislation portal](#)

Government eases entry requirements for foreign specialists

Highly qualified foreign specialists with work permits have been allowed to enter Russia on a one-off basis.

Such foreign specialists must be included in the list submitted to the Federal Security Service and the Ministry of Interior by a federal ministry overseeing his/her employer or service recipient.

To enter, a foreign specialist will have to produce a valid employment or service contract.

[Official website of the Russian Government](#)

Distressed distributors of excisable goods to receive Government subsidies

Article 78 of the Russian Budgetary Code bans subsidising producers and distributors of excisable goods – a provision reaffirmed by the law on development of small and medium-sized enterprises.

This has caused uncertainty as to whether distributors of excisable goods formally operating in distressed industries and selling alcohol, in particular, hotels and restaurants, are eligible for subsidies.

The Government has expressly reaffirmed that such businesses are fully entitled to the subsidies offered to these distressed sectors.

[Official website of the Russian Government](#)

CBR prolongs certain post-pandemic support measures

The following measures will remain in place until 30 September 2020:

- bank accounts may be opened online by the SMEs seeking loans to maintain employee headcount
- private bank accounts may be opened online by individuals to manage mandatory payments
- banks may service clients (their representatives and beneficiaries) whose IDs have expired
- penalties for the authorised banks for failure to report qualifying transactions to currency control authorities (as per the CBR's Instruction [No. 4512-U](#) of 30 August 2017) are waived
- sanctions for legal entities for non-compliance with internal counter-insider trading requirements are waived
- sanctions for professional participants of the securities market, stock exchanges, clearing organisations, and repositories for breaching the CBR's information security requirements when granting remote access to their employees are waived.

At the same time, the CBR has discontinued some measures:

- individuals may not use expired payment cards any longer
- penalties for credit institutions failing to timely report data to credit bureaus are reinstated
- sanctions against professional participants of the securities market for overdue reporting of internal control findings and suspicious transactions to their boards of directors are reinstated.

Also, the CBR resumes inspections and preventive behavioral supervision of the organisations it is overseeing, as well as the initiation and consideration of administrative claims (depending on how the situation with COVID-19 develops).

[Official web site of the Central Bank of Russia](#)

Ministry of Communications and Mass Media calls for cancelling VAT exemption on software distribution

The proposal calls for compensating the Government's expenditure to support the IT industry voiced by the President on 23 June 2020 by cancelling the VAT exemption for software licensing and distribution.

Developers of Russian software (as per the official register) may be compensated for their losses arising due to VAT reinstatement.

Some market players expressed concerns that the initiative would significantly reduce the expected effect of the announced support measures.

[Kommersant](#)

Federal law signed introducing traceability system for precious metals, gemstones, items made from them

The document calls for using the federal integrated track & trace database to control such products across the entire value chain.

Precious metals and gemstone labelling requirements as well as the rules for maintaining the track & trace database (time, scope, and manner of data entry) will be determined by the Government (subject to the CBR's approval).

The Government will also determine the parties that are

authorised to enter data into the database, including federal ministries, the CBR, legal entities and individual entrepreneurs that are distributors of precious metals/gemstones as per the special register, and credit institutions.

According to the law, the data entered into the track & trace system are subject to extraordinary audits by the federal assay authorities.

[Official Internet Portal for Legal Information](#)

Deloitte publications

Tax benefits for investors in the Arctic Zone

On 7 July, Bills, introducing benefits for investors into new Arctic projects, passed the third reading with the Russian State Duma. An earlier enacted Federal Law No. 65-FZ of 18 March 2020 also offers benefits for investors planning to implement new projects in the Arctic (Bill No. 895543-7). The package of bills was prepared to ensure more favourable conditions for private investors and create new jobs.

Read on for more details in our LT in Focus of [9 July 2020](#)

Look-through approach and more...

A bill that is expected to introduce substantial changes in the tax

regulation was published at the federal draft legislation portal.

The most important of the proposed changes are the following:

- when using the look-through approach, only the international holding companies that are residents of special administrative districts will remain eligible for withholding tax ("WHT") benefits (the "substantial shareholding exemption")
- income from the sale of listed shares held by a company for over five years will not be eligible for the exemption
- individuals will be entitled to record in their income the dividends they receive from Russian entities through a chain of foreign intermediaries and offset the tax withheld from such payments in Russia.

Read on to learn more in our LT in Focus of [25 May 2020](#) and of [19 June 2020](#)

Immigration amnesty for foreigners in Russia extended: key points

On 15 June, President Putin signed decree No. 392, amending the previously issued Decree No. 274 'On temporary measures to regulate the legal status of foreign citizens and stateless persons in the Russian Federation due to the threat of further spread of the novel coronavirus infection (COVID-19)'. The amendments, just like the original provisions, are designed to liberalise the immigration treatment of foreign citizens and stateless persons.

Read on to learn more in our LT in Focus of [17 June 2020](#)

Dividends and customs value: to include or not to include. Court practice development.

Control over the accuracy of declared customs value has always been a priority for the customs authorities, with the focus shifting from one aspect to another now it seems to be the turn of dividends.

Read on to learn more in our LT in Focus of [9 June 2020](#)

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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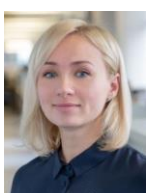
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