



LT Digest

Be in the know

Legislative initiatives

Foreign employee 2017 quotas raised for certain regions

Russian Ministry of Labour has increased foreign employee quotas for certain regions for 2017. The highest raise is granted to Moscow Region as well as for Tyumen and Irkutsk Regions. A continued increase of foreign employee quotas in 2017 was proposed by the Ministry's earlier draft [order](#) (for more details see LT of [15 February 2017](#)).

[Official Internet Portal for Legal Information](#)

Draft regulation of online sales of pharmaceuticals

The Russian Ministry of Health has prepared a draft resolution of the Russian Government aimed at regulating the online sales of pharmaceuticals. In particular, the draft provides for the following requirements:

- An online pharmacy may own one website only, with a due information security certificate in place, and must be licensed to engage in online sales of medical drugs;
- Two new types of licenses are introduced: for the online sale of pharmaceuticals and for veterinary drugs;

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- Controlled drugs, anabolics, and pharmaceuticals containing more than 30 percent of ethanol may not be sold online;
- Special requirements are set for the pharmacy's website and for the entire chain of online sales, from order placement to delivery;
- A special registry of online pharmacies is planned to be created.

[Federal draft legislation portal](#)

Ministry of Finance proposes streamlining alcohol excises

These are the Ministry's proposals:

- To introduce, as of 1 July 2017, a single excise rate for all alcohol-containing products at RUB 523 per litre of ethanol contained in excisable product. This will eliminate the tax benefits for alcohol-containing perfumes, cosmetics and household chemistry in aerosol cans (which are currently excised at a zero rate);
- To cancel exemptions for the perfumes and cosmetics in bottles under 100ml containing up to 80 percent alcohol (90 percent for spray bottles) and up to 90 percent alcohol in bottles under 3ml;
- Effective 1 July 2017, to raise the excise rates for:
 - the alcohol products containing up to 9 percent alcohol by volume (from RUB 418 to RUB 523 per one litre of ethanol);
 - beer containing over 8.6 percent alcohol by volume (from RUB 39 to 47 per litre);
 - ethanol sold by organisations that do not make advance payments of excise (from RUB 107 to RUB 523 per litre of ethanol);
 - To introduce a mechanism of guaranteeing the payment of excise with a surety agreement for alcohol and alcohol-containing products to qualify for exemption from advance payment of excise and excise on exports.

[Federal draft legislation portal](#)

Federal Tax Service to introduce Russian tax residency confirmation document

The Russian Federal Tax Service is working on an order that will introduce a document to be used to confirm the Russian tax residency.

The Order is also expected to establish the Russian tax residency verification procedure for all legal entities, individuals and individual entrepreneurs.

The document is scheduled to incept in July 2017.

The text of the draft has not yet been officially published.

[Federal draft legislation portal](#)

New EAEU customs preferences for developing countries

The Eurasian Economic Commission has approved a new and much broader list of customs preferences for goods imported to the EAEU from the developing or the least developed countries.

The list now includes food products, fertilisers, fashion jewellery, furniture, pharmaceuticals, lumber, leather goods, natural and artificial fur, cotton, silk, chemical fibers, ceramics and glass goods, ferrous metals, nuclear reactors, vessels, boats and floating structures, all types of watches, toys and sports equipment. The Commission's resolution will enter into force six months after its official publication.

[Garant: legislative tracking](#)

Members of banking groups may be allowed to exchange client data

A draft law developed by the Russian Agency for Financial Monitoring calls for allowing banking groups to internally exchange the client identification data. To facilitate the exchange, the draft requires adoption of internal control regulations including inter alia rules for storage, update and exchange on clients' data within the bank group.

The draft law also allows establishing intra-group information system.

According to the new procedure, a client's physical presence will not be required to set up a bank account, if such customer has already been identified by any of the banks in the group.

[Federal draft legislation portal](#)

Russian Government may be entitled to ban imports of certain goods

The Russian State Duma will consider a draft law entitling the Russian Government to ban the imports of certain categories of goods to Russia, namely:

Goods enjoying customs preferences of a EAEU member state that differ from the rules set by the EAEU and Russia;

Goods subject to import duties differing from the EAEU single customs tariff;

Goods that are permitted for circulation only in a particular EAEU member state;

Goods from the Russian sanction list.

The initiative is aimed at standardising the trading conditions regardless of how the goods are imported to the EAEU customs territory, types of deals or other factors.

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

International legislation news

European Commission approves new tax avoidance directive

Anti-Tax Avoidance Directive II (ATAD II) is aimed at stopping multinationals from lowering their overall tax liability by taking advantage of the differences in tax laws, called hybrid mismatches, involving non-EU countries.

New rules will enter into force as of 1 January 2020.

[Official website of the European Commission](#)

Amendments to EU Anti-Money Laundering Directive

The amendments to the EU Anti-Money Laundering Directive are proceeding along the European Union's legislative process.

The most significant changes from the previous version include:

- The EU citizens will be able to access the beneficial ownership registers (not having to prove a "legitimate interest" in the information);
- Trusts will have to meet the same transparency rules as companies, including identifying beneficial owners;

- Virtual currency platforms will have the same requirements as other payment institutions to identify their customers.

The European Parliament is expected to approve the amendments in March 2017.

[Official website of the European Parliament](#)

Clarifications from government bodies

Ministry of Finance clarifies tax treatment of payments to Cypriot shareholders

In its letter of 6 February 2017, the Russian Ministry of Finance clarified the tax effects of distributing capital surplus to the Cypriot shareholders of Russian companies.

The Ministry made the following important conclusions:

- Capital surplus distributions to the Cypriot shareholders shall be treated as Russian-sourced income;
- Such distributions do not qualify as dividends being the distribution of property, not profits;
- Unless any special provisions of the Russia-Cyprus

DTT apply to such distributions, the latter shall be governed by Article 22 "Other income", according to which they shall be taxable in the country of the recipient's tax residency;

- Therefore, the above-mentioned income is non-taxable in Russia, subject to confirmation of the beneficial ownership and tax residency.

However, the Ministry did not opine on how such payments should be treated if the Russian company reports retained earnings; in this scenario, there remains a probability of disputes with the tax authorities . The Ministry previously issued [similar clarifications](#).

[ConsultantPlus](#)

Media review

WTO denies Russia's appeal over EU pork ban

The WTO's Appellate Body reaffirmed that certain restrictions applied by Russia in 2014 were in breach of the WTO's SPS (Sanitary and Phytosanitary Measures) Agreement.

Russia banned imports of live pigs, pork and other pig products following the outbreaks of African swine fever (ASF) in certain parts of the EU in 2014, citing phytosanitary concerns.

The essence of the EU's claim was that Russia's ban applied to all EU countries, including those free of ASF. Most supplies will not be impacted by the ruling as they are banned by Russia's product embargo anyway. However, the supplies of items that are not covered by counter-sanctions, including live pigs for breeding, might resume.

[Kommersant](#)

Discussions of zeroing VAT on processed products re-export

The Russian Government is considering zeroing the VAT rates on re-exported processed products.

According to the existing procedures, the goods imported for processing purposes are subject to a full conditional exemption from the VAT and import duties. The re-exported processed products are non-VATable, while the sale of such products is subject to a regular 18-percent VAT.

New provisions will bring down the cost of exported processed products, thus boosting their competitiveness in the foreign markets.

[Vedomosti](#)

Yarovaya Law is planned to be tested

The Russian Government's experts are developing proposals on testing the so-called Yarovaya Law. Pilot participants will include at least ten mobile operators and five Internet platforms – information distributors. The pilot will cover several big cities with well-developed data transmission infrastructure, located not far from the capital.

Technological testing is expected to be completed by 1 August 2017 with results reported to the Government and the Presidential Administration.

The experts proposed finalising the telecom equipment requirements, as well as the procedure, timeline and volumes of data to be stored by mobile network operators and Internet companies, by 1 October 2017.

The experts also propose financing the law implementation costs from the state budget, allocating the required funding in 2018-2019.

[Kommersant](#)

Possible changes in audiovisual service regulations

The Russian Ministry of Communications and Mass Media suggests refining the draft law on the regulation of audiovisual services by excluding the social media and certain Internet platforms (e.g. YouTube).

The Russian Antimonopoly Service suggests that a resource be removed from the regulation's scope, if half or more of its users are Russian citizens, or if the resource operator sells Russian-made products abroad. One of the draft's key proposals (adopted in the first reading) is to ban foreign participation in the audiovisual service operators with audiences exceeding a statutory threshold.

For more details about the content of the draft, please refer to LT of [28 November 2016](#).

[RBCdaily](#)

Initiative on restructuring instead of bankruptcy

The Russian Ministry of Economic Development has prepared a draft law entitling the companies facing bankruptcy to seek business restructuring in court.

The restructuring plan must protect the interests of the debtor, its term must not exceed two years, and it must be supported by at least one class of creditors it affects.

According to the draft, the restructuring may be implemented even if opposed by some of the creditors, provided the supporting creditors have 40 percent of total votes or more.

Restructuring is viewed as an alternative to the existing bankruptcy procedure, enabling the shareholders to keep their business.

The draft law has not yet been officially published.

[Vedomosti](#)

Tobacco considered for inclusion in in Unified State Automated Information System (USAIS)

Deputy Prime Minister Alexander Khloponin has come forward with an initiative to establish a single tobacco and alcohol regulator.

The initiative calls for creating an agency that would combine the functions of combating the counterfeit products and illicit trafficking on both markets.

If the initiative is adopted, USAIS will also be used for tobacco products.

[Kommersant](#)

Deloitte publications

Russian Ministry of Finance releases clarifications on disputable CFC rules

In Letter No. [03-12-11/2/7395](#) of 10 February 2017 the Russian Ministry of Finance provided long-awaited clarifications on the controversies arising out of the application of the controlled foreign corporation (CFC) rules. The letter was released on the Ministry's website on 21 February 2017.

The document takes into account the opinion of the Russian Federal Tax Service, thus consolidating the positions of both regulators.

LT in Focus of [22 February 2017](#) provides a summary of the key clarifications on the matters that have not been previously covered by the Ministry of Finance or were deemed disputable by taxpayers.

New IT Legal Drive for January 2017

We are pleased to present a new [IT Legal Drive](#) offering an overview of the latest Russian IT and E-commerce trends and news for January 2017.

Learn about the increase of penalties for breaching personal data laws, amendments to the messenger regulations and VKontakte lawsuit against a scoring company.

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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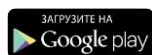


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