



LT Digest

Be in the know

Legislative initiatives

Russia Joins Multilateral BEPS Convention

On 7 June 2017, the Russian Federation among other 67 countries and jurisdictions joined the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting of 24 November 2016.

The Convention will enter into force after ratification. The first amendments to the Russian tax treaties are expected to come into effect in the beginning of 2019.

Read more in Legislative Tracking in Focus of [14 June 2017](#).

Draft law aimed at streamlining taxation of controlled transactions developed

A draft law introducing material amendments to the Russian Tax Code provisions governing the taxation of controlled transactions was officially released on 7 June 2017.

The proposed amendments repeal the reporting requirements for immaterial transactions, enable the involvement of local tax authorities in transfer pricing audits, and regulate the signing of pricing agreements to

[Russia Joins Multilateral BEPS Convention](#)

[Draft law aimed at streamlining taxation of controlled transactions developed](#)

[Russian State Duma considers package of draft laws](#)

[Ministry of Communications and Media calls for re-defining "cross-border data transfer"](#)

[Draft law to ban Internet resources allowing to access blocked websites](#)

[Legislative Committee approves draft law on tax-free regime in Russia](#)

[Central Bank of Russia to ease foreign exchange \(FX\) control requirements](#)

[Russian Federal Tax Service develops format of request to waive Russian tax residency for individuals](#)

[Criteria of information resources with \(mostly\) user-uploaded audiovisual content developed](#)

[Eurasian Economic Committee to approve regulation governing control of customs value of goods imported into EAEU](#)

[CBR's key rate lowered](#)

[Russian Government to extend 10-percent VAT rate for domestic flights until 31 December 2020](#)

[Russian Ministry of Finance considers tax reform proposals put forward by business ombudsman Boris Titov](#)

[Russian Ministry of Finance clarifies taxation of dividends payable to foreign entity's permanent establishment](#)

[Russian Federal Tax Service updates its clarifications of applicability of beneficial ownership notion](#)

[Russian Ministry of Finance clarifies procedure for verification of property tax benefits for High energy efficiency class](#)

[Russian Ministry of Finance points out absence of liability for taxpayer for non-reporting its exit from foreign company](#)

[Ministry of Finance clarifies tax accounting for assets received from liquidation of subsidiary](#)

[Russian Ministry of Finance clarifies at-source taxation of interest on loan assigned to Cypriot company by Russian lender](#)

[Russian Ministry of Finance clarifies taxation of interest on controlled debt owed to foreign entity \(under tax treaties with Austria and Germany\)](#)

[Russian Ministry clarifies tax treatment of income received by foreign founding shareholder from voluntary reduction of subsidiary's capital](#)

[Russian Ministry of Finance clarifies assessment of personal income tax in instances when OOO's capital is increased by allocating retained earnings to members' stakes](#)

international transactions involving a tax authority of a foreign state.

The public discussions of the draft will continue until 5 July 2017.

Read on for more details in Legislative Tracking in Focus of [15 June 2017](#).

[Federal draft legislation portal](#)

Russian State Duma considers package of draft laws

The Russian State Duma has considered the following draft laws:

- Draft Law No. [174692-7](#) on telemedicine has passed the first reading (for more details, please refer to LT Digest, [15 – 19 May 2017](#))
- Draft Law No. [1020371-6](#) on banning the purchase of federal and municipal property for offshore companies has passed the second reading (for more details, please refer to LT of [18 March 2016](#))
- Draft Law No. [139186-7](#) on protection of rights of home buyers in 214-FZ construction projects has passed the first reading (for more details, please refer to LT Digest, [3 - 9 April 2017](#))
- Draft Law No. [126869-7](#) regulating the online aggregator activities has passed the first reading (for more details, please refer to LT Digest, [17 - 26 March 2017](#))
- Draft Law No. [184222-7](#) regulating online messenger operations has passed the first reading (for more details please refer to LT Digest, [22 - 28 May 2017](#))
- Draft Law No. [107145-7](#) aimed at combating the illegal online distribution of audiovisual works has passed the second reading
- Draft Law No. [939-7](#) offering to reduce the simplified taxation regime rate and to ease the regime application restrictions was rejected
- Draft Law No. [27293-7](#) granting additional employment guarantees to mortgage borrowers was rejected
- Draft Law No. [1013570-6](#) aimed at streamlining the recovery of customs payments and penalties was rejected.

Official website of the Russian State Duma

Ministry of Communications and Media calls for re-defining “cross-border data transfer”

According to the Ministry, cross-border data transfer should mean the transfer to a foreign jurisdiction, while the existing regulations define it as a “transfer abroad to an authority of a foreign jurisdiction, a foreign individual or legal entity.”

In other words, personal data transfer to a Russian person abroad does not qualify as a cross-border transfer.

According to the existing laws, the cross-border data transfer failing to guarantee due protection to the data subject’s rights can be permitted subject to such personal data subject’s written consent, by virtue of the international treaty Russia is a party to, or for the purposes of a contract the data subject is a party to.

[Russian Ministry of Finance clarifies tax treatment of fair value of equity stake paid to foreign shareholding upon its exit from Russian entity](#)

[Russian Ministry of Finance clarifies application of zero tax rate on dividends from subsidiary merged with another entity](#)

[Internet Initiatives Development Fund to draft big data law](#)

[Draft law offering profit tax benefits to investors developed](#)

[Blockchain planned to be used in mortgage-based securities transactions](#)

[Draft law on regulation of online messengers rejected by Russian State Duma Committee](#)

[Russian Ministry of Construction, Housing, and Utilities proposes flat rate contributions to compensation fund of 214-FZ project developers](#)

[Outlook on transition to best available technologies](#)

[Initiative to label beer and beer-based drinks discussed by Russian Government](#)

[Consortium for development of new types of transport set up](#)

[Russian Supreme Court acknowledges customs authorities’ right to adjust customs value where declarant fails to submit additional documents](#)

[IRS revamps FATCA registration system to enable renewal of FFI agreements](#)

According to the proposed re-wording, any transfer of personal data abroad can be actually treated as cross-border.

[Federal draft legislation portal](#)

Draft law to ban Internet resources allowing to access blocked websites

The owners of such websites will have 30 days to comply with Roskomnadzor's requirement to cease the redirection of users to banned websites. In the event of failure to comply with the requirement, the regulator will be able to restrict access to such resources on an out-of-court basis.

The draft also proposes obliging the search engine operators to exclude the websites blocked in Russia from search results. The list of such banned websites will be provided to the search engine operators.

The penalties of up to RUB 700,000 for failure to comply with the above-mentioned requirements will be introduced by Draft Law [195449-7](#) to be considered by the Russian State Duma.

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

Legislative Committee approves draft law on tax-free regime in Russia

For more details about the content of the draft, please refer to LT Digest, [27 March – 2 April 2017](#).

[Official website of the Russian Government](#)

Central Bank of Russia to ease foreign exchange (FX) control requirements

In particular, the regulator proposes to simplify the foreign exchange operations for residents:

- To replace transaction passports with mandatory contract registration under unique numbers with authorised banks
- To introduce an expedited contract registration procedure for resident exporters (one day)
- To repeal the submission of FX transaction statements to authorised banks, but preserve the requirement to submit source documents
- To release the residents from the obligation to submit source documents for contracts with non-residents worth under USD 1,000

The proposed amendments will ease the FX paperwork burden for residents, which will result in fewer grounds for administrative sanctions, facilitate the interaction between the residents and the banks, reduce the timelines of export operations, and redistribute the FX control responsibilities from the residents to the authorised banks.

The document is expected to enter into force on 1 December 2017 and to replace the CBR Instruction No. 138-I of 4 June 2012.

[Official CBR website](#)

Russian Federal Tax Service develops format of request to waive Russian tax residency for individuals

The form is developed following the adoption of Federal Law No. [58-FZ](#) of 3 April 2017, which entitles the sanctioned individuals to surrender their Russian tax residency.

For more details about the content of the law, please refer to LT Digest, [6 - 16 March 2017](#).

The new form is expected to be used as of July 2017.

[Federal draft legislation portal](#)

Criteria of information resources with (mostly) user-uploaded audiovisual content developed

In particular, such criteria set forth that:

- An information resource shall feature a functionality enabling the user to upload, delete, and/or edit the posted audiovisual content on the basis of user agreement
- An information resource shall have the audiovisual content placed by parties other than the operator(s) of such resource on the basis of a user agreement
- The placement and distribution of content, such as films, television channels, and television shows under agreements with right holders shall not be the principal service of such information resource

The compliance with such criteria must be verified by Roskomnadzor on the basis of a notice filed by the information resource operator.

As a reminder, the amendments to Federal Law "On information, information technologies and information protection", including the provisions restricting the foreign shareholding, do not apply to the audiovisual services where the content is mainly uploaded by users (for more details, please refer to LT in Focus of [12 May 2017](#)).

[Federal draft legislation portal](#)

Eurasian Economic Committee to approve regulation governing control of customs value of goods imported into EAEU

The current controlling procedures are governed by Resolution of the Customs Union Commission No. [376](#) of 20 September 2010, which regulates:

- The controls over customs value of goods prior to release
- The additional checking procedures
- The controls over customs value of goods upon release

The new regulation unifies the approach towards controlling the customs value of products imported into the EAEU.

The Resolution is expected to enter into force after the EAEU Customs Code Agreement of 11 April 2017 becomes operational.

[Official website of the Eurasian Economic Committee](#)

CBR's key rate lowered

On 16 September 2016, the Central Bank of Russia announced the key rate decrease from 9.25 to 9 percent.

[Official CBR website](#)

Russian Government to extend 10-percent VAT rate for domestic flights until 31 December 2020

A respective draft law must be developed by September 2017.

Clarifications from government bodies

Russian Ministry of Finance considers tax reform proposals put forward by business ombudsman Boris Titov

The proposals are aimed at further deoffshorisation of the Russian economy; Boris Titov submitted them back in April 2017.

Most of the initiatives were rejected by the Ministry:

- To tax only the CFCs which source over 50 percent of their revenues in Russia: according to the Ministry, this mechanism might facilitate tax evasion
- To disclose the full chain of title to real estate (up to the ultimate individual beneficiary) and apply a multiplier of 3 for failure to do so: the Ministry did not support the use of a multiplier; however, it admitted the possibility of increasing the penalties for non-disclosure of beneficiaries by foreign corporations who own real estate in Russia
- To tax passive income at a default rate of 20 percent and to allow the DTT benefits only once the beneficiaries are fully checked by the tax authorities: the proposal was rejected as increasing the tax authorities' workload
- To treat the profit received from non-arm's length pricing of cross-border transactions as dividends subject to withholding tax at a maximum rate: the Ministry noted that the double taxation occurring from profit adjustment can be eliminated by applying the respective DTT provisions
- To deny export VAT refund until the entire customer chain is disclosed: the Ministry objected that procedures required to check the eligibility for the refund are performed as part of the existing tax controls
- To introduce lump-sum taxation regime for high-net-worth individuals: according to the Ministry, the approach prevents taxation from reflecting the real economic benefit received by an individual

In response to the proposal to impose administrative and criminal sanctions on corporations failing to repatriate the funds used to finance loans to non-residents, the Ministry noted that the Russian State Duma is already considering a similar draft law.

The Ministry also plans to amend the existing CFC laws to:

- Refine the procedure of determining the losses from certain operations incurred prior to the enactment of the CFC rules for loss carryforward purposes
- To refine the procedure of verifying the tax paid by a CFC under the laws of a foreign state where the CFC's profit tax is assessed by a third party, but not

According to the existing Russian Tax Code provisions, an 18-percent rate must have been applied starting from 1 January 2018.

Furthermore, the Russian Government has tasked the experts with considering the pros and cons of zeroing VAT on this type of service.

[Official website of the Russian Government](#)

by the CFC itself.

[Consultant Plus](#)

Russian Ministry of Finance clarifies taxation of dividends payable to foreign entity's permanent establishment

The Ministry released a letter with a number of important statements:

- Dividend income payable to the Russian permanent establishment (PE) of a foreign entity and attributed to such PE's operations is taxed at a rate of 15 percent as directly indicated by the Russian Tax Code
- Participation exemption will be inapplicable in the above-mentioned situation
- If the dividends cannot be attributed to the PE's operations, tax benefits of the respective DTT may apply

However, the Ministry did not specify the criteria of "attributing the income to PE's operations", which may give rise to tax disputes, if lower tax rates are applied in accordance with the DTTs.

We are aware of one such case in which the court rewarded the claim to the taxpayer citing the tax authorities' failure to provide proof of the PE's authority to dispose of received dividends at its own discretion (Case No. [A64-3695/2016](#)).

[Garant: Prime](#)

Russian Federal Tax Service updates its clarifications of applicability of beneficial ownership notion

The Federal Tax Service ("FTS") has updated its Letter No. [CA-4-7/9270@](#) of 17 May 2017 "On the court practice in proceedings relating to the wrongful application of withholding tax benefits by withholding agents."

In particular, it excluded the earlier instructions to the tax authorities to use the Letter as a guidance when auditing the rightfulness of DTT benefits applied by withholding agents with respect to the Russian-sourced profit tax charged on foreign entities, which actually means that the Letter will now be used for reference only.

For more details about the content of the draft, please refer to LT in Focus of [1 June 2017](#).

[Garant: Prime](#)

Russian Ministry of Finance clarifies procedure for verification of property tax benefits for High energy efficiency class

The Ministry has reminded that the owners of newly built properties of the High energy efficiency class (including non-residential buildings and premises) are entitled to lower tax rates (subject to the availability of energy efficiency certificates for the properties) which they can claim within three years of the state registration of such property.

A similar position was expressed by the Ministry in its Letter No. [03-05-04-01/5599](#) of 2 February 2017 (for more details, please refer to LT of 13 February 2017).

The Ministry underlined that the lower rates cannot be applied unless an energy efficiency certificate confirming the High energy efficiency class is in place at the time of property registration and that the benefit cannot be claimed if the certificate is received later on as the property will no longer qualify as newly built.

The court practice, however, attests that obtaining an energy efficiency certificate after putting the property in operation does not disallow the tax benefit (case No. [A60-7484/2017](#)).

[Consultant Plus](#)

Russian Ministry of Finance points out absence of liability for taxpayer for non-reporting its exit from foreign company

The Ministry has clarified that the liability envisaged by Item 2, Article 129.6 of the Russian Tax Code arises when a taxpayer fails to notify the tax authorities of its interest in a foreign entity exceeding 10 percent.

Given the scope of information which is disclosed upon termination of shareholding in a foreign entity (on absence of such shareholding), the tax liability does not arise if such information is not provided.

[Official Ministry of Finance website](#)

Ministry of Finance clarifies tax accounting for assets received from liquidation of subsidiary

According to the Ministry, property received by a shareholder in liquidation of its subsidiary shall be treated as gratuitously received property, therefore, the initial value of such property will be assessed as per Article 250 of the Russian Tax Code, i.e. as the property's fair market value.

The regulator has previously issued similar clarifications (see Letters No. [03/-03/-06/1/59547](#) of 24 November 2014 and No. [03-03-10/99](#) of 11 October 2011).

[Consultant Plus](#)

Russian Ministry of Finance clarifies accounting treatment of liquidation proceeds

The Ministry has advised that the distribution of liquidation proceeds among shareholders meets the definition of dividends envisaged by Item 1, Article 43 of the Russian Tax Code. Therefore, if the value of assets received in liquidation exceeds the shareholders' equity interest in the liquidated company, such excess will be treated as dividends.

The Ministry has previously expressed a similar position (e.g. in its Letters No. [03-03-06/1/8913](#) of 16 June 2017 and [03-03-06/2/21409](#) of 14 July 2016).

However, in its ruling on case [A44-7157/2016](#) the court did not treat the liquidation proceeds in excess of equity interest as dividends, qualifying them as 'other income'.

[Consultant Plus](#)

Russian Ministry of Finance clarifies at-source taxation of interest on loan assigned to Cypriot company by Russian lender

The Ministry has clarified that tax on the interest paid to a new lender who is a Cypriot resident, including the interest accrued prior to assignment of the debt, shall be withheld in accordance with the provisions of Article 11 of the DTT between Cyprus and Russia.

Therefore, in the described scenario, the interest shall be taxed in Cyprus only, subject to submission of the documents specified in Article 312 of the Russian Tax Code to the withholding agent.

However, the Ministry did not comment on the scenario when the loan assigned had been previously treated as controlled debt, i.e. when a portion of accrued interest was re-classified into dividends according to the thin capitalisation rules. The question of at-source taxation under such circumstances remains open.

[Consultant Plus](#)

Russian Ministry of Finance clarifies taxation of interest on controlled debt owed to foreign entity (under tax treaties with Austria and Germany)

The Ministry has clarified that if the interest income received by a foreign lender from a Russian source is treated as dividends according to Item 4, Article 269 of the Russian Tax Code, it may be taxed according to Article 10 of the Tax Treaty, i.e. at a 5-percent rate, subject to compliance with the shareholding requirements.

According to the Ministry, to value a foreign shareholding in a Russian company, the part of the loan issued by such foreign entity to the Russian company that is treated as capital can be taken into account.

The opinion was formed on the basis of Paragraph 15 of the Commentary to Article 10 of the OECD's Model Convention on Income and Capital, which sets forth that if income derived from a loan is treated as dividends (e.g., according to the thin capitalisation rules), the principal of such loan is to be treated as 'capital' for the purposes of Article 10 of the Tax Treaty.

The same opinion has been expressed by the Presidium of the Russian Supreme Court in its [digest](#) of court rulings in cases on the applicability of certain provision of Section V.1 and Article 269 of Russian Tax Code

However, the recent court decisions in similar cases have been in favour of the tax authorities. Thus, in case No. [A40-176513/2016](#) the court treated the taxpayer's continuous failure to assess the maximum interest on the controlled debt as an abuse of right and denied it the right to cite Paragraph 15 of the Commentary.

[Consultant Plus](#)

Russian Ministry clarifies tax treatment of income received by foreign founding shareholder from voluntary reduction of subsidiary's capital

The Ministry has noted that with account of the provisions of Sub-Item 4, Item 1, Article 251 of the Russian Tax Code, the shareholder's income derived from capital reduction in accordance with the Russian legislation shall be tax-exempt only inasmuch as it does not exceed its share of the capital.

If the shareholder is a foreign entity, the provisions of a respective tax treaty shall also be taken into account.

It should be noted that the Ministry referred to the general provisions of the Russian Tax Code, while the taxpayer asked specifically about the voluntary capital reduction.

The Ministry has previously advised that the income derived from a voluntary capital reduction will be subject to corporate profit tax (see Letters No. [03-03-06/1/6815](#) of 6 February 2017 and [03-03-06/2/3869](#) of 26 January 2017). However, for tax treaty purposes, such income is treated as 'other income' (see Letter No. [03-08-05/67758](#) of 17 November 2016).

[Consultant Plus](#)

Russian Ministry of Finance clarifies assessment of personal income tax in instances when OOO's capital is increased by allocating retained earnings to members' stakes

According to the Ministry, if a company increases the nominal value of membership interests with its retained earnings rather than through the revaluation of capital assets, the provisions of Item 19, Article 217 of the Russian Tax Code granting a personal income tax exemption will not apply, and the income arising from the difference between the original and the new nominal value of membership interests will be subject to the personal income tax on regular terms.

[Consultant Plus](#)

Russian Ministry of Finance clarifies tax treatment of fair value of equity stake paid to foreign shareholding upon its exit from Russian entity

According to the Ministry, the income in the form of fair value of equity stake received by a foreign shareholder upon its exiting from a Russian company shall be

treated as the income from disposal of other property.

Therefore, in accordance with the tax treaty provisions (with the Netherlands in the case under consideration), such income will be non-taxable in Russia.

In its earlier classifications, the Ministry advised that the tax on income in the form of fair value of equity stake received by a foreign entity upon its exit from a Russian company should be withheld in Russia and charged on the difference between the payment received by shareholder for its stake on exiting the company and shareholder's equity contribution.

The obligation to assess, withhold, and pay tax on a foreign entity's profit is borne by the withholding agent, a Russian company that pays out income to the foreign entity (see Ministry of Finance Letters No. [03-03-P3/8695](#) of 16 February 2017, [03-08-05/44916](#) of 1 August 2016, [03-03-06/1/63369](#) of 3 November 2015, and [03-03-06/1/29964](#) of 25 May 2015).

However, the Ministry did not specify if such difference should be treated as 'other income' or as dividends.

At the same time, there have been instances when a commercial court treated such difference as dividends (e.g., the [ruling](#) of Tula Region Commercial Court of 23 May 2017 on case No. A68-909/2017).

[Consultant Plus](#)

Russian Ministry of Finance clarifies application of zero tax rate on dividends from subsidiary merged with another entity

The Ministry has advised that if a dividend paying company is restructured by way of a merger with another entity, but the shareholder owned at least 50 percent of the company's stock prior to and after the restructuring, the dividends payable to the shareholder shall be taxed at a zero percent rate subject to compliance with the shareholding continuity test.

The Ministry has also clarified that such restructuring shall have no impact on the shareholding continuity.

[Consultant Plus](#)

Media review

Internet Initiatives Development Fund to draft big data law

The draft law is expected to describe all types of data and their combinations (including the Internet of Things), as well as the companies' rights to dispose of such information.

The document also proposes regulating the protection of the data that can be traced back to their subjects after algorithmic processing, e.g. by restricting their disposal without the user's consent.

Furthermore, the Fund plans to formalise the data exchange between the government monopolies and the

businesses and provide a simplified access to big data for startups.

The draft is a joint effort of Yandex, MTS, Megafon, X5 Retail Group, and Fintech.

Russia's largest mobile network operators and Internet companies have earlier put forward an initiative to establish a big data SRO. For more details about the content of the draft, please refer to LT Digest, [3 - 9 April 2017](#).

[Vedomosti](#)

Internet Initiatives Development Fund to draft big data law

The draft law is expected to describe all types of data and their combinations (including the Internet of Things), as well as the companies' rights to dispose of such information.

The document also proposes regulating the protection of the data that can be traced back to their subjects after algorithmic processing, e.g. by restricting their disposal without the user's consent.

Furthermore, the Fund plans to formalise the data exchange between the government monopolies and the businesses and provide a simplified access to big data for startups.

The draft is a joint effort of Yandex, MTS, Megafon, X5 Retail Group, and Fintech.

Russia's largest mobile network operators and Internet companies have earlier put forward an initiative to establish a big data SRO. For more details about the content of the draft, please refer to LT Digest, [3 – 9 April 2017](#).

[Vedomosti](#)

Draft law offering profit tax benefits to investors developed

The draft introduces a special tax deduction mechanism. According to the document, the fixed assets modernisation and reconstruction expenses will be treated as deductible, thus decreasing the profit tax amount: the regional component can be decreased by up to 45 percent of the total expenses, but not exceeding the amount of tax calculated at a five-percent rate, while the federal component can be reduced by up to five percent of the total expenses.

The benefit will only apply to the fixed assets from depreciation categories 3–7. If the benefit is applied, depreciation will not be accrued for tax purposes.

The benefit will not be available for foreign entities or Russian companies applying special tax regimes, as well as for capital project investments.

The benefits are expected to apply until 2027.

The draft law has not been officially published yet.

[Vedomosti](#)

Blockchain planned to be used in mortgage-based securities transactions

The self-regulated organisation of registrars and depositaries has developed a mechanism of using the blockchain technology in the mortgage-based securities' market.

The idea is to grant all the parties to the transaction equal data access rights across all transaction stages, which can be achieved by applying the distributed registers (databases) technology and issuing electronic mortgage certificates.

The mechanism is expected to eliminate the risks of fraud and errors that may trigger litigations as the information will now be available on a centralised basis and from the original source.

[Kommersant](#)

Draft law on regulation of online messengers rejected by Russian State Duma Committee

The draft aimed at regulating online messengers was strongly criticised by the members of the State Duma's Committee on Information Policy, IT, and Communications.

According to the Russian Federal Antimonopoly Service, the proposed approach facilitates access to user databases of the Russian mobile network operators for transnational corporations.

The Ministry of Telecommunications and Media and the Ministry of Economic Development are concerned that the initiative will force the mobile operators to charge access fees to their regular customers.

For more details about the content of the draft, please refer to LT Digest, [22 - 28 May 2017](#).

[Kommersant](#)

Russian Ministry of Construction, Housing, and Utilities proposes flat rate contributions to compensation fund of 214-FZ project developers

It is expected that contributions to the compensation fund will be charged at a flat rate of 1.2 percent of the property purchase contract value and will apply during the transition period, i.e. until 1 July 2018.

According to the draft, the developers will start paying the contributions after the adoption of a respective law, which is expected to take place during the Duma's summer session.

The obligation to establish the compensation fund formed by the developers' contributions is envisaged by Federal Law No. [304-FZ](#) of 3 July 2016, while the compensation fund itself was established in accordance with Russian Government Resolution No. [1310](#) of 7 December 2016 and was scheduled to start operating in spring 2017.

Originally, the contributions were to be charged at one percent of the property purchase contract value.

[Vedomosti](#)

Outlook on transition to best available technologies

The launch of the Engineering Centre for Green Industrial Policy and the soon-to-be completed compilation of 51 best available technology (BAT) guides have been officially announced.

An interactive BAT guide version is expected to be integrated with the Public Industry Information System along with the list of the import-substituting equipment.

According to the estimates, the transition to BAT requires an investment of RUB 8.2 trillion. The financing will be sourced from the corporate investment programmes as well as from the government support initiatives, such as reduced pollution charges and doubled depreciation rate for BAT equipment.

[Official website of the Minpromtorg of the Russian Federation](#)

Initiative to label beer and beer-based drinks discussed by Russian Government

According to the Russian Government, labelling is required to combat the illicit produce. No final decision has been made so far as the technical aspects and the timelines are yet to be discussed with all stakeholders, including the producers.

[Kommersant](#)

Consortium for development of new types of transport set up

At the St. Petersburg International Economic Forum, Maxim Oreshkin, Minister of Economic Development, signed a memorandum on the establishment of the Consortium for the Development of Autonomous, Connected, and Electric Transport.

The Consortium is meant to bring together the car market players who have a strong potential for the development of new products and services.

[Official website of the Ministry of Economic Development of the Russian Federation](#)

Court Practice

Russian Supreme Court acknowledges customs authorities' right to adjust customs value where declarant fails to submit additional documents

The Russian Supreme Court has released its Ruling of 7 June 2017 on case No. A06-8845/2014 that settles the dispute between the customs authorities and OOO Mega (the "Company") over the adjustment of customs value of goods.

The Company filed a customs declaration for goods imported into Russia, determining their customs value based on the value of the transaction.

To confirm the declared customs value, the Company submitted a supply agreement, an invoice, a bill of lading, and other documents envisaged by the transaction terms and conditions.

However, these documents were found insufficient by the custom authorities that adjusted the customs value based on the values of the transactions involving similar goods and imposed additional customs duties.

The Company's position was upheld by three court instances that found the above-mentioned documents sufficient to confirm the declared customs value, citing

that the difference between the declared value and the value of the transactions involving similar goods was not in itself a ground for adjusting the customs value.

The Russian Supreme Court ruled in favour of the taxpayer, citing the following reasons:

- The Company did not submit the additionally requested documents, such as the manufacturer's price list and the export declaration
- The Company would have met the reasonableness and prudence criteria set for the parties to business transactions, had it collected more evidence justifying the difference between the customs value of the imported goods and the value of transactions with similar goods

[Electronic Justice: commercial courts files](#)

International legislation news

IRS revamps FATCA registration system to enable renewal of FFI agreements

The Internal Revenue Service has updated its [online registration system](#) to allow foreign financial institutions to renew their agreement with the IRS.

The due date for all renewals is 31 July 2017. Those institutions, who are required to renew their FFI agreement and fail to do so by 31 July 2017, will be considered as have terminated their FFI agreement as of 1 January 2017.

IRS FATCA portal

Deloitte publications

New IT Legal Drive for April-May 2017

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

In this issue, you will learn about the federal law on regulation of audiovisual services that has come into force, the draft law on telemedicine that the State Duma passed in the first reading, and the development of rules for remote access to banking services.

Russian Ministry of Finance elaborates measures to streamline taxation of controlled transactions

A draft law introducing material amendments to the Russian Tax Code provisions governing the taxation of controlled transactions was officially released on 7 June 2017.

The proposed amendments repeal the reporting requirements for immaterial transactions, enable the involvement of local tax authorities in transfer pricing audits, and regulate the signing of pricing agreements to international transactions involving a tax authority of a foreign state.

The public discussions of the draft will continue until 5 July 2017.

Read on for more details in Legislative Tracking in Focus of [15 June 2017](#).

Russia Joins Multilateral BEPS Convention

On 7 June 2017, the Russian Federation among other 67 countries and jurisdictions joined the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting of 24 November 2016.

The Convention will enter into force after ratification. The first amendments to the Russian tax treaties are expected to come into effect in the beginning of 2019.

Read more in Legislative Tracking in Focus of [14 June 2017](#).

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

Contacts



Grigory Pavlotsky
Managing Partner
Tax & Legal
Deloitte CIS
gpavlotsky@deloitte.ru



Gennady Kamyshnikov
Managing Partner
Public Sector
gkamyshnikov@deloitte.ru



Oleg Berezin
Partner
Pharmaceuticals
oberezin@deloitte.ru



Artem Vasyutin
Partner
Travel Hospitality & Leisure
avasyutin@deloitte.ru



Yulia Orlova
Partner
Metals
yorlova@deloitte.ru



Andrey Panin
Partner
Oil & Gas,
Energy & Resources, Mining
apanin@deloitte.ru



Artem Vasyutin
Partner
Retail, Wholesale & Distribution
avasyutin@deloitte.ru



Vasily Markov
Director
Technology,
Media & Telecommunications
vmarkov@deloitte.ru



Tatiana Kofanova
Director
Automotive
tkofanova@deloitte.ru



Alexander Sinitsyn
Director
Banking & Securities,
Insurance
asinitsyn@deloitte.ru



Yulia Krylova
Director
Real Estate
ykrylova@deloitte.ru



Oxana Zhupina
Director
Food, Beverages & Agriculture
ozhupina@deloitte.ru

TaxSmart app



deloitte.ru

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 244,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.