



## LT Digest

### Be in the know

#### Court practice

##### Federal Tax Service releases digest of tax litigations for 3Q 2018

The digest includes the following judgements:

- Ruling of the Russian Constitutional court No. [1717-O](#) of 17 July 2018, indicating that provisions of Article 54.1 of the Russian Tax Code apply to the desk audits of tax returns filed after the enactment of the provisions as well as to the field tax audits of controlled transactions initiated after the enactment of the provisions
- Ruling of the Russian Supreme Court No. [309-KG18-6366](#) in case No. A50-16961/2017, citing that the jurisdiction of the Russian Federation generally applies to all income in the form of dividends, interest, royalty, etc., not attributable to the Russian operations of a foreign entity (works, services, property rights), sourced in the Russian Federation

If income payable to a foreign entity is not expressly classified as taxable in Para 1 Article 309 of the Russian Tax Code, the tax authorities will need to prove that the payments are classified as passive income and are sourced in the Russian Federation, if the dispute over the Russian company's withholding liabilities arises

Since the courts found that commercial services had not been provided and were not intended to be

[Federal Tax Service releases digest of tax litigations for 3Q 2018](#)

[President of Russia signs package of bills into federal laws](#)

[Russian State Duma considers package of bills](#)

[Double Tax Convention between Russia and Japan enters into force](#)

[Vologda region to introduce profit tax investment deduction](#)

[Ministry of Finance proposes simplifying currency controls for sanctioned companies](#)

[Russian State Duma to consider Russia's accession to 2002 Protocol to Athens Convention relating to the carriage of passengers and their luggage by sea](#)

[Russian Government approves signing of Protocol amending Convention for Protection of Individuals with regard to Automatic Processing of Personal Data](#)

[Russian State Duma to consider bill on criminal prosecution for mediation in illegal receipt of country admission permits](#)

[Ministry of Finance clarifies tax treatment of shareholder's income from foreign subsidiary's capital reduction](#)

[Federal Tax Service clarifies certain provisions of Russian Government Resolution No. 693 of 16 June 2018 "On implementation of automatic exchange of financial account information with foreign competent authorities"](#)

[Ministry of Finance comments on notifications on controlled transactions entered into prior to merger](#)

[Ministry of Finance clarifies applicability of beneficial income ownership concept](#)

[Ministry of Finance clarifies accounting for dividends for profit tax base purposes](#)

[Russian State Duma to obligate online stores to accept bank cards](#)

[Government considers switching to paperless passports](#)

[Regional telecom operators lobby against cancelling payments for incoming national roaming calls](#)

[First project financing transaction using escrow accounts completed](#)

[Ministry of Finance finalises list of non-tax payments](#)

[Lawmakers discuss open data regulation bill](#)

[President of Russia sets tasks based on Eastern Economic Forum results](#)

[Initiative to change tax residency rules for individuals considered](#)

[Union of Industrialists and Entrepreneurs call for tax benefits for sanctioned companies](#)

[Independent oil companies vote against raising MET for subsidising fuel prices](#)

[Scrappage charges in auto industry might be reformed](#)

provided, the payment, unless proven otherwise, should be classified as capital distribution by the Russian company to a foreign company made on a non-repayable basis, i.e. passive income

- Ruling of the Russian Supreme Court No. [310-KG18-13643](#) in case No. A62-6588/2017, in which the court acknowledged that the provision of documents confirming the withholding of dividend tax in a foreign state did not release the withholding agent from its obligation to withhold and pay tax under Para 1(1) of Article 309 of the Russian Tax Code
- Ruling of the Russian Supreme Court No. [301-KG18-8935](#) of 12 July 2018 in case No. A11-6203/2016, in which the court acknowledged that an agreement to purchase an equity stake in a Russian entity that was further reclassified into a loan, was fraudulent and aimed at distributing profit (for more details on the courts' approach to the beneficial income ownership concept, please refer to LT in Focus of [6 June 2018](#))
- Ruling of the Russian Supreme Court No. [305-KG18-4557](#) of 3 August 2018 in case No. A40-93786/2017, in which the court concluded that the tax authorities' demanding repayment of tax arrears without factoring in the existing tax overpayment does not violate the taxpayer's rights and does not render the tax authority's decision void.

However, in the case under review, by the time the field audit was completed, the tax inspectorate knew that the amount of tax paid in 2015 was driven by the reinstatement of erroneously applied tax deduction, therefore, the misrepresentation was rectified by the taxpayer itself.

Furthermore, citing the Constitutional Court Ruling No. [17-P](#) of 3 June 2014, the court stated that the fact of erroneous VAT charges on VAT exempt transactions must not in itself entail a denial of deduction, since Para 5, Article 173 of the Russian Tax Code provides for other consequences for the seller

- Ruling of the Russian Supreme Court No. [304-KG18-5513](#) of 18 September 2018 in case No. A81-813/2017, in which the court acknowledged that an untimely filing of a statement of eligibility for a tax benefit may not entail the denial of such benefit (for more details, please refer to LT Digest of [24-30 September 2018](#))

- Ruling of the Russian Supreme Court No. [309-KG18-5076](#) of 3 August 2018 in case No. A60-7484/2017, in which the court acknowledged the inapplicability of corporate profit tax benefits to non-residential High energy efficiency class buildings
- Ruling of the Russian Supreme Court No. [305-KG18-7133](#) in case No. A40-32793/2017, in which the court recommended taking into account the findings of a tax audit of the buyer that may evidence that the non-compliant vendor is controlled by the buyer, and not the seller the tax claims were asserted against.  
The Court cited that, the tax inspectorate's representing a unified centralised state authority, it cannot make contrary judgements on the one and the same activity in different tax audits
- Ruling of the Russian Supreme Court No. [305-KG18-9064](#) of 20 September 2018 in case No. A40-154449/2017, in which the court noted that a real estate register record may not in itself serve as a ground for charging the property tax, since a title cannot exist in isolation from the property itself..

On the basis of the reviewed court adjudications, the FTS made a number of conclusions on procedural aspects:

- Stakeholders may apply to the Chairman or Deputy Chairman of the Russian Supreme Court to challenge the denial of a cassation appeal or motion hearing by the Supreme Court Judicial Panel **within two months established for cassation appeals**, the time of the appeal consideration by the cassation instance of the Supreme Court not counting (Ruling of the Russian Constitutional Court No. [31-P](#) of 12 July 2018)
- The law does not provide for any other proceedings to appeal the actions (omissions) of the tax authorities except those envisaged by the Administrative Proceedings Code (APC), including for compensation of moral damage  
However, the lower courts refused to apply the APC, citing the applicability of the civil proceedings rules (Ruling of the Russian Supreme Court of 8 August 2018 in case No. [5-KG18-140](#)).

[Official Russian Federal Tax Service website](#)

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## Legislative initiatives

### President of Russia signs package of bills into federal laws

The President of the Russian Federation signed a package of federal laws:

- Federal Law No. [362-FZ](#) of 11 October 2018, banning certain **foreign entities from participating in anti-corruption review** of statutory regulations
- Federal Law No. [355-FZ](#) of 11 October 2018, **suspending the time restrictions on adoption of new tax laws** (for more details, please refer to LT Digest of [24-30 September 2018](#))
- Federal Law No. [365-FZ](#) of 11 October 2018, expanding the list of grounds for **banning entry to foreigners** (for more details, please refer to LT

Digest of [19-25 March 2018](#))

- Federal Law No. [366-FZ](#) of 11 October 2018, clarifying the concept of counterfeit registration of foreign citizens/stateless persons for immigration purposes
- Federal Law No. [359-FZ](#) of 11 October 2018, cancelling stamp duties for the notarisation of sale transactions involving properties in
- Federal Law No. [360-FZ](#) of 11 October 2018, permitting employees with three or more children aged under 12 to take paid vacation at their convenience

*Official Internet Portal for Legal Information*

## Russian State Duma considers package of bills

The Russian State Duma considered the following bills:

- Bill No. [475538-7](#), introducing tax benefits for residents of **R&D hubs**, passed the second reading
- Bill No. [490061-7](#) on controls over particular operations with **foreign bank cards** passed the first reading (for more details, please refer to LT Digest of [18-24 June 2018](#))
- Bill No. [544565-7](#), preserving the federal tax benefits for private real estate until the tax reform completion, passed the second and third readings
- Bill No. [542736-7](#) that proposes exempting individuals from criminal prosecution for non-inclusion of CFCs' profits into their taxable earnings for another year passed the first reading (for more details, please refer to LT Digest of [3-9 September 2018](#))
- Bill No. [550262-7](#), clarifying VAT treatment of reclassification of lease into concession agreements, passed the first reading
- Bill [501801-7](#), extending the applicability of the tobacco excise multiplier to importers, passed the first reading (for more details, please refer to LT Digest of [30 June - 8 July 2018](#)).

*Official website of the Russian State Duma*

## Double Tax Convention between Russia and Japan enters into force

The Convention ratified by Federal Law No. [287-FZ](#) of 3 August 2018 entered into force on 10 October 2018.

For more details, please refer to LT in Focus of [21 September 2017](#).

[Official Internet Portal for Legal Information](#)

## Vologda region to introduce profit tax investment deduction

The deduction will be granted to companies implementing high-priority investment projects in Vologda region.

The investors that already apply the lower profit tax rates will not be eligible for the deduction.

The deduction in the amount of 50 percent of fixed asset investments will apply to fixed assets determined by the relevant investment agreement.

For the purposes of calculating the investment deduction cap, the rate of profit tax payable to the regional budget will amount to five percent.

Unused investment deduction can be carried forward for up to five consecutive future tax periods.

As a reminder, the investment deduction was introduced by Federal Law No. 335-FZ of 2017 November 2017.

The deduction has already been introduced by the Khanty-Mansy Autonomous District — Yugra (see LT Digest of [4-31 December 2017](#)), the Karelian Republic (see LT Digest of [2-8 April 2018](#)), the Yamalo-Nenets Autonomous District (see LT Digest of [22 May - 3 June 2018](#)), and the Republic of Udmurtia (see LT Digest

of [27 August - 2 September 2018](#)).

[Official website of Vologda Region Legislative Assembly](#)

## Ministry of Finance proposes simplifying currency controls for sanctioned companies

A bill to that effect was posted on the Federal Draft Legislation Portal.

The bill envisages the following changes:

- To permit sanctioned Russian residents not to use Russian bank accounts to make foreign currency or rouble payments to non-residents for the supply of goods, services, information, or intellectual property (exclusive rights) to resident/non-resident foreign bank accounts or to otherwise discharge obligations to non-residents in accordance with the established business practices and agreed foreign trade contract terms
- To exempt the sanctioned residents from the obligation to transfer their foreign currency or rouble earnings to their accounts with authorised banks in the following instances:
  - when crediting cash to a third party's (being a corporate resident/non-resident) foreign bank account(s) for the supplied goods, works, services, information and intellectual property (exclusive rights)
  - when offsetting obligations under foreign trade contracts between residents and non-residents, provided the offset was made after the sanctions had been imposed
  - when customers (non-residents) cover expenses under a resident third party's costs orders, provided the order was given to the non-resident after the sanctions had been imposed
  - when a resident assigns to a third party (resident and/or non-resident) the right to claim payments for goods, works, services, information or intellectual property supplied to non-residents, provided the assignment took place after the sanctions had been imposed
- To set forth that the resident's obligation to credit trade contract earnings to its bank account(s) and repatriate cash paid to non-residents for non-supplied goods, services, or works will be deemed discharged if the sanctions were imposed not only on the residents, but on a shareholder owning a(n) (in)direct interest of 50 percent and more in such resident

The list of residents eligible for the above-mentioned benefits will be approved by the Russian Federal Tax Services upon agreement with Rosfinmonitoring.

[Federal draft legislation portal](#)

## Russian State Duma to consider Russia's accession to 2002 Protocol to Athens Convention relating to the carriage of passengers and their luggage by sea

The Athens Convention adopted on 13 December 1974 and enacted on 28 April 1987 regulates the liability of carriers for passenger and luggage claims. In 1976, the Convention was supplemented with the Protocol.

Russia succeeded the USSR as a party to the Convention that the USSR signed in 1983.

The Athens Convention provisions are incorporated into the Russian Merchant Shipping Code setting forth guidance for the carriage of passengers and luggage by sea.

The Protocol to the Athens Convention was adopted on 1 November 2002 and entered into force on 23 April 2014.

The 2002 Protocol to the Athens Convention introduced the following important changes:

- Under the new regime, the carrier must maintain insurance or other financial security to cover the limits for strict liability for personal injury and death claims per passenger (the liability limit must be from SDR 250,000 to SDR 400,000 per passenger per each distinct occasion)
- The liability limits are set per each incident of the entire carriage, and not for the carriage as a whole
- Vessels licensed to carry more than 12 passengers are required to maintain insurance or other financial security (such as a bank guarantee) up to the strict liability limit

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

### **Russian Government approves signing of Protocol amending Convention for Protection of Individuals with regard to Automatic Processing of Personal Data**

The [Protocol](#) is aimed at streamlining the Convention

mechanisms, thus improving its efficiency.

In particular, its provisions must facilitate and safeguard cross-border data transfers.

The new provisions include an obligation to report personal data leakage. The Protocol requires a better transparency of data processing and entitles data subjects to request information relating to data processing.

The document mandates compliance with the “data protection by design” principle, encouraging companies to implement technical and organisational measures at the earliest stages of designing the processing operations.

[Official Internet Portal for Legal Information](#)

### **Russian State Duma to consider bill on criminal prosecution for mediation in illegal receipt of country admission permits**

In particular, criminal sanctions will be imposed on intermediaries assisting with illegitimate receipt of paperwork required for foreign/stateless persons’ entry or stay in or transit through Russia.

The sanctions may include penalties of up to RUB 200,000, and community service or imprisonment for up to three years.

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

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## **Clarifications from government bodies**

### **Ministry of Finance clarifies tax treatment of shareholder’s income from foreign subsidiary’s capital reduction**

According to the Ministry, Sub-Item 4, Item 1, Article 251 of the Russian Tax Code would not apply to shareholders’ proceeds from a foreign subsidiary’s capital reduction, since such reduction is not regulated by the Russian laws.

Sub-Item 4, Item 1, Article 251 of the Russian Tax Code sets forth that the profit tax base does not include income in the form of property or property rights received by the shareholder (its successor or heir) from:

- Capital reduction regulated by the Russian laws
- Company exit
- Distribution of liquidation proceeds

[Consultant Plus](#)

### **Federal Tax Service clarifies certain provisions of Russian Government Resolution No. 693 of 16 June 2018 “On implementation of automatic exchange of financial account information with foreign competent authorities”**

In its letters No. [OA-4-17/15029](#) of 02 August 2018, [OA-4-17/14657@](#) of 30 July 2018, and [OA-3-17/5110@](#) of 27 July 2018, the regulator provided the following clarifications:

- A financial service contract means a bank account (deposit) agreement, voluntary life insurance

contract, brokerage service agreement, asset trust agreement, depositary service agreement, pension agreement, financial service agreement with the central counterparty, investment partnership agreement or other agreement under which a financial institution accepts cash or other financial assets from clients for keeping, management, investment purposes and / or other transactions on behalf of the clients or directly or indirectly at the clients’ expense

- To determine whether a contract qualifies as a financial service contract, the substance of a relationship should be analysed
- For a mutual fund trust management agreement made by way of purchasing mutual fund units, a fund manager’s obligation to request information on the clients, their beneficiaries, and/or (in)direct controlling owners with respect to the existing contracts arises at the time of unit redemption

If the contract was executed prior to the enactment of Government Resolution No. [693](#), but the units were not redeemed in the reporting period, the fund manager reports absence of clients that are foreign tax residents.

*Garant: Prime*

### **Ministry of Finance comments on notifications on controlled transactions entered into prior to merger**

According to the Ministry, on top of the notifications on controlled transactions entered into in the respective

calendar year, the surviving entity must, before the end of the year, in which the controlled transactions were carried out, file a notification of transactions made by the original entity on behalf of such entity.

Thus, the Ministry has reaffirmed the position previously expressed by the tax authorities (see Russian Federal Tax Service Letter No. [OA-4-13/6612@](#) of 10 April 2013).

[Consultant Plus](#)

### **Ministry of Finance clarifies applicability of beneficial income ownership concept**

Having considered an appeal for revocation of FTS Letter No. [CA-4-9/8285@](#) of 28 April 2018 "On consideration of disputes over applicability of the beneficial income ownership concept", the Ministry has advised that the letter cannot be considered as a regulatory clarification of the Russian tax legislation (for more details, please refer to LT in Focus of [6 June 2018](#)).

The Ministry has also added that in 2019-2021 the economy deoffshorisation measures will be adjusted to address the conflict of laws.

Thus, the beneficial income ownership criteria will be simplified for individuals and certain categories of

companies.

As a reminder, Bill No. [442400-7](#), clarifying the provisions on deoffshorisation, tax treatment of CFCs, dividends and shareholder's exit, and liquidation proceeds passed the first reading on 19 June 2018 (for more details, please refer to LT of [16-22 April 2018](#)).

The Ministry is open for other proposals that would help streamline the relevant regulations.

[Consultant Plus](#)

### **Ministry of Finance clarifies accounting for dividends for profit tax base purposes**

According to the Ministry, the excess of the market value of property/property rights received by a taxpayer from the liquidation of a subsidiary over the amount paid for the share (stake) should be treated as dividends, regardless of the form of payment, and be recorded as income for profit tax base purposes.

Shareholders entitled to liquidation proceeds in the form of distributed property (property rights) are entitled to exclude such proceeds from their taxable income base subject to compliance with the requirements of Item 2.3, Article 277 of the Russian Tax Code.

[Garant:Prime](#)

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## **Media review**

### **Russian State Duma to obligate online stores to accept bank cards**

The requirement now applies to online stores with a turnover from RUB 40 million.

Starting from 1 July 2019, the threshold might be lowered to RUB 20 mln and zeroed starting from 2021.

The initiative was supported by the Central Bank of Russia.

[Izvestiya](#)

### **Government considers switching to paperless passports**

The transition to paperless passports is expected to begin in 2021.

Electronic passports will eventually provide access to all public registers and services.

They may take form of a chip card the size of a bank card.

The electronic passport will offer access to an individual's digital profile across the public databases, enable entering into legitimate transactions and receiving commercial and public services. The passport will integrate all individual's IDs: the passport, social security (pension) card, and driver's license.

The relevant bill will be developed by the Ministry of Economic Development and the non-for profit organisation "Digital Economy", alongside the implementation plan.

The passport is expected to incorporate one's facial image, fingerprints, electronic signature, and digital profile access code.

[Vedomosti](#)

### **Regional telecom operators lobby against cancelling payments for incoming national roaming calls**

The negative consequences of the measure are described in the letter submitted to the government.

The regional operators are convinced that they will not be able to compensate for losses since they will still have to pay the roaming fees to their regional partners, which will force such companies to exit from the market or raise the tariffs dramatically.

As a reminder, Bill No. [211158-7](#) cancelling national roaming passed the first reading on 10 July 2018.

[Kommersant](#)

### **First project financing transaction using escrow accounts completed**

PIK Group and VTB Bank closed the first project-financing transaction worth RUB 19.9 billion with the developer of Dmitrovskiy Park residences.

The deal became Russia's largest to-date and the Group's first project-financing transaction involving escrow accounts.

[Vedomosti](#)

### **Ministry of Finance finalises list of non-tax payments**

The total of 61 non-tax payments were split into six categories:

1. Fees for obtaining or entering data from/to public registers, e.g. the register of legal entities or real estate register (10 fees)

1. Fees paid to commercial entities for preparation of paperwork or completion of medical check-ups for gun licences (15 services)
2. Natural monopolies' service fees
3. Compensatory charges, e.g. for water or forest damage
4. Mandatory expert examination fees
5. Mandatory controls (e.g. vehicle registration) fees.

The first group is to be included in the Russian Tax Code, while the other will be regulated separately and controlled by the sector-specific authorities.

[Vedomosti](#)

### Lawmakers discuss open data regulation bill

In particular, the document will formalise processing of open data.

The lawmakers are currently [considering](#) three main regulatory approaches:

- Entitling platforms to operate personal data placed on them
- Permitting free processing of open data without the data subjects' and platforms' consent
- Executing highly detailed user agreements between platforms and third parties. This approach will require social media to reconsider their user agreements to enable user selection and oblige social media to collect and process user data.

[Rossiyskaya Gazeta](#)

### President of Russia sets tasks based on Eastern Economic Forum results

The following issues relating to Russky island will need to be tackled:

- Assigning special legal status to Russky island to encourage the development and implementation of innovations, testing and piloting of best practices in robotechnics, healthcare, biotechnologies, driverless transportation, marine transport, environment protection, etc.
- Establishing a technopark on Russky island
- Creating a big data and information security digital hub on Russky island
- Accommodating engineering and R&D hubs on the island.

Another task requires the elaboration of the national Far East development roadmap until 2025 and further until 2035.

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

### Initiative to change tax residency rules for individuals considered

The Russian Government is considering enabling the individuals spending most of the year abroad to preserve their tax residency for seven years without complying with the duration of stay requirement, subject to the following conditions:

- An individual must be a foreign tax resident as at 1 January 2018 or have the non-resident status for five years prior to the return to Russia
- An individual must pay personal income tax of EUR 500,000 in the rouble equivalent in the current tax period or invest at least EUR 50 million in Russia

The proposal also calls for reducing the rate of PIT on Russian-sourced income of such non-residents to 13 percent (vs. the current 30 percent or 15 percent of the dividends from Russian companies).

Another relief may include exempting the sanctioned individuals from an obligation to produce certificates of foreign tax residency to qualify as non-residents.

The measures are now being discussed by the authorities as part of a package of laws on special administrative districts.

[Interfax](#)

### Union of Industrialists and Entrepreneurs call for tax benefits for sanctioned companies

Since the sanctioned companies are forced to promptly revise their shareholding structures, financing and management models and, hence, pay additional taxes, the Union proposes the following changes:

- To postpone the CFC profit tax liabilities until the sanctions have been lifted
- To extend the tax-free CFC liquidation benefits indefinitely (vs. until 1 March 2018 currently)
- To exempt from tax the debts of organisations that, for instance, are unable to service a forgiven tax debt or, in the event of its conversion into capital — to postpone the payment of tax on accrued interest
- To simplify the confirmation of the beneficial ownership of dividends or interest payable into other countries for tax benefits purposes
- To reduce the dividend tax exemption thresholds

[Vedomosti](#)

### Independent oil companies vote against raising MET for subsidising fuel prices

Independent oil producers applied to the industry's supervisor in the Government Dmitry Kozak, seeking a repeal of the decision to raise taxes for the industry to subsidise fuel prices.

In the companies' opinion, the MET increase is inconsistent with the objective to incentivise exploration and production in new regions.

There are companies engaged in production only and it will be unfair to compensate the budgetary losses from oil processing at the expense of such production companies.

[RBCdaily](#)

### Scrappage charges in auto industry might be reformed

The initiative calls for raising scrappage charges on imported vehicles by 30 percent from the current level and using the collected funds to foster exports and

transferring the subsidies, including for first car and family car buyers, to the regions, subject to the federal co-financing.

The proposal also envisages the implementation of a

production localisation scoring system, taking into account such factors as capital intensity and added value. The size of subsidies will be determined with reference to the exports' and domestic sales' growth.

[Kommersant](#)

# Deloitte publications

## Russia modernises data privacy legislation

On 10 October 2018, Russia signed Amending Protocol ETS No. 223 to the Council of Europe Convention for Protection of Individuals with regard to Automatic Processing of Personal Data (ETS No.108). The accession to the Convention will require ratification of the Protocol by the Russian parliament and will entail changes in the Russian data privacy laws and enforcement practices.

For details, please refer to Legislative Tracking in Focus of [28 November 2018](#).

## And yet it moves! Or does it?

Starting from 1 January 2019 movable property would be exempt from taxation.

It creates a shortfall in the regional fiscal revenues, which have been estimated by Minister of Finance Anton Siluanov at up to RUB 181 billion.

This, in turn, may lead to more litigations over the tax authorities' attempts to classify movable property as immovable to collect more tax.

For details, please refer to Legislative Tracking in Focus of [23 November 2018](#).

## First prosecution for FATCA non-compliance, 12 September 2018

On 11 September 2018 in federal court in Brooklyn, Adrian Baron, the former Chief Business Officer and former Chief Executive Officer of Loyal Bank Ltd pleaded guilty to conspiring to defraud the United States by failing to comply with the Foreign Account Tax Compliance Act (FATCA). The Loyal Bank is an off-shore bank that has offices in Budapest, Hungary and Saint Vincent and the Grenadines.

According to court documents, in June 2017, an undercover agent met with Baron and explained that he was a U.S. citizen involved in stock manipulation schemes and was interested in opening multiple corporate bank accounts at Loyal Bank.

For details, please refer to Legislative Tracking in Focus of [12 September 2018](#).

## Amendments to the Russian Tax Code

Federal Law No. 302-FZ «On amendments to Part I and II of the Russian Tax Code» (The Law) introduced a number of changes aiming to reduce the administrative burden for VAT payers. In particular, the Law optimizes the list of documents to be filed with the tax authorities to justify the application of a zero VAT rate.

For details, please refer to Legislative Tracking in Focus of [23 August 2018](#).

## Increase of Russian VAT rate

Federal Law No. [303-FZ](#) 'On Amendments to Certain Tax Laws of the Russian Federation' of 3 August 2018 (hereinafter, "Federal Law No. 303-FZ" ) has introduced amendments to the Tax Code of the Russian Federation (hereinafter, the "Russian Tax Code"), including an increase of the general VAT rate from 18 to 20 percent.

The raise is expected to generate additional budget revenue of RUB 620 billion p.a., starting from 2019.

Along with the added revenue from the oil and gas 'tax maneuver', the measure is viewed as a source of financing for the national development agenda outlined by the President of the Russian Federation in May 2018.

For details, please refer to Legislative Tracking in Focus of [17 August 2018](#).

## The Convention on the legal status of the Caspian Sea

Meeting at the summit in Aktau on 12 August 2018, the leaders of Russia, Kazakhstan, Azerbaijan, Iran, and Turkmenistan signed a milestone document, which brings the relations among the countries to a new level - the [Convention](#) on the legal status of the Caspian Sea. It has taken the five neighbors more than 20 years to come to an agreement.

For details, please refer to Legislative Tracking in Focus of [17 August 2018](#).

## New approach to tax treatment of transactions between related parties

On 15 June 2018, the Nineteenth Commercial Court of Appeals considered a [dispute](#) between PepsiCO and the Russian Federal Tax Service (FTS) over the tax treatment of intragroup transactions.

Courts of two instances supported the tax authorities in classifying the arrangement between the plant and the trading/holding company as free of charge provision of services.

According to the tax authorities, the plant's advertising and marketing expenses had contributed to an increase in the earnings of the trading/holding company and not the plant itself.

For details, please refer to Legislative Tracking in Focus of [31 July 2018](#).

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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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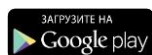


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## TaxSmart app



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