



LT Digest

Be in the know

Legislative initiatives

Russia may activate CbC automatic exchange relationship with Bermudas

A draft order to that effect was developed by the Russian Federal Tax Service. If approved, it will add the 54th jurisdiction to Russia's list of bilateral exchange relationships.

[Federal draft legislation portal](#)

Russian Federal Tax Service (FTS) calls for updating list of automatic financial information exchange relationships

Proposed jurisdictions include Azerbaijan, Aruba, The Bahamas, Bahrain, Vanuatu, Hong Kong, Grenada, Macao, the UAE, and Saint Kitts and Nevis.

Originally, the list of jurisdictions included 62 states and 11 territories.

[Federal draft legislation portal](#)

Russian Ministry of Economic Development to unify approach to special business territories

A notice on the development of the respective bill was posted on the Federal Draft Legislation Portal.

[Russia may activate CbC automatic exchange relationship with Bermudas](#)

[Russian Federal Tax Service \(FTS\) calls for updating list of automatic financial information exchange relationships](#)

[Russian Ministry of Economic Development to unify approach to special business territories](#)

[Pilot to monitor road transportation of goods by Russian and EAEU customs authorities launched](#)

[Russian Ministry of Interior proposes new charges on self-employed foreigners](#)

[Central Bank of Russia \(CBR\) raises key rate](#)

[Bill streamlining leasing regulation developed](#)

[Ministry of Construction: energy efficiency class of public buildings could be determined based on SNiP 23-02-2003](#)

[First resident registered on Russky Island](#)

[Russian Ministry of Energy proposes earlier launch of gasoline subsidies](#)

[Russian Ministry of Finance will not demand mandatory sale of currency earnings](#)

[President of Russian Federation mandates formalisation of Russky island legal status](#)

[Mobile app for remote identification of banks clients developed](#)

[Precious metals and stones to be controlled via mobile app](#)

[Russian Government supports establishment of investment disputes courts](#)

[Digital law courts might appear in Russia](#)

[Ministry for Development of Russian Far East presents e-service for investors](#)

[EU extends sanctions against Russian individuals](#)

[US President introduces new sanctions](#)

[US discusses new sanctions against Russia](#)

[British crime agency warns of stepped-up campaign against 'dirty money'](#)

[OECD releases additional guidance on country-by-country reporting](#)

[European Court upholds EU sanctions against Russian companies](#)

The bill will streamline the government incentives to make sure they foster investments, not just deliver on formal targets.

Russia offers quite a few investor incentives and privileges aiming to accelerate the development of certain regions: advanced economic development territories, industrial parks, technoparks, special economic zones, etc. – all of them special formations, located on federal (municipal) or corporate land.

The choice and use of development tools by the federal or regional authorities often lacks consistency and systemic approach, causing regions to compete for investors, financial and labour resources.

[Federal draft legislation portal](#)

Pilot to monitor road transportation of goods by Russian and EAEU customs authorities launched

The pilot is expected to run until 1 November 2018.

The goods will be tracked using GLONASS-enabled trackers (container seals), which will be placed voluntarily and free-of-charge by the shipping companies.

The Russian Federal Customs Service (FCS) was instructed to develop and approve the relevant procedures, determine the participating customs authorities and in-scope goods, and oversee the pilot.

The results will be evaluated by the FCS and reported to the Russian Government by 30 November 2018.

[Official Internet Portal for Legal Information](#)

Russian Ministry of Interior proposes new charges on self-employed foreigners

A notice on the development of the respective bill was posted on the Federal Draft Legislation Portal.

The Ministry proposes charging fixed advance payments during the term of a self-employed citizen's temporary or permanent residence permit similarly to the patent

system.

[Federal draft legislation portal](#)

Central Bank of Russia (CBR) raises key rate

In its newsletter of 14 September 2018, the CBR informed of raising its key rate from 7.25 to 7.5 percent.

[Official Russian Central Bank website](#)

Bill streamlining leasing regulation developed

The bill envisages the following changes:

- To supplement the Russian Civil Code with Chapter 43.1 "Financial leasing"
- To clarify that leasing contracts may cover non-expendable items, including controlled items, to the extent permitted by law
- To set forth that in a financial leasing contract, the lessor undertakes to provide financing to the lessee by paying the value of the leased asset (property) or part thereof under a contract with a third party, and the lessee undertakes to return the provided financing and pay for using it (make leasing payments)
- To specify the procedure for execution, discharge, and termination of financial leasing contracts
- To clarify that the financial leasing payments will include the rentals and lessor's costs
- To refine the requirements for the use and the suspension of use of the leased asset
- To provide for an early buy-out option before the contract's expiry

The bill also details the consequences of invalidating a debt assignment agreement.

[Federal draft legislation portal](#)

Clarifications from government bodies

Ministry of Construction: energy efficiency class of public buildings could be determined based on SNiP 23-02-2003

In the Ministry's opinion, energy efficiency classes of public buildings, for which the development of specifications began before 30 June 2015, could have been determined based on SNiP (set of construction rules and regulations) 23-02-2003 in line with the Russian technical regulations.

To remind, according to the Russian courts' (including the Supreme Court's) position on energy efficiency

benefits, the existing laws do not provide for the assignment of energy efficiency classes to buildings, except for multifamily buildings.

The taxpayers have repeatedly cited the arguments set forth in the letter of Ministry of Russia, but to no avail.

We are to wait and see if the recent clarifications of the construction regulator will reverse the taxpayer-unfriendly trend.

[Garant: Prime](#)

Media review

First resident registered on Russky Island

Finvision Holdings Ltd, the main shareholder of the Vostochny Bank, has been registered in the special administrative district during the Eastern Economic Forum.

[Rossiyskaya gazeta](#)

Russian Ministry of Energy proposes earlier launch of gasoline subsidies

The Ministry believes the subsidies should start in October 2018, not January 2019.

The Ministry plans to introduce a so-called "damping allowance" to compensate oil companies for half of the

revenues they forego, supplying gasoline to the Russian consumers at lower prices and not exporting the fuel.

As agreed with the Russian Government, the suppliers have to maintain their prices at the May 2018 level.

[RBCdaily](#)

Russian Ministry of Finance will not demand mandatory sale of currency earnings

The regulator will not mandate the sale of export earnings since the rouble does not require any extraordinary interventions now, First Deputy Prime Minister, Minister of Finance Anton Siluanov said at the Eastern Economic Forum.

[Economica i Zhizn](#)

President of Russian Federation mandates formalisation of Russky island legal status

President Vladimir Putin urged the state-owned companies operating at the Far East to consider moving their engineering units to Russky Island in Vladivostok.

He also tasked the government with formalising the special status of the island.

In the President's opinion, the island must become a digital hub for software, big data, and cyber security projects.

[Kommersant](#)

Mobile app for remote identification of banks clients developed

Rostelecom's mobile app enables remote biometric authentication by the banks.

The client needs to launch the app and read a displayed set of numbers aloud on camera.

Identity will be verified by matching the face and voice to the samples already stored in the biometric database operated by Rostelecom.

The app will be single sign on-enabled, sharing credentials with the public services portal (Gosuslugi).

[Izvestiya](#)

Precious metals and stones to be controlled via mobile app

The app will be tested by the pilot participants and is expected to be available both for Android and iOS users next year.

The app is a part of an integrated precious metals and stones control database.

The project was announced a year ago and the labelling

of jewellery with QR codes has been tested since this summer.

The data on a precious item's entire value chain, from a mining field to a store, will be accumulated in an individual file in the database.

[Rossiyskaya gazeta](#)

Russian Government supports establishment of investment disputes courts

The government supported the establishment of special courts for the advanced development territories (ADT) and offshores.

The court may be set up in Vladivostok to consider the disputes of the residents of the ADT The free port of Vladivostok, as well as the investors of Vladivostok's and Kaliningrad's special administrative districts.

The court will apply the Russian laws by default; however, the investors may choose any other governing law.

The court is also expected to consider disputes arising from the government-private partnerships and the 'Far-Eastern Hectare' project.

The relevant bill has already been developed by the Ministry for the Development of the Russian Far East.

[Izvestiya](#)

Digital law courts might appear in Russia

The importance of having a specialised court to consider the Internet and social media-related cases was pointed out by Dmitriy Peskov, digital development envoy of the President of the Russian Federation, at the Eastern Economic Forum.

[RIA Novosti](#)

Ministry for Development of Russian Far East presents e-service for investors

Electronic [personal accounts](#) are designed for the region's investors and now boast more than 1,000 users.

The e-tool enables a transparent, convenient, and effective communication between the investors and the Ministry, as well as other institutions and regional authorities.

The service provides access to more than 160 electronic services in all nine regions of the Far East: receipt of certificates and permits, report filing, individual investor support, and the services offered by the Small and Medium Business Support corporation (MSP Corporation) and bank (MSP Bank).

The tool can also be accessed via a mobile app.

[RNS News Agency](#)

International law news

EU extends sanctions against Russian individuals

The EU Council has prolonged the restrictive measures over actions undermining or threatening the territorial integrity, sovereignty, and independence of the Ukraine for a further six months, until 15 March 2019.

The sanctions currently apply to 155 persons and 44 entities.

[Official Federation Council website](#)

US President introduces new sanctions

President Trump has issued an Executive Order "Imposing Certain Sanctions in the Event of Foreign Interference in a United States Elections of 6 November 2018," effective 12 September 2018.

The measures consist of asset freezes and lending and investment restrictions.

[Kommersant](#)

US discusses new sanctions against Russia

Another round of discussions of anti-Russian sanctions was held by the US Senate.

More "crushing" measures might include a ban on investing in the Russian sovereign debt, restricting access to the global market of arms, and obliging all US-registered companies to disclose their beneficial owners.

[RBCdaily](#)

British crime agency warns of stepped-up campaign against 'dirty money'

A director of the UK National Crime Agency (NCA) has

warned of a 'significant scaling up' of the agency's operations against tainted money brought into the country by 'corrupt Russian and other foreign elites'.

NCA is planning to expand its use of unexplained wealth orders (UWO) in the next few months.

The court-approved tool allows investigators to seize property unless subjects can explain how they legitimately afford it.

On top of that, NCA plans to freeze suspicious assets in Great Britain.

[RBC](#)

OECD releases additional guidance on country-by-country reporting

The updated guidance addresses a number of specific issues, such as the treatment of dividends, use of shortened amounts, treatment of minority interest, and the impact of mergers and acquisitions on MNE groups' CbC reporting obligations.

[Official OECD website](#)

Court practice

European Court upholds EU sanctions against Russian companies

The General Court of the EU [rejected](#) a lawsuit filed by PAO Rosneft, seeking to annul the sanctions imposed, on Russia in general and on the company in particular, by the EU as a response to 'Russia's annexation of Crimea' in 2014.

The Court ruled that the reasons given by the Council

for the contested acts were sufficient and substantiated.

The court said that the 'stated objective of the contested acts is to increase the costs of Russia's actions to undermine the Ukraine's territorial integrity, sovereignty, and independence, and to promote a peaceful settlement of the crisis'.

[RBCdaily](#)

Deloitte publications

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](#).

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](#).

Revolution in residential construction: developers obligated to switch to escrow accounts

Federal Law No. [175-FZ](#) (the Law), which changes the rules of funding for the residential construction projects, entered into force on 1 July 2018.

It lays the groundwork for the transition from the joint investment schemes to project financing via escrow accounts.

The new provisions ban raising funds from off-plan buyers for projects where the first 'co-investment contract' (i.e. the first property sale) was filed for state registration after 1 July 2019, and require the use of escrow accounts instead.

At the same time, alongside such rigid funding limitations, developers will be granted certain regulatory easing.

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

Is audit secrecy a secret?

On 17 July, bill No. [96436-7](#) that entitles the tax authorities to request for documents received by audit firms during their engagements passed the third reading.

The bill was developed to comply with the OECD recommendations following Phase I of the Russian legislation's peer review in the framework of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

The provisions of the bill reflect the global trends to improve transparency and fight aggressive tax planning.

For details, please refer to Legislative Tracking in Focus of [19 July 2018](#).

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

Tax & Legal



Svetlana Meyer
Managing Partner
Tax&Legal, Deloitte CIS
smeyer@deloitte.ru



Gennady Kamyshnikov
Managing Partner
Government Relations
gkamyshnikov@deloitte.ru



Oleg Berezin
Partner
Pharmaceuticals
oberezin@deloitte.ru



Oxana Zhupina
Partner,
Consumer Products
ozhupina@deloitte.ru



Yulia Orlova
Partner
Metals and Processing
yorlova@deloitte.ru



Vladimir Elizarov
Partner
Technology, Media, Entertainment &
Telecommunications
velizarov@deloitte.ru



Artem Vasyutin
Partner
Retail, Wholesale and Distribution
Tourism and Hospitality
avasyutin@deloitte.ru



Alexander Sinitsyn
Director
Global FSI
asinitsyn@deloitte.ru



Tatiana Kofanova
Director
Automotive
tkofanova@deloitte.ru

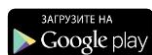


Alexandra Konova
Director
Oil & Gas, Energy & Resources, Mining
akonova@deloitte.ru



Yulia Krylova
Director
Real Estate
ykrylova@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.