



## LT Digest

### Be in the know

#### Legislative initiatives

##### Russian State Duma considers package of bills

The Russian State Duma has considered a package of bills:

- Bill No. [96436-7](#), enabling the tax authorities to **access information and documents that constitute audit secrecy**, passed the third reading (for more details, please refer to LT in Focus of [19 July 2018](#))
- Bill No. [346805-7](#), enabling individuals to discharge their tax liabilities with a single **payment**, passed the third reading
- Bill No. [489370-7](#), exempting **electronic incorporation filings** from registration fees, passed the third reading
- Bill No. [126869-7](#) **on aggregators** passed the second reading (for more details, please refer to LT Digest of [9-15 July 2018](#))
- Bill No. [384817-7](#), **optimising the international traffic settlements of Russian mobile network operators** passed the second reading

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[Russian Federal Customs Service \(FCS\) estimates average tax free receipt during FIFA World Cup](#)

[Russia to run national car crash tests](#)

[Russian Ministry of Finance to modify OFZ regulation](#)

[Global Forum publishes tax transparency compliance ratings for seven jurisdictions and welcomes three new members](#)

- Bill No. [249505-7](#) that **repeals transfer pricing control over transactions between related Russian entities and exempts movable property from tax passed third reading** (for more details, please refer to LT of [9-15 July 2018](#))
- Bill No. [493989-7](#) on completion of the tax maneuver passed the second reading (for more details, please refer to LT Digest of [25-29 June 2018](#))
- Bill No. [493997-7](#) on reduction of crude oil export duty rates passed the second reading (for more details, please refer to LT Digest of [25-29 June 2018](#))
- Bill No. [488838-7](#) that regulates the creation of **special administrative districts in Kaliningrad Region and the Primorskiy Territory** passed the first reading (for more details, please refer to LT Digest of [18-24 June 2018](#))
- Bill No. [488862-7](#), Bill No. [488869-7](#), and Bill No. [488870-7](#) that establish a legal and tax framework for the **multinational companies passed the first reading** (for more details, please refer to LT Digest of [18-24 June 2018](#))
- Bill No. [457178-7](#), regulating the transit of international **road and rail freight transport** through the territory of the Russian Federation passed the first reading (for more details, please refer to LT Digest of [7-11 May 2018](#)).

*Official website of the Russian State Duma*

### Bill on VAT increase passes second reading

The bill was amended to introduce a zero VAT rate for the air services related to flights to or from the Far Eastern Federal District and to preserve same for air services related to flights to and from Kaliningrad Region until 1 January 2025.

Furthermore, the entry into force of the provision banning VAT recovery for the road construction companies that use public investment funds and operate under concession agreements and for agricultural producers will be postponed until 31 December 2018.

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

### Bill reconsidering VAT treatment of airport services submitted to Russian State Duma

Instead of the existing VAT exemption for ground handling and air navigation services, the bill proposes:

- Preserving the VAT exemption for air navigation services only
- Enabling the use of a zero VAT rate for ground handling services rendered in international airports as per the list formulated by the Russian Government.

In the bill is adopted, the providers of ground handling services in international airports will be able to claim recovery of input VAT on such services.

Ground handlers in domestic airports will be assessing VAT at the general rate, which may cause a drastic increase of domestic flight fares.

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

### FTS tool for financial institutions filings to go live on 20 July 2018

Russian financial institutions will be able to report information on foreign residents' bank accounts, beneficiaries, and controlling owners.

The filings for 2017 must include the information on:

- Individual accounts with a balance or value exceeding USD 1 million
- Corporate accounts with a balance or value exceeding USD 250,000 (or an equivalent amount in a foreign currency).

The reports will be filed electronically via a special tool, 'CRS Foreign Account Reports'.

As a reminder, CRS report filing is regulated by Government Resolution No. [693](#) of 16 June 2018.

For more details, please refer to LT in Focus of [20 June 2018](#) and [a new](#) #ProTax video digest on the automatic exchange of financial account information.

[Consultant Plus](#)

### Rules for determining origin of goods imported into EAEU approved

Resolution of the Eurasian Economic Commission No. 49 of 13 July 2018 approves the rules for importing goods into the EAEU from non-member states.

In particular, the list of criteria of origin was expanded. For example, goods are recognised as originating from a particular country if they contain utilised goods/packaging from such country, which can no longer fulfill their original function and which are suitable only for utilisation and/or processing in raw materials.

The list of operations that do not qualify as 'sufficient processing' was reconsidered to include the placement of tags and labels, packing, etc.

The rules entitle the EEC to set any special origin criteria, such as changing the cost of goods when the added value reaches a certain percentage or if the cost of used non-originating materials does not exceed a certain percentage (the document contains the relevant calculation formulas).

If the main origin criteria are insufficient, the country of origin can be determined based on the maximum added value.

The origin of certain goods (fuel, electrical power, tools, gloves, eyeglasses, catalysts, etc.) will not be taken into account for product origin purposes.

Applicants will be able to confirm the countries of origin electronically without hard copy filings.

The product origin can also be confirmed by filing a declaration or a certificate of origin. The requirements for certificates and their validation rules have also been formalised. The documents sets forth the instances when a certificate of origin cannot be used as an evidence of origin and the origin is considered unconfirmed.

The document supersedes the rules of origin released in 2008.

The Resolution enters into force on 12 January 2019.

[Consultant Plus](#)

### **Russian State Duma to consider compensating investors for losses from liquidation of gaming zones**

A bill to that effect will provide the regulatory certainty to gaming investors and will regulate the compensation of direct losses from the liquidation/change of borders of a gaming zone.

The document introduces the following changes:

- A liquidation/change of borders of a gaming zone within 10 years after its opening will require the adoption of a federal law
- In the event of such liquidation/change of borders, an investor will be entitled to a compensation of losses in a manner established by the Russian Government
- Upon expiration of the ten-year period, the losses will no longer be compensated; however, the liquidation/relocation will be permitted only three years after the relevant decision.

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

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## **Media review**

### **EU bans imports of Russian poultry**

The European Union has fully banned the imports of poultry from Russia due to an outbreak of the avian flu.

The ban is a temporary measure and does not apply to ready-to-eat products.

[Kommersant](#)

### **Foreign supplies of turbines may end**

The Russian Ministry of Industry and Trade has come up with a hardline roadmap to increase the domestic production of high-capacity gas turbines in the 2020s.

The Ministry aims to maximise the use of the domestic manufacturing capacities and oust the foreign companies from the planned modernisation of power plants.

[Kommersant](#)

### **Russian Federal Security Service (FSS) to limit usage of foreign fishing fleet**

The FSS Border Guard Service has warned fishing companies that foreign vessels may not be used for transportation purposes.

The ban had not previously applied to Russian-flag vessels permitted to operate on the navigable waters under bareboat charter agreements with the Russian operators.

According to the experts, banning foreign vessels from the transportation and transshipment chain may result in major losses for fisheries.

[Kommersant](#)

### **Russian Federal Customs Service (FCS) estimates average tax free receipt during FIFA World Cup**

According to the estimates, an average tax-free receipt

during the World Cup amounted to RUB 84,000.

Foreign guests made purchases worth RUB 943.8 million and submitted over 11,000 receipts for VAT refund, most of them (71.7 percent) are Chinese tourists.

The Sheremetyevo, Domodedovo, and Pulkovo customs lead in terms of stamped receipts (70.3, 14.6, and 10.2 percent respectively).

[Official Russian Federal Customs Service website](#)

### **Russia to run national car crash tests**

A national crash test standard RuNCAP is being developed by Rosstandard.

Apart from the full-scale tests, the document will also regulate the virtual tests, which is expected to considerably improve the safety of cars sold in the Russian market. The test results will be made available in special open registers.

According to experts, the national crash tests will significantly improve the quality of Russian vehicles.

[Izvestiya](#)

### **Russian Ministry of Finance to modify OFZ regulation**

The Ministry is planning to change the terms of the federal loan bonds (OFZ), making them simpler and cheaper: no fees will be charged to individual investors (will be borne by the issuer instead).

The remote sale of bonds may be enabled via the Ministry's website following the authorisation at the public services portal.

[Vedomosti](#)

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## **International taxation news**

### **Global Forum publishes tax transparency compliance ratings for seven jurisdictions and welcomes three new members**

- Two jurisdictions – Guernsey and San Marino – received an overall rating of 'Compliant'
- Four others – Indonesia, Japan, the Philippines, and

the United States – were rated 'Largely Compliant'

- Kazakhstan was rated 'Partially Compliant'.

The Global Forum also welcomed three new members – Bosnia and Herzegovina, Cabo Verde, and eSwatini (Swaziland).

[Official OECD website](#)

# Deloitte publications

## 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](#).

## VAT increase approved in the first reading

On 3 July 2018, Bill No. [489169-7](#) (the Bill) passed its first reading in the State Duma. It introduces a number of amendments to the Russian Tax Code, most importantly, raises 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 [4 July 2018](#).

## Bill on added income tax passes Russian State Duma's second reading

Bill No. 325651-7 introducing a tax on added income from hydrocarbon extraction of ("the AIT") adopted by the State Duma today is expected to dramatically reshape the tax treatment of oil and gas companies.

Starting 1 January 2019, the Russian Tax Code will get a new chapter - Chapter 254. "Tax on added income from hydrocarbon extraction".

The bill proposes redistributing the tax burden towards a later stage of a deposit life cycle and requiring the tax payment once the deposit development project have started to generate returns.

Furthermore, the bill was aligned with the transfer pricing rules for taxpayers that generate income (expense) included in the AIT base. The document also expands the list of expenses that are attributed to the development of natural resources to include the expenses incurred by a taxpayer that provided financing for a foreign exploration project under a loan

agreement that meets certain requirements as well as such expense deductibility criteria.

For details, please refer to Legislative Tracking in Focus of [3 July 2018](#).

## Thin capitalisation rules: going easy on foreign investors

On 3 July 2018, Bill No. [325651-7](#) that exempts controlled loans raised to finance investment projects in Russia from the thin capitalisation rules passed the Russian State Duma's second reading.

The bill was initiated by the Russian Government and is highly likely to be adopted by the end of the legislators' spring session.

If adopted, the bill will exempt the foreign investors that finance the long-term investment projects of their subsidiaries from the thin capitalisation rules.

For details, please refer to Legislative Tracking in Focus of [3 July 2018](#).

## CRS: the time to act is now

The Russian Government Resolution "On Implementation of Automatic Exchange of Financial Account Information with Foreign Competent Authorities ("The Resolution") was officially released on 19 June 2018 and will enter into force a month after its publication.

The adoption of the Resolution has raised many practical questions since the provisions of the document are not fully aligned with the CRS model rules.

For details, please refer to Legislative Tracking in Focus of [20 June 2018](#).

## The Russian Federal Tax Service (FTS) further clarifies the applicability of the concept of beneficial ownership of income

On 31 May 2018, the FTS released Letter No. [CA-4-9/8285@](#) 'On consideration of disputes over the application of the concept of beneficial ownership of income'.

The Letter is meant as a guidance for the tax authorities and formalises the approach applied by the FTS and the courts in the tax disputes over the application of the concept of beneficial ownership of income (the Concept).

The Letter contains a number of important comments that should be taken into account by the taxpayers.

For details, please refer to Legislative Tracking in Focus of [6 June 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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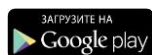


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## TaxSmart app



## [deloitte.ru](https://deloitte.ru)

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