



## LT Digest

### Be in the know

#### Clarifications from government bodies

##### **Ministry of Finance: No VAT increase exception for contracts with advance payment clauses signed until 1 January 2019**

The Ministry has reminded that, effective 1 January 2019, Federal Law No. [302-FZ](#) of 3 August 2018 increased VAT on goods, works, services or property rights supplied after 1 January 2019, with no exceptions for contracts signed before 1 January 2019, including those envisaging advance payments.

[Consultant Plus](#)

##### **Ministry of Finance: transfer of service mark as foreign shareholder's capital contribution is VAT exempt**

The Ministry advised that, pursuant to Sub-Item 4, Item 1, Article 148 of the Russian Tax Code, the services associated with the transfer of patents, licences, trademarks, copyrights or other similar rights would be deemed to be supplied in Russia, if the buyer of such rights operates in Russia.

Therefore, the transfer of exclusive service mark rights by a foreign entity to a Russian company is deemed to take place in Russia.

[Ministry of Finance: No VAT increase exception for contracts with advance payment clauses signed until 1 January 2019](#)

[Ministry of Finance: transfer of service mark as foreign shareholder's capital contribution is VAT exempt](#)

[Regions put forward their pension reform proposals](#)

[Bill regulating car pooling developed](#)

[Russian Government to introduce environmental insurance](#)

[Ministry of Economic Development calls for repealing mandatory perfumery labelling](#)

[Russian Ministry of Energy lobbies against mandatory oil supplies to refineries](#)

[Package of bills on online arbitrators settling disputes between consumers and e-stores developed](#)

[Ministry of Finance proposes repealing criminal prosecution for non-repatriation of export earnings](#)

[Russian Ministry of Transport demands putting foreign aircraft on Russian registers](#)

[Business calls for creating cryptocurrency offshore in Russia](#)

[Russia to establish mining pool](#)

[Russian Ministry of Finance to establish listing platform for sanctioned companies](#)

[Russian producers call for clamping down on IT equipment imports](#)

At the same time, if considered in aggregate, the Russian Tax Code exempts from VAT the transfer of a service mark in the form of capital contribution,

including from a foreign shareholder.

[Consultant Plus](#)

---

## Media review

### Regions put forward their pension reform proposals

On 20 August 2018, the General Council of United Russia (the ruling political party of the Russian Federation) discussed the pension reform proposals received from the regions. Some of the proposals will be forwarded to the Russian Government and the President.

In particular, the proposals call for:

- Preserving the social benefits (for public transport, utilities, etc.) to future pensioners, starting from the current retirement age
- Starting the payment of funded pensions from the current retirement age (whether in lump-sum or in installments)
- Enabling the early payment of insurance old-age pension benefits to the persons with an employment record of at least 42 years for men and 37 years for women
- Providing free medical checkups and additional retraining vacation for women over 55 y.o. and men over 60 y.o.
- Securing jobs for persons reaching the age of retirement, including using the federal funding, and substantially raising the unemployment benefits for them

To remind, Bill No. [489161-7](#), increasing the retirement age, passed the first reading on 19 July 2018 (for more details, please refer to LT Digest of [18 - 24 June 2018](#)).

The bill currently proposes more than 100 amendments that will be discussed at the [parliamentary and public hearings](#) of the pension regulation reform.

[RBC daily](#)

### Bill regulating car pooling developed

The bill introduces the accreditation of online carpool platform operators and caps carpool fares.

Drivers will be able to charge fares to partially compensate their expenses and are to be made fully cashless by the aggregators.

The drivers demanding cash from the passengers will be subject to administrative penalties of RUB 5,000.

The bill also proposes the following measures:

- Carpool drivers will be required to hold a Russian driver's licence, have at least three years of driving experience, drive a car registered in Russia and equipped with GLONASS or GLONASS/GPS navigators
- Carpool drivers may not have an unspent felony conviction or outstanding driving penalties
- The drivers making over 20 rides a year will be

subject to pre-driving medical checkups

- Carpool aggregators will be required to report the drivers' data to the public authorities
- The licences of drivers whose personal accounts are to be blocked or were already blocked by other platforms will be communicated to the carpool aggregators
- The accounts of the drivers using carpool for commercial operations will be blocked

The document has not yet been officially published.

[Kommersant](#)

### Russian Government to introduce environmental insurance

The proposal calls for establishing a working group that would bring together officials from the Russian Ministries of Natural Resources, Economic Development, Finance, Emergencies, Rosprirodnadzor, and Rostekhnadzor in an effort to develop the economic incentives that would encourage businesses to buy environmental policies.

The initiative envisages setting up a uniform environmental insurance standard and piloting different types of environmental coverage across the industries and the regions.

[Kommersant](#)

### Ministry of Economic Development calls for repealing mandatory perfumery labelling

According to the Ministry, these products are already subject to multiple controls, including via the Unified State Automated Information System (USAIS), and are checked for compliance with the Customs Union's safety requirements.

The perfumery market is highly transparent and, therefore, the incidences of counterfeiting do not mean that labelling is required on top of the existing control mechanism.

It will only trigger higher costs for the market players and information redundancy.

To remind, perfumery was one of ten product [categories](#) subject to mandatory labelling starting from 1 December 2019.

[RBC daily](#)

### Russian Ministry of Energy lobbies against mandatory oil supplies to refineries

In the Ministry's opinion, the idea of obliging oil companies to supply 17.5 percent of extracted oil to refineries is unreasonable, especially as the major oil producers are already exceeding the figure.

The position was expressed at the meeting on completion of the tax maneuver in the oil industry, held by Vice Prime Minister Dmitry Kozak.

[Vedomosti](#)

### **Package of bills on online arbitrators settling disputes between consumers and e-stores developed**

According to the bill, online stores, services, and marketplaces must join a special platform, through which the consumers will be able to lodge their claims and engage third parties as arbitrators, by 1 January 2020.

The platform will be financed by the sellers and thus will be free-of-charge for the consumers.

The document has not yet been officially published.

[RBCdaily](#)

### **Ministry of Finance proposes repealing criminal prosecution for non-repatriation of export earnings**

Statistically, criminal offences envisaged by Article 193 of the Russian Criminal Code disguise other crimes, such as theft or money laundering. Therefore, offenders must be prosecuted for these criminal offences rather than for failure to comply with the earning repatriation requirements, which is usually treated as a civil offence.

[Interfax](#)

### **Russian Ministry of Transport demands putting foreign aircraft on Russian registers**

The Ministry demands that aged aircraft now registered abroad be re-registered in Russia.

The plan, which has been discussed for a while now, causes opposition of foreign leasing companies, citing the immaturity of the legal framework.

The companies are concerned about the protection of their ownership rights and uncertainty about determining the residual value following the aircraft return.

[Kommersant](#)

### **Business calls for creating cryptocurrency offshore in Russia**

The Association of Business Patriots Avanti has called for establishing a crypto valley in Russia, a second-to-none economic platform linked to a specific territory, where the necessary physical functions will be performed and the laws applicable in this territory only will be tested.

The initiators propose cancelling all taxes on cryptocurrency and token transactions carried out in the area and exempting all individuals and legal entities engaged in digital currency deals from PIT, VAT, and profit tax for three years.

The proposal calls for accommodating the cryptocurrency valleys in Kaliningrad Region and the Primorskiy Territory.

[Kommersant](#)

### **Russia to establish mining pool**

The first Russian pool of cryptocurrency miners may be established in September 2018.

Pool members will join their efforts in mining and distributing cryptocurrencies pro rata to the provided computing capacity.

The pool may contain up to 2.5 million unique IP addresses.

Its founders also propose legalising mining as a self-employment activity, thus obliging miners to pay PIT at a rate of three to five percent on the conversion of digital currencies into roubles.

[Rossiyskaya gazeta](#)

### **Russian Ministry of Finance to establish listing platform for sanctioned companies**

The Russian Ministry of Finance and the Central Bank of Russia are considering the creation of a trading platform and financial infrastructure to enable the listing of sanctioned companies.

The platform [may be based](#) in the newly established special administrative districts of the Far East and in Kaliningrad Region.

[Vedomosti](#)

### **Russian producers call for clamping down on IT equipment imports**

Russian IT producers applied to the Russian Government to initiate new import-substitution measures in the mobile communications industry.

In particular, they propose obliging Huawei, ZTE, Cisco, D-Link, NEC, and other foreign telecom suppliers to import their products directly and not through intermediaries, introducing the mandatory labelling of imported equipment and providing the industry associations with access to the customs statistics.

The measures are expected to minimise import VAT understatement.

[Kommersant](#)

# Deloitte publications

## **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](#).

## **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](#).

\*\*\*\*\*

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](mailto:smeyer@deloitte.ru)



**Gennady Kamyshnikov**  
**Managing Partner**  
Government Relations  
[gkamyshnikov@deloitte.ru](mailto:gkamyshnikov@deloitte.ru)



**Oleg Berezin**  
**Partner**  
Pharmaceuticals  
[oberezin@deloitte.ru](mailto:oberezin@deloitte.ru)



**Oxana Zhupina**  
**Partner,**  
Consumer Products  
[ozhupina@deloitte.ru](mailto:ozhupina@deloitte.ru)



**Yulia Orlova**  
**Partner**  
Metals and Processing  
[yorlova@deloitte.ru](mailto:yorlova@deloitte.ru)



**Vladimir Elizarov**  
**Partner**  
Technology, Media, Entertainment &  
Telecommunications  
[velizarov@deloitte.ru](mailto:velizarov@deloitte.ru)



**Artem Vasyutin**  
**Partner**  
Retail, Wholesale and Distribution  
Tourism and Hospitality  
[avasyutin@deloitte.ru](mailto:avasyutin@deloitte.ru)



**Alexander Sinitsyn**  
**Director**  
Global FSI  
[asinitsyn@deloitte.ru](mailto:asinitsyn@deloitte.ru)



**Tatiana Kofanova**  
**Director**  
Automotive  
[tkofanova@deloitte.ru](mailto:tkofanova@deloitte.ru)

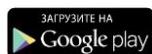


**Alexandra Konova**  
**Director**  
Oil & Gas, Energy & Resources, Mining  
[akonova@deloitte.ru](mailto:akonova@deloitte.ru)



**Yulia Krylova**  
**Director**  
Real Estate  
[ykrylova@deloitte.ru](mailto:ykrylova@deloitte.ru)

## TaxSmart app



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