



LT Digest

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Legislative initiatives

President of Russian Federation signs federal law streamlining regulation of investments

For more details on the law, please refer to LT Digest of [4 - 31 December 2017](#).

[Official Internet Portal for Legal Information](#)

Federation Council approves package of draft laws

- Bill No. [441399-7](#) on countermeasures in response to anti-Russian sanctions (for more details, please refer to LT Digest of [14 -18 May 2018](#) and LT in Focus of [28 May 2018](#))
- Bill No. [335823-7](#), expanding the list of initiators of innovation R&D hub projects.

[Official Federation Council website](#)

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[Russian Ministry of Finance clarifies tax treatment of Polish entity's income from supervising installation and commissioning of equipment in Russia](#)

[Russian Ministry of Finance clarifies whether transactions involving participants of SPIC signed on behalf of region can be treated as controlled](#)

[Russian Ministry of Finance clarifies calculation of historical cost of fixed assets received as property contributions](#)

Russian State Duma considers package of bills

The Russian State Duma has considered the following bills:

- Bill No. [419059-7](#) on digital financial assets passed the first reading (for more details, please refer to LT Digest of [23 - 29 April 2018](#))
- Bill. [424632-7](#) on digital rights passed the first reading (for more details, please refer to LT Digest of [26 March – 1 April 2018](#))
- Bill No. [419090-7](#) on crowdfunding passed the first reading (for more details please, refer to LT Digest of [23 - 29 April 2018](#))

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

Tax avoidance convention and protocol between Belgium and Russia ratified

To learn more about the convention, please refer to LT in Focus of [28 May 2015](#).

[Official Internet Portal for Legal Information](#)

Yamalo-Nenets Autonomous District introduces capital allowance on fixed assets investment

The allowance will be granted to companies engaged in heavy oil recovery from oil/gas fringe deposits with bottom water underlying gas-cap zones and included in the list of the district's high-priority investment projects (the List).

The allowance will apply to fixed assets from Category 220.00.00.00.000 of the Russian fixed asset classifier created for the implementation of the investment projects from the List.

The maximum allowance will amount to 90 percent of the current period's fixed asset investment.

To calculate the investment allowance cap, the rate of profit tax payable to the regional budget will amount to 10 percent.

The allowance will not be eligible after it reaches 10 percent of the total investment project's value.

The unused deduction will be carried forward to future tax periods within the investment project's term.

The deduction will be granted starting from 1 January 2019.

To remind, capital allowances were introduced by Federal Law No. 335-FZ of 27 November 2017.

At the regional level, it was introduced in Khanty-Mansi Autonomous District — Yugra (for more details, please refer to LT Digest of [4 - 31 December 2017](#)) and in Karelia (for more details, please refer to LT Digest of [2 - 8 April 2018](#)).

[Official Internet Portal for Legal Information](#)

[Bonus depreciation does not apply to fixed assets received from subsidiary liquidation, says Russian Ministry of Finance](#)

[Russian Health Ministry calls for annual indexation of excise tax on hard liquor, cigarettes](#)

[Bill introducing administrative penalties for compliance with anti-Russian sanctions to be submitted to Russian State Duma in June 2018](#)

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[Rosturism proposes establishing national booking aggregator](#)

Russian Ministry of Labour calls for streamlining regulation of work permits for visa-free foreign nationals (patents)

The following amendments are proposed:

- Information on foreign nationals arriving from non-visa countries and employed in Russia on the basis of special patents will be entered in a special register
- The regions will be able to decide which jobs (occupations, positions) are eligible to patent-holders
- Once a foreign national receives a patent, he will be registered in the mandatory pension system and with other bodies overseeing compliance with the labour law
- A patent can be cancelled if an employer fails to make the mandatory pension deductions from the remuneration payable to its foreign employees
- The regions may set limits on patents
- Once the foreign nationals' employment permit and invitation quotas have been exhausted by employers, a region may develop proposals to reduce or eliminate the quota requirements for such employees
- The state will monitor the work of foreign nationals from non-visa countries and the payment of mandatory pension contributions by their employers.

If adopted, the federal law will enter into force on 1 January 2019.

[Federal Draft Regulations Portal](#)

Russian State Duma to take up bill permitting forex companies to identify clients remotely

The Bill proposes including framework client agreements with forex dealers into the list of transactions permitting remote client identification through the Single Identification and Authentication System.

The mechanism is expected to foster the implementation of integrated measures combatting the illegal forex operations.

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

Clamp down on e-money operators proposed

A bill to bring the requirements for e-money and e-payment operators in line with the payment system standards has been submitted to the Russian State Duma.

In particular, the document proposes using the Russian e-payment infrastructure for domestic wire transfers and banning the cross-border disclosure of information on such transfers and unilateral rejection of transactions by e-payment operators.

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

Bill on ratification of new Double Tax Convention between Russia and Japan submitted to Russian State Duma

To learn more about the Convention, please refer to LT in Focus of [4 September 2017](#).

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

Bill regulating branches of foreign insurers

The bill was developed further to the Protocol of 16 December 2011 'On the Russian Federation's accession to the Marrakech Agreement Establishing the World Trade Organization' of 15 April 1994, in which Russia committed to allow branches of insurance companies incorporated in WTO member states to operate in the country.

According to the bill, such foreign branches will be accredited by the Central Bank of Russia and will be subject to the regulatory standards applicable to the Russian insurance companies.

The bill sets forth the requirements to branch manager and chief accountant, financial strength and solvency, provides for bankruptcy consequences, suspension, restriction or revocation of licence and termination of activity.

The financial strength and solvency of such branches will be secured with claims reserves, statutory reserves, and reinsurance.

It is expected that the branches will be primarily engaged in the voluntary insurance business and will not be allowed to operate in certain segments, i.e. insure federal or municipal property.

[Federal draft legislation portal](#)

Russian Government approves list of VAT-exempt airport services

The list includes take-off, landing, parking, aviation security, fuelling, fuel storage, and air navigation services.

The document will enter into force on 1 July 2018.

[Official Internet Portal for Legal Information](#)

Procedure for calculating extra charges on customs value of goods in EAEU approved

In particular, the procedure for assessing extra charges following the inclusion of royalties and similar payments into the customs value of imported goods has been changed.

The resolution will enter into force 30 calendar days after its official publication.

[Consultant Plus](#)

Russian Government to change regulation of residential developers

The Government prepared amendments to the bill that will change the regulation of residential developers. In particular, developers can be permitted to attract homeowners' funds to finance construction of multifamily housing under several construction permits at once:

- In accordance with the land development plan or an approved site plan
- If a construction project is located on one or several land plots within the territory that is already developed under a contract for complex development or utilisation.

To build multifamily housing and other property the developers may be allowed to attract targeted funding from a parent company of up to 20 percent of the estimated cost of construction per each issued construction permit at an interest rate not exceeding the Central Bank of Russia's key rate as at the date of signing a targeted loan agreement, increased by two percentage points.

Bill No. [322981-7](#) passed the State Duma's first reading on 24 January 2018 (for more details, please refer to LT Digest of [27 November – 3 December 2017](#)).

[Official website of the Russian Government](#)

Russian Government approves footwear labelling pilot

The pilot will run from 1 June 2018 to 1 April 2019 and will be voluntary for footwear producers and importers, wholesalers, and retailers.

[Official website of the Russian Government](#)

Clarifications from government bodies

Russian Ministry of Finance clarifies payment of PIT on UK resident's gains from alienation of stock in Russian entity

The Ministry has noted that, according to Item 5, Article 13 of the [Double Taxation Convention](#), gains from the alienation of any property (except certain categories) shall be taxable only in the Contracting State of which the alienator is a resident.

At the same time, according to Item 6, Article 13 of the Convention, the above-mentioned provisions shall not affect the right of a Contracting State to levy, according to its laws, a tax on the capital gains from the alienation of any property derived by an individual who is a resident of the other Contracting State and has been a resident of the first-mentioned Contracting State at any time during the five years immediately preceding the alienation of the property.

Therefore, the gains from the alienation of stock in a Russian legal entity received by a Russian resident that further became a UK resident can be taxed in Russia at any time during five years until such stock has been alienated.

[Consultant Plus](#)

Russian Federal Tax Service (FTS) reschedules disclosure of open corporate data

The first data on special tax regimes applied by the companies, participation in consolidated taxpayer groups, and average headcount are to be disclosed on 1 August 2018.

On 1 October 2018, the FTS will release income and expense data as per the companies' financial statements, as well as the data on taxes, duties, and social contributions; on 1 December 2018, the data on tax offences and relevant penalties, taxes and penalty arrears will follow.

The procedure for disclosing the first set of open data has been updated, too. Thus, in 2018, the regulator will release the data of the companies other than the strategic enterprises, defence companies, and largest taxpayers; the data on other companies will be disclosed in 2020.

Originally, the first set of open data was to be released on 1 June 2018.

[Official Internet Portal for Legal Information](#)

Rospotrebnadzor approves food colour labelling guidelines

Food items will have red, yellow, and green labels, depending on the content of fat, sugar, and salt. The pilot was initially [planned](#) for the summer of 2018. The labelling requirements will not apply to ingredients, bottled potable and mineral water, confectionery, pastries, cheese, food additives, and specialised food products.

[Official Rospotrebnadzor's website](#)

Russian Ministry of Finance clarifies discharge of profit tax liability by foreign entity assuming Russian tax residency

The Ministry has reminded that foreign entities that opted for the Russian tax residency are treated similarly to the Russian companies for the purposes of Chapter 25 of the Russian Tax Code.

Therefore, a foreign entity that assumes the Russian tax residency:

- Is subject to profit tax assessed in the same way as for the Russian companies
- Must maintain tax accounting in its separate subdivision in Russia on the basis of source documents
- Comply with the general taxpayer obligations envisaged by the Russian Tax Code, to name but a few:
 - Account for income (expense) and taxable assets where required by the tax legislation
 - Duly file tax returns with the tax authorities where required by the tax legislation

- Submit the documents required for the assessment and payment of taxes to the tax authorities and their respective officials.

Yet, the foreign entities that assumed Russian tax residency are not required to submit financial statements.

The Ministry underlined that the above-mentioned foreign entities are not subject to the provisions of Article 307 of the Russian Tax Code that regulate the tax treatment of foreign companies' permanent establishments.

[Consultant Plus](#)

Russian Ministry of Finance clarifies tax treatment of Polish entity's income from supervising installation and commissioning of equipment in Russia

According to the Ministry, the activities of a Polish entity that led to creation of a permanent establishment are governed by the Russia-Poland Income And Capital Tax Treaty and the Russian Tax Code.

A building site, a construction, assembly or installation project or supervisory activities constitute a permanent establishment only if they last more than 12 months.

If the Russian operations of a Polish resident do not qualify as an "assembly project", the general PE criteria, including those of a fixed place of business and an activity of a continuing and lasting kind, shall apply.

Similar clarifications are provided in Ministry of Finance Letter No. 03-08-05/22793 of 17 April 2017 on the assessment of profit tax on the similar services provided by a German company (for more details, please refer to LT Digest of [15 - 19 May 2017](#)).

For VAT purposes, the services will be deemed supplied in Russia, which requires the payment of VAT by a withholding agent, i.e. the buyer.

[Garant:Prime](#)

Media review

Russian Health Ministry calls for annual indexation of excise tax on hard liquor, cigarettes

The proposal calls for an at least 10-percent indexation of hard liquor and 20-percent indexation of tobacco excises in 2018-2020.

The Russian Ministry of Finance is opposed to the initiative.

The Ministries prepared a statement of disagreement, listing the issues that need to be settled by the end of 2018.

[Economica i Zhizn](#)

Russian Ministry of Finance clarifies whether transactions involving participants of SPIC signed on behalf of region can be treated as controlled

According to the Ministry, related-party transactions where at least one party is a participant of SPIC signed on behalf of the region shall not be treated as controlled with reference to [Sub-Item 7, Item 2, Article 105.14 of the Russian Tax Code](#).

Nevertheless, they can qualify as controlled based on other criteria specified in Article 105.14 of the Russian Tax Code.

[Garant:Prime](#)

Russian Ministry of Finance clarifies calculation of historical cost of fixed assets received as property contributions

The Ministry has noted that, taking into account the provisions of Sub-Item 3.7, Item 1, Article 251 of the Russian Tax Code, taxable income does not arise upon the receipt of a fixed asset as property contribution.

The fixed asset must be recorded by the recipient at a zero historical cost.

If the recipient incurs delivery costs, costs to restore an asset to its usable condition or other similar costs, the historical cost must be determined based on such actual costs.

[Consultant Plus](#)

Bonus depreciation does not apply to fixed assets received from subsidiary liquidation, says Russian Ministry of Finance

If property received from liquidation of a subsidiary meets the requirements of Article 256 of the Russian Tax Code, such property can be subject to depreciation.

At the same time, bonus depreciation will not apply, as the taxpayer does not incur costs to purchase such property.

[Consultant Plus](#)

Bill introducing administrative penalties for compliance with anti-Russian sanctions to be submitted to Russian State Duma in June 2018

Speaker of Russian State Duma Vyacheslav Volodin said the document was to be presented before the State Duma during its spring session.

The bill is expected to be adopted in autumn 2018.

The penalties to be envisaged by the law are currently being discussed.

[Kommersant](#)

Russian Ministry of Industry and Trade calls for cancelling double tax on used car sales

The Ministry proposes exempting used car dealers from VAT.

In accordance with the existing legislation, purchase and sale of used cars to legal entities is costlier for the car dealers due to the non-competitive prices driven by double taxation.

Entering into a deal with a company, a dealer actually pays VAT on the full car price and not on the difference between the buy and sell prices.

The Ministry of Industry and Trade started working on a bill to address it, planning to submit it to the Russian State Duma in November 2018.

[*Vedomosti*](#)

Federation Council calls for incentives for hospitality businesses and regions developing domestic and inbound tourism

In particular, the initiative proposes not to take into account tax revenues from hoteliers for equalisation payment purposes. The measure is expected to motivate the regions to foster hospitality jobs.

The senators also propose increasing the simplified tax regime cap for hotels from the current RUB 150 million to RUB 300 million in net book value of fixed assets.

The initiative also calls for allocating RUB 69.27 billion from the budget to implement a three-year targeted programme aimed at boosting the domestic and inbound tourism and extend subsidies to tour operators running domestic travel programmes; introduction of electronic visas for foreigners is also on the table again.

[*Kommersant*](#)

Register of unfinished residential construction projects to appear based on common information system

The Russian Ministry of Construction and Housing Development and the Dom.RF Group will establish a unified register of unfinished residential construction projects, containing full information on their investment potential.

The database will contain 'project passports' that will reflect the project's investment appeal, completion timeline and options, and possible incentives for developers.

[*Izvestiya*](#)

EAEU strikes deals with Iran, China during Astana Economic Forum

On 17 May 2017, the EAEU signed a trade agreement with China and a provisional agreement with Iran reducing duties on certain categories of goods.

The [agreement with China](#) sets forth the priorities and lays a basis for further cooperation in trade protection, sanitary and phytosanitary activities, technical trade barriers, customs collaboration, e-commerce, intellectual property, sectoral cooperation, government procurement, and competition.

A provisional [agreement with Iran](#) reduces the duties for a limited set of goods, covering 502 codes from the EAEU's Commodity Classification and 360 codes from Iran's Commodity Classification.

The agreement is signed for three years, but in a year the parties agreed to start talks on establishing a full-fledged free trade zone. The agreement can be extended upon consent of the parties.

The documents have not yet been officially published.

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

Imports of certain US products may be restricted in near future

According to Deputy Minister of Economic Development Alexei Gruzdev, Russia may withdraw its WTO concession commitment consistent with the damages inflicted by the US sanctions.

The restrictions can be imposed within a month following the notice to WTO.

[*Vedomosti*](#)

Russian Ministry of Finance does not rule out excising junk food

According to Head of Tax and Customs Policy Committee of the Russian Ministry of Finance Alexei Sazanov, unhealthy food, such as carbonated soft drinks, potato chips, sugar, and other, can be added to the list of excised goods in the next several years.

The Committee will explore global initiatives, particularly the UK's 'fat tax'.

[*Izvestiya*](#)

EU to ban plastic tableware and cutlery

Throwaway plastic products including cutlery, cocktail straws, cotton buds, and even sticks for balloons could be banned across much of Europe under a proposal put forward by the EU.

The use of plastic food containers will also be limited.

Non-compliant EU countries that will continue generating non-recyclable waste might be obliged to pay a 'plastics tax' at 80 cents per kilogram.

[*Rossiyskaya gazeta*](#)

Russian Ministry of Industry and Trade to introduce auto auction regulation

According to the bill, car owners will have to use an electronic platform to sell used cars to dealers, who will further re-sell them to private buyers.

To participate in auctions, the dealers will have to receive a special state certificate.

[Izvestiya](#)

Legislative Committee discusses bill on prosecution for compliance with anti-Russian sanctions

The meeting was attended by the representatives of all parliamentary parties and heads of sectoral committees of the State Duma and Federation Council.

From the business side, the invitees included the heads of the Russian Union of Industrialists and Entrepreneurs, the Retail Companies' Association, Association of European Businesses, the Civic Chamber, the Chamber of Commerce and Trade, representatives of the banking community (Sberbank, VTB), Russian retailers (X5 Retail Group, TMK), and leading business schools (the Higher School of Economics and the

Russian Presidential Academy of National Economy and Public Administration)

Among the proposals discussed were the replacement of criminal prosecution for complying with anti-Russian sanctions for administrative penalties, leaving incitement to new sanctions the only criminalised offence.

The participants also urged for support to the sanctioned Russian companies.

The new wording of the bill is expected to be presented at the Legislative Council meeting a week after the consultations with the government and the business community.

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

Rosturism proposes establishing national booking aggregator

The proposal has been introduced by Deputy Head of Rosturism Nikolay Korolev.

The relevant regulation will also have to cover the tax treatment and tourist rights protection issues.

[Vedomosti](#)

Deloitte publications

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](#).

Highlights of anti-sanctions regulations in Russia

On 22 May 2018, the law on reciprocal measures against the USA and other foreign states (the Law) passed the Russian State Duma's third reading, having changed dramatically compared with its first and second versions (for more details, please refer [to LT in Focus of 17 April 2018](#) and [LT Digest of 14 – 18 May 2018](#)).

Bill on criminal prosecution for compliance with anti-Russian sanctions faces major overhaul.

For details, please refer to Legislative Tracking in Focus of [28 May 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,
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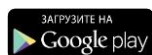


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