



LT Digest

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Legislative initiatives

Bill changing immigration registration rules and other bills signed into laws by President

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

- Federal Law No. [163-FZ](#), changing the immigration registration rules (for more details, please refer to LT in Focus of [7 June 2018](#))
- Federal Law [No. 155-FZ](#) of 27 June 2018, introducing administrative sanctions towards search engine operators failing to purge blocked websites from search results
- Federal Law No. [167-FZ](#), combatting unauthorised online banking transactions (for more details, please refer to LT Digest of [23 -29 October 2017](#)).

President signs bill on public-private partnership in software development into federal law

The public-private partnership and concession agreements can now cover

- The development of software and databases, IT systems and/or websites, information technologies or

[Bill changing immigration registration rules and other bills signed into laws by President](#)

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associated components used to operate such technologies, or other activities envisaged by the agreements

- Data centres

The law entered into force on 29 June 2018.

[Official Internet Portal for Legal Information](#)

Federation Council approves package of bills

- Bill No. [322981-7](#), amending the regulation of residential property developers (for more details, please refer to LT Digest of [27 November 2017 – 3 December 2017](#))
- Bill No. [357270-7](#), streamlining the personnel mobility mechanism
- Bill No. [231602-7](#), entitling the regions to extend free economic zone terms (for more details, please refer to LT Digest of [17 – 23 July 2017](#))

Bill on tax maneuver completion submitted to Russian State Duma

The changes envisaged by the bill are:

- To amend the list of excised goods, excluding the tobacco used for cigarette production and adding crude oil feedstock and shisha mix
- To charge the excise tax on the transfer of crude oil owned by licensed organisations to refineries
- To set forth the procedure for issuing registration certificates to entities engaged in crude oil refining
- To raise excise rates effective 1 January 2021
- To clarify the calculation of excise rates for straight-run gasoline, benzol, paraxylene, orthoxylene, and crude oil
- To apply an adjustment coefficient to the excise rate for straight-run gasoline, benzol, paraxylene, and orthoxylene that would gradually increase the rate over the six years starting from 1 January 2019 to match the decrease of export duty on oil
- To enable excise deductions for oil refineries depending on the volumes of produced Class 5 high-octane fuel and diesel fuel, global oil prices, average wholesale prices for such products in Russia, and the netback prices
- To charge the refineries a registration certificate fee of RUB 3,500 and a fee of RUB 0.16 per stamp for the issue of special federal and/or excise stamps with a two-digit barcode, incorporating the USAIS identifier.

The MET rates for oil and gas condensate production will be gradually increasing to match the decrease of oil export duties during the six years starting from 1 January 2019.

The lower MET rate and its applicability terms will be preserved until 1 January 2019 for oil and gas

condensate produced from depleted and small deposits and for the hard-to-recover oil by adjusting the reduction factor D_m to the MET rate on oil production.

The preferential MET rates will also be preserved for crude oil production at new offshore hydrocarbon deposits and gas condensate production, as well as for the natural gas used solely for the production of liquefied natural gas produced at the deposits located entirely or partially on the Yamal and/or Gydansky Peninsulas in the Yamal-Nenets Autonomous District.

The document also proposes a mechanism for granting a tax deduction on MET for gas condensate used in the production of the technical propane-butane mix by analogy with the tax deduction for MET on gas condensate used in the production of the so-called 'wide fraction of light hydrocarbons' (natural gas liquids).

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

Bill on added income tax updated for second reading released

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

Bill No. [325232-7](#) that sets forth the procedure for paying export duties following the implementation of the added income tax has also been updated for the second reading.

According to the proposal, the export duty rates for light and middle distillates, straight-run and commercial gasoline must not exceed 90 percent in all calendar months within the period of 1 August to 31 December 2018.

The second reading of the bills is expected on 3 July 2018.

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

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

Russian State Duma to take up bill on reduction of crude oil export duty rates

The export duty rate will be gradually decreasing from 30 percent to zero during the six years starting from 1 January 2019.

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

Russian State Duma to consider bill on Russia's exit from WTO

According to the bill's sponsors, the consequences of WTO membership had not been thoroughly assessed prior to joining, which resulted in a gradual economic slowdown, a decline in industrial production, and inflation and unemployment.

As a reminder, similar bills (No. [368090-7](#) and [439785-7](#)) were returned to the legislators for rework.

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

Russian Federal Tax Service (FTS) approves list of automatic information exchange relationships

The list includes 62 states and 11 territories.

[Official Internet Portal for Legal Information](#)

FTS approves list of activated country-by-country report exchange relationships

The list includes 49 states and two territories.

[Official Internet Portal for Legal Information](#)

Russian Government to push back road toll indexation

The annual indexation is postponed from 1 July 2018 to 1 July 2019.

[Official website of the Russian Government](#)

FTS develops recommended form of e-register of receipt data for VAT refund purposes

A payment agent will now be able to produce such e-register to justify the use of a zero VAT rate.

Before 1 October 2018, the retailers seeking a VAT refund must submit the hard copies of receipts, while afterwards the e-register of receipts stamped by the customs authorities in confirmation of goods movement outside the EAEU customs territory will be accepted.

To simplify the procedure in accordance with Item 3.10, Article 165 of the Russian Tax Code, the FTS **recommends** sending the e-registers of receipts before 1 October 2018 as well.

[Consultant Plus](#)

Russian Government approves rules for user traffic storage by Internet companies

Sub-Item 2, Item 3, Article 10.1 of Federal Law No. [149-FZ](#) of 27 July 2006 requires that effective 1 July 2018, all Internet providers store user electronic messages and data, including voice messages, images, sounds, and videos.

The data will be stored domestically for half a year following their receipt, transmission, delivery, and processing and disclosed to the investigative and national security authorities upon request.

The rules will apply starting from 1 July 2018.

[Official Internet Portal for Legal Information](#)

Russian Government expands grounds for out-of-court annulment of alcohol production and distribution licences

In particular, a licence can be cancelled by Rosalkogolregulirovaniye in the following instances:

- A licensee transfers federal special stamps or excise stamps (for legal entities) to a third party
- A licensee uses the registered trademarks, patented inventions, or industrial designs after a judicial cease-and-desist order had entered into force
- A legal entity carries ethanol, including denatured alcohol, and bulk alcohol-containing products with more than 25 percent of the overall alcohol content by road and fails to transmit the itinerary data through the satellite navigation systems to the automated system controlling the transportation of ethanol and alcohol-containing products in the Russian Federation

[Consultant Plus](#)

Eurasian Economic Commission (EEC) to establish common digital industrial space in EAEU

The EEC is working on a concept of the digital industry transformation and common digital industrial space in the EAEU.

The document is expected to integrate the sectoral national laws of the EAEU states and coordinate the efforts towards the establishment of a common digital space in the EAEU.

Certain elements of the digital agenda have already been considered by the EEC industrial block at the supranational level, which resulted in the approval of the Eurasian Industrial Cooperation and Subcontracting Network and the Eurasian Technology Transfer Network concepts.

The subcontracting service will enable the EAEU businesses to promptly find the most efficient partners, ensure the optimal production capacity utilisation, and implement a common network to search for technology developers and users.

[Official Eurasian Economic Committee website](#)

Regulatory clarifications

Russian Ministry of Finance clarifies applicability of lower income tax rate on dividends paid by depositary to Spanish resident

In accordance with Sub-Item 2, Item 9, Article 310.1 of the Russian Tax Code, a depositary being a withholding agent assesses and pays tax on the dividends paid by

Russian issuers based on the information envisaged by Item 7, Article 310.1 of the Russian Tax Code at a tax rate set by the Russian Tax Code or an applicable tax treaty, irrespective of the share or value of the investment or duration of stock holding.

Pursuant to Clause 2, Article 10 of the Russia – Spain [Income and Capital tax treaty](#), such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends, the tax so charged shall not exceed:

- Five per cent of the gross amount of the dividends, if:
 - the beneficial owner is a company (other than a partnership), which has invested at least EUR 100,000 or an equivalent amount in any other currency in the capital of the company paying the dividends; and
 - those dividends are exempt from tax in the other contracting state
- Ten percent of the gross amount of the dividends, if only one of the conditions above is met
- Fifteen percent of the gross amount of the dividends in all other cases.

Therefore, subject to provision of information envisaged by Sub-Items 2–5, Article 310.1 of the Russian Tax Code, the depository withholds the tax at a rate set by Article 10 of the tax treaty with Spain, regardless of the share or value of the investment or duration of stock holding.

According to the Ministry, the application of a ten-percent rate is subject to approval of the Spanish authorities, to clarify the dividend tax exemption criteria.

As a reminder, in Case No. [A42-7531/2017](#), the following proof of tax exemption in Spain was found sufficient by the court:

- A statement from the Spanish tax authorities confirming the tax residency of a foreign shareholder, which expressly refers to the provisions granting the dividend tax exemption in Spain
- Provisions of the Spanish law granting the exemption (translated into Russian)

- Extracts from an auditor’s report verifying that the tax exemption requirements were met
- A consultant’s comments on the applicability of a foreign shareholder’s exemption from the tax on dividends payable by the Russian subsidiaries.

[Consultant Plus](#)

Russian Ministry of Finance clarifies applicability of lower profit tax rate on dividends received by Russian entities

The Ministry reminded that a zero tax on dividends received by Russian entities will apply, provided the recipient has owned at least a 50-percent interest in the dividend-paying company or held depository receipts entitling to receive at least 50 percent of the total distributed dividends for a continuous period of 365 days and more.

If the dividend-payer is a foreign company, it must not be included in the list of states and territories offering a favourable taxation regime and (or) not providing for the disclosure and presentation of information in the course of financial transactions (offshore tax havens).

According to the Ministry, both conditions must apply as at the date the decision to distribute dividends is made.

The Ministry also advised that profit of a CFC can be reduced by the amount of dividends paid in the calendar year, following the year for which the CFC files its financial statements, with account of the interim dividends paid during the fiscal year, for which the statements are filed.

According to the Ministry, the profit of a CFC can be reduced both by the amount of dividends paid for the calendar year for which the CFC files its financial statements and by the amount of retained earnings, including those generated in the prior years.

[Garant:Prime](#)

Media review

Government resolutions made following meeting of Presidential Council on Strategic Development and Priority Projects

The following resolutions have been made:

- To support export-oriented corporate projects aimed at fostering the international development and complex investments run by the Russian systemic enterprises and formulate the long-term government support initiatives, including through SPICs
- To support the implementation of advanced development programmes in the priority export industries (petrochemical, timber, pharmaceutical etc.)
- To develop the tools for financial and non-financial exporter support
- To support exports via e-commerce platforms
- To simplify the cross-border trade activities,

including the urgent measures to facilitate customs procedures for products processed in a customs territory, repeal currency control for exports of certain products and services, introduce tax and tax administration incentives, including for exports of IT services and software, and decrease the VAT refund timeline

- To establish a digital platform that would foster international trade by creating a single register of exporters, building an electronic one-stop framework for interactions between the exporters and public authorities, and implementing the exporter- and business-servicing support measures.

The Russian Ministries of Finance, Economic Development, Industry and Trade, and Agriculture have assignments to thoroughly consider the tax incentives for new export production facilities by 17 August 2018.

[Official website of the Russian Government](#)

Russian Ministry of Economic Development develops investment boost agenda

The agenda envisages the investment climate improvement, reduction of business costs, infrastructure development, improvement of state-owned companies' performance, competition strengthening, and investment benefits, as well as an increase in the investments into energy, industry, and transport.

A bill that reduces the risks of criminal prosecution for the business by reclassifying certain economic crimes into administrative offences is expected by 1 October 2019.

A law formalising the non-tax payments in the Russian Tax Code will be developed by September 2018 with the list of such payments and common payment rules to be approved in June 2019.

[RBC daily](#)

Russian Ministry of Finance to accelerate reduction of duty-free import thresholds

According to a new government resolution presented by the Ministry, shipments worth over EUR 500 per month or weighing over 31 kg will be subject to import duties effective 1 July 2018.

Starting from 1 July 2019, the duty-free threshold will be reduced to EUR 100 or 31 kg per shipment, but not more than EUR 200 per calendar month per individual.

[RBC daily](#)

Russian Government withdraws bill on selling medical drugs in grocery stores

The Russian Government stopped considering the amendments enabling the sale of OTC medical drugs in grocery stores.

As a reminder, the [bill](#) legalising such sale was developed by the Russian Ministry of Industry and Trade.

[Vedomosti](#)

British Queen grants Brexit her royal assent

The EU withdrawal bill was signed into law by the monarch.

The law repeals the 1972 act that made the U.K. a part of the EU, whose laws will no longer apply in the Great Britain.

[Vedomosti](#)

International taxation news

OECD releases received public comments on future revision of TP Guidelines

Earlier requested comments to the following documents were unveiled:

- Chapter IV "[Administrative Approaches to Avoiding and Resolving Transfer Pricing Disputes](#)"
- Chapter VII "[Special Considerations for Intra-Group Services](#)".

[Official OECD website](#)

OECD develops Global Tax Revenue Statistics Database

A new global [database](#) provides detailed and comparable tax revenue information on 80 countries around the world.

[Official OECD website](#)

Deloitte publications

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](#).

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,
Deloitte CIS Partners

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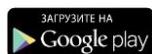


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