



LT Digest

Be in the know

Legislative initiatives

Udmurtia introduces investment deduction for profit tax

The investment deduction will be granted to the companies implementing capital investment projects in Udmurtia on the basis of SPIC, public-private partnership or concession agreements.

The investors that already apply the lower profit tax rates will not be eligible for the deduction.

The deduction will apply to investments in fixed assets created as part of the investment projects subject to the requirements of Article 286.1 of the Russian Tax Code.

To remind, the investment deduction was introduced by Federal Law No. 335-FZ of 2017 November.

Apart from Udmurtia, the deduction was introduced by the Khanty-Mansy Autonomous District (Yugra) (see LT Digest of [4-31 December 2017](#)), Karelia (see LT Digest of [2-8 April 2018](#)), and the Yamalo-Nenetsk Autonomous District (see LT Digest of [22 May – 3 June 2018](#)).

[Official Internet Portal for Legal Information](#)

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Bill streamlining SPIC regulation developed

The bill proposes the following changes:

- To introduce a new chapter, regulating the subject matter, parties, execution, and implementation of SPICs
- To introduce two categories of SPICs - federal SPICs worth at least RUB 1 billion and regional SPICs, the requirements for which would be set by the regions;
- To set forth that SPICs are executed to develop and/or introduce the modern technologies specified by the Russian Government, with the ultimate objective of establishing or upgrading industrial production
- To provide for the competitive selection of federal SPIC participants through open and closed bidding
- To expand the list of SPIC parties, enabling the federal executive authorities designated by the Russian Government to execute SPICs on behalf the Russian Federation; other parties may include engineering centres, industrial product distributors, and financial centres
- To extend SPIC terms up to 15 years for the projects worth RUB 1 billion to RUB 50 billion and up to 20 years for projects worth more than RUB 50 billion. The provision that tax benefits are granted to SPICs until 2025 only will be excluded
- To secure unchange business conditions for project-running organisations, only if it is provided for by applicable regulations that govern the relevant relations and within the limits established by such regulations
- To enable communications between the authorities and other SPIC participants via special information systems, including to control the performance of SPIC obligations
- To regulate the liabilities of the parties.

If adopted, the law will come into force as of the date of its official publication.

The SPICs signed before the new law enters into force will remain in effect, unless the investors, subject to consent of the other parties, wish to re-sign the SPICs or change them accordingly (with no competitive selection held).

To remind, a bill changing the regulation of tax benefits for SPICs was released recently.

For more details, please refer to LT Digest of [6-12 August 2018](#).

[Federal draft legislation portal](#)

Russian Government backs amendments to tax treaty with Sweden

For more details about the Protocol containing the suggested amendments, please refer to LT Digest of [23-29 April 2018](#).

[Federal draft legislation portal](#)

President of Russia tones down pension reform

The President of Russia has put forward the following proposals:

- To increase the pension age for women from the current 55 to 60 years (instead of 63 years in the government's scenario)

[Russian Pension Fund to switch to smart contracts and blockchain](#)

[Russia to develop cryptocurrency deals tracking mechanism](#)

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- Provide early retirement to mothers of large (multi-child) families
- Those who were to retire in two years according to the current laws should be able to start their pensions six months earlier according to the new rules
- Five years prior to the retirement will be treated as the pre-retirement age
- Firing pre-retirement employees and denying job candidates because of their age will entail administrative and criminal sanctions
- The unemployment benefit cap for pre-retirees will be increased from current RUB 4,900 to RUB 11,280, starting from 1 January 2019, and will be paid for up to a year
- The employers will be obliged to grant the pre-retirees two additional paid days off a year for free medical check-ups
- The early retirement eligibility requirements for the length of employment should be decreased: to 37 years for women and to 42 years for men (vs. the currently suggested 40 years for women and 45 years for men)
- All federal benefits applicable as of 31 December 2018 will preserve during the transitional period

The President's amendments are expected to be soon submitted to the Russian State Duma.

Prime Minister Dmitry Medvedev [instructed](#) Deputy Prime Minister Tatiana Golikova to submit proposals on the implementation of President Vladimir Putin's initiatives shortly.

[Garant: legislative tracking](#)

Russian Government approves environmental fee collection clampdown

Specifically, the following changes have been introduced:

- The environmental fee on packaging will be paid by the producers and/or importers of packaged goods
- For non-ready-to-serve packaged products, the environmental fee will be charged on packaging only
- The accuracy of and timeliness of fee calculation will be controlled by the environmental fee administrator (Rosprirodnadzor and its territorial branches) through relevant checks
- The fee calculation accuracy will be checked by reconciling the data and estimations filed by the payer with the attached supporting documents and environmental duty regulations
- The document sets forth the list of public authorities that producers and importers of goods will be filing fee calculations with
- Rosprirodnadzor will be authorised to approve the relevant control forms and procedures (both for hard-copy and electronic filings)

The guidelines also regulate the filling of the above-mentioned control forms, provision of necessary explanations, and making corrections in such forms,

should any data errors, discrepancies or inconsistencies be revealed.

[Official Internet Portal for Legal Information](#)

Russian Government extends medicine labelling pilot

The pilot running since 1 February 2017 has been extended for one more year until 31 December 2019.

Please note that according to Federal Law No. [425-FZ](#) of 28 December 2017, medicine labelling will become mandatory as of 1 January 2020 (for more details, please refer to LT Digest of [4-31 December 2017](#)).

[Official website of the Russian Government](#)

Bill streamlining regulation of block trade in PAO shares

The draft envisages the following changes in the regulation of block trade in shares of PAOs (public joint-stock companies):

- To establish measures to protect shareholders against hostile takeovers
- To introduce the concept of relatedness of parties, where related parties include the controlled and controlling persons, spouses, parents (including adoptive), children (including adopted), full and half-siblings, and persons controlled by such individuals
- Subject to the certain conditions and for a limited period, to repeal the obligation to send a mandatory buyout offer to facilitate the sale of shareholdings in terms of corporate control
- To extend the rules to holders of PAO's non-voting preference shares
- To prohibit counting the purchase of shares from related parties towards mandatory buyout requirements
- To enable the minority shareholders to waive voluntary (mandatory) offers
- To cancel the notification requirements in regard to the shareholders entitled to demand buyout of their shares

[Federal draft legislation portal](#)

Bill clarifying data de-personalisation requirements developed

The document authorises Roskomnadzor to approve personal data de-personalisation requirements and obligates the data operators to formalise their data de-personalisation policies.

The list of operators to be penalised for non-compliance has been [expanded](#).

According to the proposal, administrative penalties for failure to de-personalise data or comply with the de-personalisation requirements will be imposed on all data operators, not only the federal or municipal bodies.

If the bill is approved, corporate penalties may range from RUB 15,000 to RUB 30,000.

[Federal draft legislation portal](#)

Moscow government introduces new exporter subsidies

The subsidies will be offered to compensate the costs incurred to:

- Verify conformity of goods with the Russian or foreign accreditation authorities
- Obtain documents of title to intellectual property
- Obtain conformity certificates for management systems

Legal entities and sole traders will also be subsidised for the costs of transport of Moscow-originating goods outside Russia.

Subsidy seekers will have to comply with the established requirements.

[Garant:Prime](#)

EAEU import duty rates approved to comply with Russia's WTO commitments

Media review

Russian Government calls for new privileges for investors

The bill "On protecting and promoting investment in Russia", developed by the Russian Ministry of Finance, has resumed the discussion about incentivising the investors willing to commit over RUB 1 billion to Russian investment projects, previously known as SPIC 2.0.

According to the bill, investors will be guaranteed unchanged business terms and a partial reimbursement of investments through beneficial taxation.

Mutual commitments of investment project participants are to be formalised in agreements on protecting and promoting investments.

The government will sign such agreements with investors into projects worth at least RUB 10 billion, to which the investors commit at least RUB 3 billion.

For investment commitments under RUB 30 billion, agreements will be signed for six years, over RUB 30 billion – for 12 years.

Offshore companies will not be eligible for the incentives.

Investors will be able to sign an investment agreement within three years following the enactment of the law.

Agreements can be extended for another six years subject to profit re-investment in Russia.

Agreements can be signed in any industry, including construction, but excluding the producers of tobacco, alcohol, and liquid fuel sectors.

The document has not yet been officially published.

Please note that the SPIC reform is also underway, with the bills amending the [legal framework](#) and [tax treatment](#) already developed (for more details, please refer to LT Digest of [6-12 August 2018](#)).

[Vedomosti](#)

Ministry of Finance discloses new details of investments protection bill

According to the Ministry, the bill on protection and

Resolution of the Eurasian Economic Commission No. 66 of 13 July 2018 approves the rates of import for certain cars, aluminium, specific types of machinery, rattan furniture, metal and wooden furniture items, etc.

Certain items will be subject to lower customs duties.

The Resolution will enter into force 10 calendar days following its official publication, but not earlier than 1 September 2018.

[Garant: legislative tracking](#)

Russian Government extends counter-sanctions against agricultural produce, food products

The counter-sanctions were extended until 31 December 2019.

[Garant: legislative tracking](#)

promotion of investments was supplemented with the following provisions:

- Apart from the consistent regulatory and fiscal terms throughout the term of an investment project (six or 12 years, depending on investment volume), investors will be guaranteed appropriate legal remedies
- The public authorities will be obliged to compensate investors for their losses resulting from the deterioration of investment terms
- The state will compensate the damage from an unfavourable business climate

The legal remedies will also be guaranteed to foreign-held Russian investors

- Investment projects will be granted government subsidies and compensated for infrastructural costs in the amount of paid taxes

[RBC](#)

Exporters to be exempted from non-repatriation penalties

The Russian Ministry of Finance is working on amendments to the currency regulations that would lift penalties for the non-repatriation of FX revenues, where the funds were credited to the exporter's bank account by an insurance company.

The bill regulates the instances of non-repatriation due to a counterparty default. If the relevant amount is fully covered by insurance, the exporters will not be held liable.

The exporters' risks will be insured by the Russian Agency for Export Credit and Investment Insurance (EXIAR) or private insurance companies. The insurers will be able to charge foreign currency-denominated insurance premiums and make foreign currency-denominated payouts.

[Vedomosti](#)

Russian Government to raise diesel and gasoline excise tax since 1 January 2019

The excise tax will be raised by RUB 2,700 and RUB 3,700 per tonne to keep up with the targets set as of 1 July 2018 and will amount to RUB 8,258 and RUB 11,892, respectively.

[RBC](#)

St. Petersburg may charge tourist tax

According to Alexey Korabelnikov, Chairman of St. Petersburg Government's Finance Committee, the tax may be implemented in 2019.

The initiative is currently discussed by the Russian Ministries of Finance and Culture.

[RNS News Agency](#)

Supervisory authority to use big data in audits

Big data-based solution dubbed the "digital inspector" will help the supervisory authorities conduct their audits: collect and analyse data and give prompts to inspectors.

The initiative is included in the digital government roadmap.

The scope of data required for risk assessment will be determined by the relevant supervisory authorities and may include government information systems (GIS), machine-readable corporate reporting, IoT smart sensors, and even citizens' oversight reports.

Data processing algorithms and methods for it will be developed by the Russian Ministry of Communications and Media.

[Vedomosti](#)

Owners of strategic companies to be obliged to disclose dual citizenship

The initiative is being put forward by the Federal Anti-Monopoly Service (FAS), a [notice](#) of respective amendments to the federal law "On Foreign Investment" has been released on the federal draft law portal.

FAS believes the amendments will address the legal uncertainty: an individual that controls a strategic company and holding a dual citizenship within the meaning of Federal Law No. 57-FZ is deemed to be a foreign investor, but does not apply for the status or file a notice to the FAS.

Foreign investors are obliged to file for approval of transactions involving more than 25 percent of shares of a strategic company and obtain the government's approval for the purchase of a stake exceeding 50 percent.

The foregoing individuals will be required to file for FAS approval within three months following the obtaining of a foreign citizenship.

[Vedomosti](#)

Government may discontinue subsidies to certain industries

The 2019-2021 budget planning working group considers discontinuing the anti-crisis subsidies to the automotive, transport, agricultural machinery, light and ship-building industries. The group is citing the positive industry development, decrease of the Central Bank's key rate, and improvement of effective demand.

[Kommersant](#)

New rules for issue of qualified digital signatures

According to a bill introduced by the *Russian Ministry of Digital Development, Communications, and Mass Media*, corporate qualified digital signatures will be generated by the Russian Federal Tax Service (FTS) only.

Now there are many digital signature issuers, but FTS is uniquely positioned as it has all necessary data and can verify the powers of applicants.

[Vedomosti](#)

First cloud-based digital signature certified in Russia

On 13 August 2018, CryptoPro received the first cloud digital signature certificate from the Russian Federal Security Service, confirming the legitimacy of cloud signature solutions.

Digital signatures are normally recorded and stored on a personal protected USB token that enables the safety of key data and user authentication.

With the new solution, no physical media will be required to store the keys that will now be cloud-based.

Users wishing to sign an electronic document are no longer tied to PCs or laptops with USB ports.

[Korus Consulting CIS website](#)

Private cryptominers might be treated as self-employed

Mining legalisation proposals, including the treatment of private miners as the self-employed, were set out in a letter CryptoUniverse, a member of the Russian Association of Cryptocurrencies and Blockchain, submitted to Minister of Finance Anton Siluanov.

According to the initiators, the measure, along with the legalisation of cryptocurrency conversion into roubles, will enable de-shadowing the market and reducing the personal income tax rate for the miners from 13 to 3–5 percent.

The document also sets out a legal mechanism for converting cryptocurrency into roubles, which is expected to simplify the government control over digital assets, legalise the miners' income, and generate additional budget revenues.

[Kommersant](#)

Russian Pension Fund to switch to smart contracts and blockchain

The Pension Fund of Russia (PFR) is planning to use blockchain to monitor employment contracts.

The proposals on integrating all PFR's databases, which currently accumulate the data on tax payments and

social contributions, into a single distributed ledger platform will be developed by the end of 2018.

The PFR is also looking at smart contracts, which will oust paper documents, while making the required data available at any time.

[Izvestiya](#)

Russia to develop cryptocurrency deals tracking mechanism

Rosfinmonitoring has ordered the development of a tool to analyse and identify cryptocurrency offences. The tool that is to be complete by 31 December 2018 will be incorporated into the regulator's single database.

Each suspect's file will now have a "Cryptocurrency" tab in the "Bank Account" section.

Here is no clarity what digital currencies will be monitored.

[RBC](#)

Court practice

USA initiates WTO dispute against Russia

The United States has requested WTO dispute consultations with the Russian Federation concerning additional duties applied by Russia on certain imports of US goods.

The United States claims that the additional duties are inconsistent with provisions of the WTO's General Agreement on Tariffs and Trade 1994 because Russia does not impose them on similar products from other WTO members and appears to be applying higher duty

New web-site blocking technologies under way in Russia

Representatives of the FSB, Roskomnadzor (the communications watchdog), and Minkomsvyaz (the Ministry of Communications) set up a commission to test the new technologies to block Telegram and sanctioned Internet resources.

Starting from 6 August 2018, domestically developed traffic analysis and filtration systems (by RDP.ru, ADM Systemy, NTTs Protey, DDoS Guard, Napa Labs, Vas Experts, and Kontsern Avtomatika) have been tested in Rostelekom's network environment in Reutov (Moscow region).

[Vedomosti](#)

rates to US imports than those set out in Russia's WTO schedule of concessions.

The measures in question were a response to the U.S. tariffs, aimed at compensating for USD 537.6 million Russia expects the hike to cost its companies.

The counter-claim will enable the parties to reconcile the potential losses; the process is expected to take up to two or three years.

[Kommersant](#)

International law news

EU to zero rate imports of industrial products from US

As part of the EU-US trade agreement negotiation agenda, the EU confirmed its willingness to zero-rate the import duties on US products, including cars.

The import duties on US cars are currently charged at 10 percent, which is higher than the US import tariffs of 2.5 percent.

[Vedomosti](#)

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

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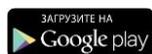


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