



## LT Digest

### Be in the know

#### Legislative initiatives

##### President of Russia signs package of federal laws

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

- Federal Law No. [16-FZ](#) of 5 February 2018 "On mandatory classification of tourist facilities" (for more details, please refer to LT Digests of [9 January 2017](#) and [9 - 14 January 2018](#))
- Federal Law No. [8-FZ](#) of 5 February 2018, permitting the denomination of salaries in foreign currency in certain instances

*Official Internet Portal for Legal Information*

##### Bill introducing zero VAT on services attributable to certain domestic air flights developed

The bill enables the use of zero VAT on services attributable to domestic flights to or from the locations in Kaliningrad Region or Far-Eastern Federal District.

If adopted, the bill will enter into force in July 2018.

[Federal draft legislation portal](#)

[President of Russia signs package of federal laws](#)

[Bill introducing zero VAT on services attributable to certain domestic air flights developed](#)

[Bill changing VAT treatment of services rendered in air space and airports as part of international carriage operations developed](#)

[Agreement on labelling of goods in EAEU signed](#)

[Russian Central Bank approves fintech roadmap for 2018–2020](#)

[Central Bank of Russia announces Basel III implementation timeline](#)

[CBR's key rate lowered](#)

[Russian Federal Tax Services clarifies procedure of confirming eligibility for CFC profit tax exemption](#)

[Russian Ministry of Finance comments on tax authority's right to request documents confirming tax benefits from withholding agents](#)

[Russian Ministry of Finance clarifies tax treatment of bonuses paid to foreign suppliers for meeting supply targets](#)

[Russia's first blockchain-based property purchase contract signed](#)

[Russia may establish ADT cross-bordering China](#)

[US Oracle clamps down on sanctioned oil&gas clients](#)

[Sberbank pioneers use of neural network to appraise commercial real estate](#)

[Dairy products with vegetable fats to be labelled since July 2018](#)

[Turkey introduces tax incentives for Turkish Stream construction](#)

[EU announces expansion plans in western Balkans](#)

[Australia to bring down profit tax rate](#)

## Bill changing VAT treatment of services rendered in air space and airports as part of international carriage operations developed

According to the existing regulations, aircraft maintenance and air navigation services performed in the airports and Russian air space are exempt from VAT.

The bill proposes preserving the exemption only for the air navigation services that are rendered in the Russian air space, while introducing a zero VAT rate on the certain services (approved by the Russian Government), rendered in airports.

The document also clarifies the procedure for confirming the right for zero VAT on services performed in the airports.

[Federal draft legislation portal](#)

## Agreement on labelling of goods in EAEU signed

The agreement on labelling goods in the EAEU was signed on 2 February 2018 by the Eurasian Intergovernmental Council.

The document proposes establishing a uniform labelling system with labels entered into a uniform register.

The agreement will enable using the track&trace system to ensure fair competition, improve product quality and consumer safety, and fight the grey market and counterfeit products.

[Official Eurasian Economic Committee website](#)

## Russian Central Bank approves fintech roadmap for 2018–2020

The roadmap has the following action items:

- To develop proposals on introduction of new financial technologies
- To create the digital financial infrastructure
- To establish a legal framework for financial technologies; to improve regulatory flexibility
- To set up a CBR-based testing environment ("sandbox") to test the innovative financial technologies
- To migrate to paperless communications among the

CBR, public authorities, financial institutions, and their clients.

The document names the key elements of the digital financial infrastructure, such as remote customer identification and quick pay platforms, a marketplace for financial products and services and the new blockchain and cloud platforms meant to facilitate the stakeholder communications in the digital environment.

All elements of the digital infrastructure will be enabled through the open application-programming interfaces (API).

The priorities set by the roadmap will be addressed by a joint effort of financial institutions, the CBR, and the government stakeholders as part of the Russian Digital Economy programme and other fintech initiatives.

[Official Russian Central Bank website](#)

## Central Bank of Russia announces Basel III implementation timeline

On 7 December 2017, the Basel Committee on Banking Supervision released [revisions](#) to Basel III.

The Basel III framework is a central element of the Basel Committee's response to the global financial crisis of 2008-2009, providing the regulatory foundation for a resilient banking system in G20.

The implementation of the final regulatory requirements incorporating the revised Basel III standards as well as a revised approach to market risk was originally scheduled for 2019, but was postponed until 2022. The Central Bank of Russia plans to synchronise the Russian banking regulations, including on market risk, with Basel III according to the timeline set by the Basel Committee on Banking Supervision.

[Official Russian Central Bank website](#)

## CBR's key rate lowered

On 9 February 2018, the Central Bank of Russia announced a decrease of its key rate from 7.75 percent to 7.5 percent.

[Official Russian Central Bank website](#)

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## Clarifications from government bodies

### Russian Federal Tax Services clarifies procedure of confirming eligibility for CFC profit tax exemption

The regulator has reminded that to apply the exemption, the controlling owner of a CFC must provide documentary evidence of its eligibility for such exemption.

The documents need to be filed with the local tax authorities.

The deadlines are the same as for the CFC notifications — by 20 March of the year following the fiscal period, in which the respective controlling entity reports its profit from a CFC.

However, the tax legislation does not require that the above-mentioned documentary evidence be submitted at the same time as the CFC notification.

In particular, if the earlier filed documents are found to have any inaccuracies or errors or missing data that do

not require any adjustments in the earlier filed notification, such documents can be filed without resubmitting the notification.

A cover letter is required, containing the CFC's number from the respective notification, the CFC's name in Latin characters, and the fiscal period, for which the notification is filed.

[Garant: Prime](#)

### **Russian Ministry of Finance comments on tax authority's right to request documents confirming tax benefits from withholding agents**

Citing [Resolution](#) of the Commercial Court for North-Western District of 11 October 2013 in case No. A56-73263/2012 and [Ruling](#) of the Supreme Commercial Court No. VAS -19096/13 of 17 January 2014, the Ministry has noted that the tax authorities act in compliance with the law when, during a desk audit, they request a confirmation of the tax benefits utilised by withholding agents paying income to foreign

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## **Media review**

### **Russia's first blockchain-based property purchase contract signed**

The Agency of Housing Mortgage Lending (AHML) informed of the first registered contract for the purchase of a 214-FZ property, executed using the blockchain technologies.

The contract was signed in Leningrad Region, which was chosen as the pilot venue.

The contract was registered by Rosreestr as part of a joint project with the AHML and Vnesheconombank.

[AHML website](#)

### **Russia may establish ADT cross-bordering China**

The Russian Ministry for the Development of the Russian Far East has informed on the plans to establish an advanced development territory (ADT) with an investment potential of USD 1.5 billion at the Russia-China border.

According to the preliminary estimates, the ADT will be accommodated on an area of 413 ha (223 ha in Russia and 180 ha in China) and will enable a free movement of people, goods, and services.

The ADT will be a duty-free zone, offering its residents an unhampered access to the markets of both countries.

[Economica i Zhizn](#)

### **US Oracle clamps down on sanctioned oil&gas clients**

A US computer tech major Oracle informed its Russian partners it had joined Washington's sanctions towards Russian oil & gas companies.

The sanctions ban providing, exporting, or re-exporting goods, services, or technologies that support deepwater

enterprises. The obligation to provide confirming documents arises by virtue of Item 6, Article 88 and Articles 24, 310, and 213 of the Russian Tax Code, considered in aggregate.

In the Ministry's opinion, in the case under review the imposition of penalties on a withholding agent failing to provide the requested documents would be rightful.

[Consultant Plus](#)

### **Russian Ministry of Finance clarifies tax treatment of bonuses paid to foreign suppliers for meeting supply targets**

According to the Ministry, bonuses should be treated as a compensation (reduction) of costs arising out of procurement of goods and thus are not taxable in Russia, unless the foreign enterprise has a PE.

[Garant: Prime](#)

and Arctic offshore exploration and drilling, as well as shale projects involving one of the companies included by the Office of Foreign Assets Control (OFAC) in Directive 4 of 12 September 2014.

The ban applies to projects launched as of 29 January 2018, also covering all renewed and amended contracts.

Yet the sanctions do not apply to financial services, such as accounting and insurance. The non-compliant transactions can be suspended or denied.

The list targets 283 sanctioned companies, including affiliates of Gazprom, Rosneft, Lukoil, and Surgutneftegaz.

The ban will also apply to the projects where the sanctioned Russian entities hold a stake of at least 33 percent.

[Kommersant](#)

### **Sberbank pioneers use of neural network to appraise commercial real estate**

A service based on deep machine learning algorithms enables on-the-spot appraisal of collaterals. If necessary, the bank's experts will adjust and validate the estimates made.

The neural network is integrated with the bank's street retail database, which is regularly updated from internal and external sources and contains the key details of comparables, their photos and prices.

Depending on a property's location, pedestrian traffic, and price category, the network selects comparables which it uses for appraisal, providing a full transparency of calculations.

[Kommersant](#)

## **Dairy products with vegetable fats to be labelled since July 2018**

Russian Minister of Agriculture Alexander Tkachev, speaking at the Congress of the National Dairy Producers' Association, said that new labelling requirements for dairy products containing vegetable fats would become effective in July 2018.

The new rules will clamp down on the labelling of dairy

products with vegetable fats.

The Ministry of Agriculture has also developed a [bill](#), increasing the penalties for breach of food regulations from RUB 100,000 – 300,000 to RUB 200,000 - 400,000.

[Kommersant](#)

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## **International taxation news**

### **Turkey introduces tax incentives for Turkish Stream construction**

Turkey offered tax relief on the construction of the Turkish Stream pipeline.

The tax exemption is granted to companies that perform construction works solely in the Turkish economic zone and in the Black Sea. Project design works and legal services will also be tax-exempt.

The tax and customs benefits will also apply to transport, including maritime, and supplies of pipes, components, equipment, and other materials.

[RBCdaily](#)

### **EU announces expansion plans in western Balkans**

On 6 February 2018, the European Commission released its [strategy](#) towards expanding the European

Union in the western Balkans by accepting Albania, Serbia, Montenegro, Macedonia, Bosnia and Herzegovina, and the partially recognised Kosovo.

Serbia and Montenegro could join the EU in 2025 and other states will be given extra support on their path to integration.

[RBCdaily](#)

### **Australia to bring down profit tax rate**

The Australian Government announced plans to reduce the profit tax rate from 30 to 25 percent in 2025.

The initiative was supported by the Parliament's House of Representatives.

[Vedomosti](#)

# Deloitte publications

## **Federal Law on Tax Free in Russia signed**

On 27 November 2017, the President of the Russian Federation signed a [federal law](#) (the "Law") that sets forth the key principles of the tax-free system in Russia. According to the Law, citizens of foreign non-EAEU states will be entitled to a refund of VAT paid on the purchases made in Russian retail stores, provided the purchased goods are then moved outside the EAEU customs territory.

The new regime is primarily aimed at boosting the retail sales and fostering tourism. Tax-free was discussed for quite a while in Russia, but never made it into the legislation until recently. Now the implementation is expected in 2018.

Read on for an overview of the key provisions of the Law and opinions of Deloitte's specialists, who were actively involved in the development of the Russian tax-free system, on its systemic impact on the Russian retail industry and the economy in general.

For details, please refer to Legislative Tracking in Focus of [8 December 2017](#).

## **Changes in VAT law: electronic services; payers of unified agricultural tax; "5% rule" for input VAT allocation; zero VAT rate for international transportation, freight forwarding services and re-export of goods; and more**

Federal Laws No. 335-FZ and No. 350-FZ, introducing amendments to Parts One and Two of the Russian Tax Code and setting forth, in particular, the new rules for

accounting for and payment of VAT with respect to certain transactions, were officially published on 27 November 2017.

Some amendments will enter into force starting from 1 January 2018, some – from 1 January 2019.

For details, please refer to Legislative Tracking in Focus of [30 November 2017](#).

## **The CbC Law: Overview Of Key Provisions**

On 22 November 2017, the Federation Council approved the Federal Law On Amendments To Part One Of The Russian Tax Code (the "CbC Law", or the "Law"), aimed at implementing the international automatic exchange of financial account and multinational enterprise information.

Read on for an overview of the key aspects of the Law that regulates the preparation and the scope of documentation to be filed by multinational enterprise groups ("MNE Group").

In our previous overview we analysed the key provisions of the Draft Law. In this paper we focus on the latest amendments.

For details, please refer to Legislative Tracking in Focus of [27 November 2017](#).

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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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## TaxSmart app



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