



LT Digest

Be in the know

Legislative initiatives

President of Russian Federation signs laws on remote identification of bank clients, on streamlining of product labelling, and some other laws

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

- Federal Law No. [487-FZ](#) of 31 December 2017, **improving the product labelling framework**
- Federal Law No. [503-FZ](#) of 31 December 2017, **modifying waste management procedures** (for more details, please refer to LT Digest of [4 - 31 December 2017](#))
- Federal Law No. [486-FZ](#) of 31 December 2017, regulating the **syndicated loans**;
- Federal Law No. [484-FZ](#) of 31 December 2017, establishing the contribution rates for the mandatory social occupational accident and disease insurance for 2018 and planning periods of 2019 and 2020

[President of Russian Federation signs laws on remote identification of bank clients, on streamlining of product labelling, and some other laws](#)

[Russian Federal Tax Service \(FTS\) develops draft lists of jurisdictions to automatically exchange financial account information and country-by-country reports with Russia](#)

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[Russian Ministry of Economic Development proposes expanding exporters' access to commercial insurers' products](#)

[Russia might bring down auto components import duties for WTO members](#)

[Soyuzpharma proposes turning down bill on sales of non-prescription drugs in grocery stores](#)

- Federal Law No. [502-FZ](#), setting forth additional grounds for extraordinary audits of employers, reportedly failing to sign employment contracts with their employees
- Federal Law No. [470-FZ](#) of 29 December 2017, offering additional guarantees to clients of financial institutions that undergo anti-money laundering and terrorism financing prevention measures
- Federal Law No. [465-FZ](#) of 29 December 2017 that regulates restructuring and liquidation of medical providers

Official Internet portal for legal information

Russian Federal Tax Service (FTS) develops draft lists of jurisdictions to automatically exchange financial account information and country-by-country reports with Russia

The FTS has released [draft](#) Order "On approval of the list of partners for automatic exchange of financial information" that includes 73 jurisdictions Russia activated the exchange relationships with for CRS purposes (for more details, please refer to LT of [22 December 2017](#)). Public hearings on the Draft will continue until 26 January 2018.

The FTS also released [its assessment](#) of the regulatory impact of the Russian Government's Draft Resolution "On the Implementation of International Automatic Exchange of Financial Account Information for Tax Purposes". The document suggests that the reporting deadlines for 2017 financial information be extended for at least three more months, the reporting requirements in respect of accounts that had been terminated by the time the relevant provisions entered into force be refined, and definitions of certain terms be provided.

Furthermore, the regulator released a [draft list](#) of 44 countries and territories for CbC report exchange purposes (including Cyprus, Luxembourg, the Netherlands, Switzerland, Guernsey, Jersey, Cayman Islands, and Isle of Man).

Federal draft legislation portal

Russian Federal Tax Service posts information on CRS report submission

Information on the submission of CRS reports by financial institutions (FIs), draft forms of reports on financial accounts of non-residents to be filed electronically with the competent authorities, the procedure and protocols of communications between the Russian Federal Tax Service (FTS) and the FIs have been posted on [the FTS official website](#).

The FTS also informed on the development of an e-service called "Foreign Account Reports", which FIs can access, using a qualified digital signature.

Official Russian Federal Tax Service website

Updated draft regulation on bilateral (multilateral) pricing agreements released

The update was mainly required for clarification purposes.

The public hearings on the draft will continue until 23 January 2018.

For more details, please refer to LT Digest of [6 – 16 March 2017](#).

Federal draft legislation portal

Russian Federal Tax Service (FTS) posts draft forms for international information exchange

The [forms](#) are available for testing on the FTS website.

In the end of December 2017, Russia successfully activated the bilateral exchange relationships for CRS and CbC purposes with 73 and 48 countries respectively.

The regulator also informed that public hearings on the following regulations were over:

- The [draft](#) resolution of the Russian Government "On the Implementation of International Automatic Exchange of Financial Account Information for Tax Purposes" (for more details, please refer to LT in Focus of [16 October 2017](#))
- A [draft](#) FTS order, approving the format and electronic filing procedures for CbC reports
- A [draft](#) FTS order, approving the format and e-filing procedures for notifications of MNE group participation

Since December 2017, the FTS website has a special [page](#) on international information exchange, featuring updates on pending documents and FAQ.

Official Russian Federal Tax Service website

EAEU Customs Code enters into force on 1 January 2018

On 30 December 2017, the President of Kyrgyzstan signed a law, ratifying the Eurasian Economic Union's (EAEU) Customs Code, following suit of Armenia, Belarus, Kazakhstan, and Russia.

On 1 January 2018, [the EAEU Customs Code Agreement](#) of 11 April 2017 entered into force, terminating the previous Agreement of 27 November 2009 and a number of international treaties, regulating the customs relations within the Customs Union.

The enactment of the Agreement was preceded by a number of relevant amendments to the customs regulations, introduced in the end of 2017:

- Starting from the date when the Agreement enters into force, all customs laws and regulations shall be applied to the extent that they do not contradict the Agreement
- If the customs laws and agreements are inconsistent

with the Agreement provisions, the regulations of the Russian Ministry of Finance shall apply

- The respective Ministry regulations may enter into force on the dates expressly provided by such regulations, but not earlier than on the date of their official release.

Please note that the EAEU's Customs Code is not exhaustive, especially in terms of technical regulations.

It was to be supplemented by a law on customs, which should have been adopted by the State Duma by 1 December 2017, entering in force on the same date as the Customs Code. Yet, due to its late submission, in 2018 the businesses will have to go by the letters of the Ministry of Finance

[Official website of the Eurasian Economic Commission](#)

Bill on mandatory classification of tourist infrastructure passes State Duma's second reading

The bill was updated to introduce a number of clarifications.

It provides for the mandatory classification of hotels, which is expected to be implemented gradually:

- From 1 July 2019 — for hotels and other accommodation facilities with more than 50 rooms
- From 1 January 2020 — for hotels and other accommodation facilities with more than 15 rooms
- From 1 January 2021 — for all other hotels/accommodation facilities.

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

Bill streamlining corporate governance and minority shareholder protection passes State Duma's second reading

The following amendments are proposed:

- Charters of public and non-public companies must indicate whether the company has an internal auditing committee
- The information (materials) sent out to shareholders entitled to attend a general shareholders meeting shall include an internal auditor's report
- A public company shall establish an internal auditing committee if its charter provides so
- A public company shall establish a risk management and internal control departments
- The bill also defines the procedure for appointing an internal audit officer
- Related-party transactions shall be approved at a general shareholders meeting by the majority of votes of unrelated shareholders, if a transaction is worth 10 percent and more of the company's net

asset value as per its financial statements as at the latest reporting date (subject to certain exceptions).

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

Russian Ministry of Health approves procedures for telemedicine

The document regulates the use of telemedical technology for case discussions between practitioners and doctor-patient communications, earlier enabled by Federal Law No. [242-FZ](#).

[Official Internet Portal for Legal Information](#)

List of finished goods and packaging subject to recycling after losing consumer value updated

The new list consists of two parts.

Part 1 "Goods (except for packaging) subject to recycling after losing consumer value" covers 46 product groups, including new ones:

- Group 16: Printed products (contains periodicals and newspapers, as well as catalogues, advertising materials, postcards, and other printed materials)
- Group 19: Pipes, tubes, hoses, conveyor belts, vulcanised rubber belting
- Group 23: Door and window frame assemblies, door thresholds, shutters, blinds and similar plastic products
- Group 37: Non-rechargeable batteries and cells
- Group 40: Electronic and electrical wires and cables
- Group 46: Internal combustion engine filters

Part Two "Packaging subject to recycling after losing consumer value" includes eight product groups.

The document entered into force as of 1 January 2018.

[Consultant Plus](#)

Recycling targets for finished goods and packaging updated

The targets have been considerably raised for certain products, including:

- For corrugated paper and cardboard and packaging made of them (Group 10), the recycling target will amount to 25 percent in 2018, 35 percent in 2019, and 45 percent in 2020
- For tyres, vacuum tyres, and tyre tubes (Group 18) the recycling targets will amount to 20 percent in 2018, 25 percent in 2019, and 30 percent in 2020
- For other rubber products (Group 20), the targets are set at 20 percent in 2018, 25 percent in 2019, and 30 percent in 2020

- For corrugated paper packaging (Group 50), the targets are set at 25 percent in 2018, 35 percent in 2019, and 45 percent in 2020

The document entered into force as of 1 January 2018.

[Consultant Plus](#)

Voluntary medicine labelling pilot extended until 31 December 2018

Please note that Federal Law No. [425-FZ](#) of 28 December 2017 extended the transition to mandatory medicine labelling until 1 January 2020.

[Official Internet portal for legal information](#)

Clarifications from government bodies

Russian Ministry of Finance clarifies applicability of participation exemption to beneficial dividend owners

A taxpayer applied to the Russian Ministry of Finance requesting for clarifications of an issue below:

- Company A (Russia) indirectly holds more than 50 percent of shares of Company B (Russia) through direct participation in Company C (Cyprus) and indirect participation in Company D (Cyprus).
- Company D purchased Company B's shares, using a loan from an independent Russian bank, the loan agreement providing that a portion of dividends payable from Company B to Company D must be transferred by Company D to the bank for early redemption of the loan.
- Cypriot Companies C and D do not have substance in Cyprus; they informed Company B that Company A was the beneficial owner of the dividends, not they.
- The dividends received from Company B were transited by Companies C and D net of loan payments due to the bank, which left Company A with less than 50 percent of the total dividends

The taxpayer inquired whether Company A, which was the beneficial owner of the dividends, could apply a zero tax rate, envisaged by Sub-Item 1, Item 3, Article 284 of the Russian Tax Code (participation exemption).

In accordance with Sub-Item 1.1., Article 312 of the Russian Tax Code, a zero tax rate can be applied subject to the following additional conditions:

- 1) The Russian tax resident (beneficial owner of dividends) must hold an indirect interest in the

company distributing the dividends of at least 50 percent

- 2) The dividends that the Russian tax resident is entitled to are at least 50 percent of the total distributed dividends

The taxpayer also asked if Company A would be treated as the beneficial owner of the amounts, paid out of the dividends by Company D to the bank under the loan agreement, and if the second condition would be deemed fulfilled, given that the actual dividend income received by Company A was less than 50 percent of the total dividend income.

In its inquiry, the taxpayer cited the Ministry's earlier Letter No. [03-08-05/72619](#) of 6 December 2016, stating that the second condition could be deemed fulfilled, regardless of the amount of dividends actually received by the Russian beneficial owner.

The Ministry issued a general statement, offering no clear position on the matter.

Thus, according to the Ministry, in instances when the dividends owned by the Russian company are paid to the Cypriot company, the Russian Company may apply a zero tax rate subject to the conditions envisaged by Sub-Item 1, Item 3, Article 284 and Item 1.1., Article 312 of the Russian Tax Code; otherwise, tax shall be charged at a rate of 13 percent, envisaged by Sub-Item 2, Item 3, Article 284 of the Russian Tax Code.

The Ministry's position leaves room for different interpretations and does not rule out the application of a 13-percent tax rate in the situation under review.

[Consultant Plus](#)

Judicial practice

Commercial Court of Moscow to consider first case on inclusion of cryptocurrencies in individual debtor's bankruptcy estate

As part of personal bankruptcy proceedings, a debtor was requested to disclose his assets, including in cryptocurrencies.

According to the debtor, cryptocurrency assets may not be included in his bankruptcy estate, as the status of cryptocurrencies is not officially formalised in Russia.

[The dispute](#) will be considered by the Moscow Commercial Court in February 2018.

[Kommersant](#)

Date saved for consideration of Telegram's claim against Federal Security Service

The claim seeking voidance of the Federal Security Service's order that demands disclosure of decryption keys for user messages decoding will be considered by the Russian Supreme Court on 20 March 2018.

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

[Official website of the Supreme Court](#)

Media review

Russian State Duma Financial Markets Committee urges to fight use of cryptocurrencies for tax evasion

According to Chairman of the Russian State Duma Financial Markets Committee Anatoliy Aksakov, quite a few businessmen invest into cryptocurrencies to evade their taxes.

The Russian State Duma is working on amendments to the Bankruptcy Law to include cryptocurrencies into the bankruptcy estate, preventing tax evasion.

Russia's first dispute over inclusion of cryptocurrency assets into a debtor's bankruptcy estate will be considered by the Moscow Commercial Court in February 2018.

[*Kommersant*](#)

Russian Ministry of Economic Development proposes expanding exporters' access to commercial insurers' products

In particular, the Ministry proposes amending the currency regulations to equalise the status of payouts of private insurers and the Russian Agency for Export Credit and Investment Insurance (EXIAR).

The private export credit and contract insurance now implies risks for the clients: an exporter that receives a claim payment from an insurer for FX revenue losses can be treated as a violator of currency laws; conversely, if a payout is made by the EXIAR, the resident will be deemed complying with the FX income repatriation obligations.

[*Kommersant*](#)

Russia might bring down auto components import duties for WTO members

As a member of the WTO, Russia committed to maintaining the exports of auto components from the EU countries to preserve the industrial assembly regime. In 2011, the competent authorities of the EU and Russia signed an agreement aimed at constraining the reduction of auto components export volumes after the industrial assembly regime had been introduced. In

2010, the EU exported USD 896.1 million worth of engines and USD 8.2 billion worth of other components to Russia.

The exports dropped in 2016, so in autumn of 2017, the EU informed Russia of its intent to resort to the compensation mechanism, which implies a reduction of duty rates, should the export volumes decrease below a fixed threshold level.

The rates are expected to be reduced to those applied by the industrial assembly stakeholders, i.e. from zero to five percent, depending on the product type.

The WTO rules require that, once activated for the EU, the compensation mechanism will also have to be implemented towards other member countries, e.g. China.

[*Kommersant*](#)

Soyuzpharma proposes turning down bill on sales of non-prescription drugs in grocery stores

Soyuzpharma, an association of 759 pharmacies owning 4,52K points of sale in 47 regions of Russia, is planning to request that the Ministry of Industry and Trade launch a discussion of the bill, permitting the sale of non-prescription drugs in grocery stores, with the pharmaceutical community.

Soyuzpharma does not believe the adoption of the bill will push the prices down: additional points of sale will not expand the market, but will only redistribute the sales of medical products from pharmacies to groceries.

According to the association, the regulatory authorities might not be able to deal with the increased number of registered stores selling pharma products, which could trigger counterfeiting.

It emphasizes that all medical drugs must be sold subject to compliance with requirements to the premises, equipment, receipt, and storage and by certified pharmacists only.

The [bill](#) permitting the sale of OTC drugs by non-pharmacy establishments will be undergoing public hearings until 17 January 2018.

[*Kommersant*](#)

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](#).

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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