



## LT Digest

### Be in the know

#### Deloitte announces legal bot launch

The web robot, or bot, is based on the Telegram platform and can be accessed at [t.me/deloitte\\_legalbot](https://t.me/deloitte_legalbot). The bot relies on user's answers and data from the government registers to generate the package of documents required to obtain an accreditation from the Russian Ministry of Communications and Mass Media. With the accreditation, the entity becomes eligible for the tax benefits available to IT companies – in particular, a reduced rate of social contributions (14 percent instead of the regular 30 percent). Once the accreditation is obtained, the bot will assist in applying the tax benefits and reduced contribution rates. The bot is available free of charge.

For more details about the bot, please refer to [Deloitte's website](#).

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## Legislative initiatives

### Draft law on telemedicine submitted to State Duma

The draft envisages:

- The provision of health-related services, consultations, and case discussions between practitioners, patient/clinician contacts, and health monitoring using the telecommunication technologies (the protocols and procedures of using the telemedicine technologies, including the identification of participants will be approved by separate regulations)
- Remote prescribing (including the narcotic and psychotropic medication prescriptions), issue of medical records or opinions in the form of electronic documents signed by advanced digital signatures of medical (paramedic) practitioners
- The creation of a common public health database (to be governed by a separate regulation).

If adopted, the law will enter into force on 1 January 2018, except for remote prescribing of restricted medications that will become effective as of 1 January 2019.

The President of Russia previously signed Federal Law [86-FZ](#) on electronic sick leave certificates (for more details, please refer to LT in Focus of [25 April 2017](#)).

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

### Concept of public non-financial reporting approved

Public non-financial reporting discloses information about the corporate social responsibility and sustainability activities.

The concept envisages:

- The development of the minimum non-financial reporting requirements and legal framework
- The development of the non-financial reporting disclosure requirements and guidelines for controlling and assessing the quality of such reporting

It is expected that the following organisations will be obliged to disclose their non-financial reporting:

- From 2019 — state-owned companies and quasi-corporations, business entities with government interest of at least 50 percent and state unitary enterprises with the revenues exceeding RUB 10 billion in the reporting year, or whose headcount exceeds 4,000 FTE; all entities with the government shareholding of at least 50 percent whose stocks are traded on a stock exchange
- From 2021 — entities with an at least 50-percent government shareholding and state-owned unitary enterprises with revenues of at least RUB 5 billion in the reporting year, or whose headcount exceeds 2,000 FTE; all entities whose stocks are traded on a stock exchange

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- From 2023 — top 500 entities by revenue, according to rankings prepared by Russian rating agencies

[Official website of the Russian Government](#)

### **CBR releases draft instructions “On prudential banking requirements”**

The draft is a revised wording of the CBR’s Instruction No. [139-I](#) of 3 December 2012.

In particular, the following amendments are suggested:

- To introduce a mechanism enabling the banks to assess credit risks based on an internal system of ratings for the purpose of calculating its capital adequacy ratios
- To refine the criteria of small businesses’ eligibility for applying a lower 75-percent credit risk coefficient when calculating the prudential ratios
- To unify the approaches towards the application of higher risk ratios and to refine the procedure for calculating the rouble funding ratio and the N12 ratio
- To define the procedure for using the clearing participation certificates, issued against a pool of assets formed by a clearing firm as the central counterparty, in the calculation of statutory ratios.

The draft will be assessed from an anti-corruption perspective by 25 May. The changes introduced by the draft will enter into force ten days after the official publication.

The CBR has also published [draft](#) Instructions “On Prudential Requirements for Banks Holding Basic Licences”.

[Official CBR website](#)

### **CBR releases draft regulation on electronic disclosure of beneficiaries, client transactions and account activity data by banks**

The draft sets forth:

- The electronic format the banks should follow to inform Rosfinmonitoring, at its request, of client transactions and account activity and their beneficiaries
- The procedure the banks should follow to inform Rosfinmonitoring, at its request, of clients’ account activity.

[Federal draft legislation portal](#)

### **Tax benefits to support major environmental investments in Russian Arctic territories**

The Russian State Duma will consider Draft Law No. 177173-7 that allows accelerated depreciation of assets (with a multiplier of up to three), if the costs to produce, modernise, or renovate such assets were incurred as part of the environmental investment projects.

For tax benefit purposes, an environmental investment project shall mean a project aimed at protecting the environment and implemented in the Russian Arctic land territories subject to the minimum investment requirements of RUB 30 billion and maximum investment term of five years.

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

### **Subsidies to manufacturers of natural gas vehicles extended**

Russian Government Resolution No. 556 of 11 May 2017 extends the subsidies for producers of natural gas-powered vehicles, offering customer discounts, until the end of 2017.

The subsidies will also apply to vehicles with a gross weight under 2.5 tons and light vehicles used by the municipal utility services.

The program budget totals RUB 3 billion.

[Official website of the Russian Government](#)

### **Russia reduces import duties as part of its WTO commitments**

The Eurasian Economic Commission Panel releases Resolution No. 44 of 11 May 2017 that lowers the import duties on certain goods as part of its WTO commitments.

The changes will apply to food products, metals, furniture, and other items.

The Resolution will enter into force on 1 September 2017.

[Consultant Plus](#)

### **Eurasian Economic Commission extends anti-dumping measures to protect manufacturers of polymer-coated metal products in Customs Union**

Eurasian Economic Commission Panel Resolution No. 45 of 11 May 2017 extends the term of its anti-dumping measure aimed at protecting the economic interests of polymer-coated metal products’ manufacturers in the Customs Union until 27 February 2018.

The anti-dumping duty was imposed on polymer-coated cold-rolled steel flats 0.2mm to 2mm thick and over 50 mm wide, and on galvanised polymer-coated cold-rolled steel flats 0.2mm to 2 mm thick and over 50 mm wide, originating from China.

The Resolution will enter into force on 1 July 2017.

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### **Russian State Duma to consider draft law proposing adoption of protocol amending Agreement on Trade-Related Aspects of Intellectual Property Rights with respect to compulsory medical drugs production licences**

The draft proposes introducing changes in the Protocol of Amendments to the Agreement on Trade-Related Aspects of Intellectual Property Rights adopted by the WTO's General Council in Geneva on 6 December 2005.

The Agreement is supplemented with Article 31bis and an Annex, expanding the WTO members' authority to issue compulsory licences to the extent necessary for the purposes of production of exported generic drugs and, if required, take advantage of its immunity against other WTO members challenging its actions.

Once integrated into the Agreement, the proposed amendments will facilitate the production of generic drugs by national producers on the basis of a foreign

drug patent in order to assist other states.

[Official website of the President of Russia](#)

### **Regulations governing legalisation of Russian official documents required abroad**

Order of the Russian Ministry of Justice No. 75 of 4 May 2017 sets forth:

- The time of public service provision (normally, a document will be apostilled within three business days of submitting the documents to the Ministry of Justice or its territorial branch)
- The exhaustive list of documents to be submitted and the exhaustive list of rejection causes
- The exhaustive list of causes for suspension or rejection of a public service
- The procedure, amount, and grounds for charging the legalisation fees

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## **International legislation news**

### **Cyprus and BVI release list of participating jurisdictions for CRS purposes**

The Cypriot Ministry of Finance has released the list of participating jurisdictions, with which the Republic of Cyprus agreed on the Automatic Exchange of Financial Information in Tax matters (the list is available on its official [website](#)). Japan, Brazil, and Uruguay were added to the list on 5 May 2017.

The BVI's Ministry of Finance has also published a provisional [list](#) of reportable jurisdictions for CRS purposes that is subject to further revisions.

Cyprus and BVI are to start the information exchange in 2017.

[Official website of the Cypriot Ministry of Finance](#)

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## **Clarifications from government bodies**

### **Russian Ministry of Finance reminds that capital gains of Cypriot company upon disposal of shares and similar rights deriving more than 50 percent of their value from immovable property located in Russia will be taxed in Russia as of 1 January 2017**

Respective amendments to Article 13 of the Double Tax Treaty introduced by [the Protocol](#) of 7 October 2010 became effective on 1 January 2017.

The Ministry also advised that the share of such immovable property can be calculated on the basis of the book value of the Russian entity's assets and such immovable property.

The immovable property's share in the Russian issuer's assets can be verified by the following documents:

The entity's balance-sheet as of the most recent reporting date preceding the sale

Property tax assessment as at the same reporting date.

On 29 December 2016, the Cypriot Ministry of Finance

officially announced the deferral of enactment of amendments to Article 13 of the DTT with Russia until the similar provisions of DTT between Russia and other European countries enter into force.

No official comments were provided by the Russian side so far.

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### **Russian Ministry of Finance clarifies when projects of German company engaged in equipment installation, testing and commissioning are considered permanent establishments**

The Ministry has clarified that a permanent establishment of a German entity in Russia is regulated by the provisions of Article 5 [of the Double Tax Treaty](#) between Russia and Germany with respect to income and property taxes (hereinafter, the Treaty) and Articles 306 and 308 of the Russian Tax Code.

According to the Treaty, a building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.

The regulator also noted that, according to the [OECD's Model Tax Convention on Income and on Capital](#), the term "installation project" is not restricted to an installation related to a construction project; it also includes the installation of new equipment, such as a complex machine, in an existing building and outdoors. Short-term recurrent activities shall not be considered temporary if they are performed on a regular basis over an extended period of time.

Therefore, if the German company's Russian operations do not qualify as an "installation project", the general PE criteria shall apply to the entity as having a fixed place of business and carrying on an activity of a continuing and lasting nature, with reference to the respective provisions of the Treaty and Article 306 of the Russian Tax Code.

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## **Russian Ministry of Finance clarifies new rules of taxation of yield on additional bond issue if principal bonds were issued before 1 January 2017**

The Ministry has reminded that a profit tax rate of 15 percent applies as of 1 January 2017 to the yield on rouble-denominated Russian bonds issued over the period from 1 January 2017 through 31 December 2021 and traded at a stock exchange as at the date such yield is recognised.

Given the equality of rights granted by the original and additional issues, to apply the above-mentioned provisions and for profit tax purposes, the original and the additional issues will be considered issued on the same date.

Therefore, if the original bonds were issued before 1 January 2017, the 15-percent tax rate will not apply to their additional issue.

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## **Media review**

### **Credit institutions or mobile network operators might be tasked with collecting VAT from foreign IT companies**

The Russian Federal Tax Service considers obliging the banks to act as withholding agents with respect to VAT on e-services rendered by foreign providers in Russia.

The initiative was discussed with major banks at the meeting held by the Association of Russian Banks.

Another considered option is to delegate the same functions to mobile network operators.

VAT on e-services rendered by foreign providers has been charged since 1 January 2017 (for more details, please refer to LT in Focus of [21 June 2016](#)).

[RBC daily](#)

### **Russian Ministry of Finance continues fine-tuning tax-free draft law**

Before the document is submitted to the Russian Government for review, an evaluation of costs to upgrade the IT systems of the Russian Federal Tax and Customs Services is needed.

According to the experts, to ensure an appropriate service performance, the IT systems must be enhanced with at least four functionalities:

- Maintenance of the register of corporations (VAT refund operators) that will support customer VAT settlements

- Real-time accounting of goods purchased by non-residents in Russia
- Settlements between the federal agencies and VAT refund operators
- Refunding VAT to customers

The services must also be protected against network attacks and have the capacity to deal with massive amounts of data.

For more details about the content of the original draft, please refer to LT of [29 November 2016](#) and [29 March 2017](#).

[Izvestiya](#)

### **Initiative to create unified personal data portal**

The Digital Economy Programme submitted by the Russian Ministry of Communications and Media to the Russian Government envisages the creation of a personal data control portal.

The portal is meant to enable the individuals to check whom they provided their personal data to and, if required, ban their further use.

Most probably, Roskomnadzor will be tasked with launching the portal.

[Izvestiya](#)

## **Initiative to establish national users' big data operator**

The establishment of a special operator to regulate users' big data is being discussed.

The operator is to be financed out of a special-purpose fund to be formed by the industry operators' quarterly contributions of up to two percent of their advertising revenue.

The development of respective amendments to the Law "On Information" is pending.

[Vedomosti](#)

## **Ukraine imposes sanctions against Russian Internet and media companies**

Ukraine's President Petr Poroshenko has signed a [decree](#) banning Russia's biggest social media networks and Internet services in Ukraine for a period of three years. The social networks VK.com and Odnoklassniki, search engine Yandex and Mail.ru Group, cyber security providers Kaspersky Lab and Doctor Web and several TV companies, such as Channel One, TV Centr, RBC, VGTRK, NTV-Plus, Zvezdam TNT, REN TV, and OTR are under sanctions.

The Ukrainian users will also be prohibited from accessing the Russian companies' resources and services.

[Kommersant](#)

## **Russian Ministry of Industry and Trade to support producers of road construction equipment and utility vehicles**

Leasing companies offering one-off discounts on upfront leasing payments for road construction equipment, utility vehicles, and trailers will be entitled to subsidies in accordance with the rules approved by the Russian Government Resolution No. [518](#) of 3 May 2017.

The subsidies programme will apply to new equipment and vehicles produced in or after 2016 and leased under the contracts signed from 1 January 2016 onwards.

The maximum subsidy amount will reach up to 10 percent of the total value of equipment or vehicle and the cost of its shipment by rail, but will not exceed the limit set for each category of such equipment or vehicles.

Requests for the subsidy can be filed until 10 December 2017.

[Official website of the Russian Ministry of Industry and Trade](#)

## **Proposal to ban registration of generic drugs before brand-name drugs' patent expires**

Foreign pharma companies propose banning the registration of generic drugs before the brand-name drug's exclusive hold on the market expires.

In the estimate of the Association of International Pharmaceutical Manufacturers, seven or eight generics of brand-name drugs whose patent protection will not expire for another five or seven years have been registered by the regulator.

The companies believe that such pre-mature registration of generic drugs may disrupt the procurement of drugs by the government as the price of a generic drug registered prior to the expiration of the brand-name drug patent is the maximum admissible bidding price; however, such prices will be unacceptable for the brand-name drug producers.

The Russian Antimonopoly Service denies there is an issue, while the Russian Health Ministry has taken a neutral attitude.

[Kommersant](#)

## **Hotel prices to be inspected by Moscow authorities**

The inspection will last until 2 August 2017, the accommodation prices to be checked via hotels' websites and online booking systems.

The instances of price overestimation will be considered on a case-by-case basis by the interdepartmental working group together with offending hotel's representatives.

The sanctions will be imposed on the hotels that have actually sold rooms at the rates above the permitted levels.

According to the Russian Government Decree No. [89](#) of 10 February 2016, the maximum hotel rates for the period of FIFA-2017 Confederations Cup and the 2018 FIFA World Cup in all host cities shall be fixed for a month before and a month after the events.

Thus, the price of a standard room in a non-rated hotel over the period from 18 May to 2 August 2017 shall not exceed RUB 3,280 a day, or RUB 6,570 for a one-star hotel room, and RUB 10,750 for a three-star hotel room.

[Garant](#)

## **Transition to electronic vehicle passports postponed**

The Eurasian Economic Commission Board decided to postpone the transition to e-vehicle passports scheduled for 1 July 2017.

The new time-frame is expected to be announced at the EEC Panel's nearest meeting.

[Kommersant](#)

# Deloitte publications

## **New FSI TAX WATCH digest**

We are happy to announce the second [issue](#) of FSI TAX WATCH, a digest of tax news and court practice overview for the financial services sector.

Learn about the most important legislative changes, tax law enforcement clarifications from the Russian Ministry of Finance, and tax litigations – in particular, about the disputes involving financial institutions and complicated cases of tax treatment of capital transactions, financial assets, and instruments.

## **Online streaming services: restriction of foreign shareholding**

Amendments to Federal Law “On Information, Information Technology, and Information Protection” and related regulations (the “Law”) governing the audiovisual service operators will enter into force on 1 July 2017.

For more details, please refer to LT in Focus of [12 May 2017](#).

## **President of Russia approves national environmental security strategy**

On 19 April 2017, the President of Russia approved the [National environmental security strategy](#) until 2025. The Russian government has three months to approve a detailed implementation plan for the Strategy. Read about the priorities it sets and the implications it causes for the business in the comments by Deloitte’s professionals.

For more details, please refer to LT in Focus of [26 April 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



## [deloitte.ru](http://deloitte.ru)

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