



LT Digest

Be in the know

Legislative initiatives

Federal laws signed by President of Russia

- Draft Law No. [87-FZ](#) of 1 May 2017 regulating the legal status of audiovisual services rendered to the Russian consumers (for more details on draft content, please refer to LT of [28 November 2016](#) and [17 April 2017](#));
- Draft Law No. [92-FZ](#) of 1 May 2017 proposing a classification of banks and higher capital and equity requirements (for more details, please refer to LT of [5 December 2016](#), [29 December 2016](#) and [18 April 2017](#));
- Draft Law No. [84-FZ](#) of 1 May 2017 on developing additional bank recovery and resolution mechanisms (for more details, please refer to LT of [29 December 2016](#));
- Draft Law No. [97-FZ](#) of 1 May 2017 on gratuitous provision of electronic data from the public register of accredited branches and representative offices (for more details, please refer to LT of [14 December 2016](#));
- Federal Law No. [86-FZ](#) on electronic sick leave certificates (for more details, please refer to LT in Focus of [25 April 2017](#)).

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[Russian Ministry of Finance clarifies new doubtful debt provision rules](#)

[Russian Federal Tax Service clarifies that interest-free loan transactions will not be treated as controlled in 2017 regardless of contract date](#)

EAEU Customs Code to enter into force on 1 January 2018

At the meeting held on 28 April 2017, the Eurasian Economic Commission (EEC) Board resolved on synchronising the ratification of the EAEU Customs Code, which will allow putting the Code in force as of 1 January 2018.

[Official Eurasian Economic Committee website](#)

Ministry of Finance releases public declaration of tasks and objectives for 2017

In particular, the Ministry has the following activities on its agenda:

- To prepare the taxation system optimisation proposals aimed at fostering sustainable growth and business development through ensuring a competitive economic climate
- To streamline the administration and collection of customs payments and VAT in Russia, including through the integration of information systems of the Russian Federal Tax Service and Federal Customs Service
- To extend the use of the labelling and monitoring systems to certain product categories
- To approve the list of tax and non-tax incentives and develop a legal framework for embedding the forecast of tax incentives and assessment of their efficiency in the regular budgeting process
- To introduce a proportionate bank regulation system, streamline bank recovery and resolution mechanisms, strengthen payment systems requirements, and promote the use of national payment instruments
- To ensure the transition of the leasing sector to IFRS

[Official website of Ministry of Finance](#)

Finalised draft order approving procedure and form of Russian tax residency confirmation released

The following amendments have been introduced to the original draft:

- The list of requirements for the confirmation request and supporting documents has been expanded
- The hard copies of the supporting documents must be certified by the company's CEO (authorised representative) and bear the corporate seal
- The procedure for filing the confirmation request and obtaining the confirmation via the taxpayer's online account has been specified

For more details about the content of the original draft, please refer to LT of [15 March 2017](#).

[Federal draft legislation portal](#)

[Russian Ministry of Finance reaffirms no notice on surety agreements between non-banking companies shall be filed](#)

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Amendments to draft law aimed at limiting tax benefits for capital contributions made with property

The provisions regulating the tax treatment of property gratuitously received as capital contributions have remained unchanged (for more details, please refer to LT of [21 March 2017](#)).

- The proposed amendments are meant to introduce a number of other important legislative changes:
- To preclude the application of a depreciation multiplier to properties of the High energy efficiency class
- To set forth that the property tax benefits for newly built properties of the High energy efficiency class will apply only subject to the adoption of a respective regional law
- To stipulate that no tax will be charged on income received in the form of gratuitous sureties (guarantees) between non-bank institutions
- The tax exemption for this type of income was earlier confirmed by the Russian Ministry of Finance (see Ministry of Finance Letter No. [03-03-06/1/11571](#) of 1 March 2017)
- To envisage the possibility of applying a special multiplier of no more than 3 to depreciated fixed assets employed in water supply and discharge facilities (until 1 January 2023, to fixed assets put into operation after 1 January 2016)
- To set forth that the change of the land plot's cadastral value due to the change of the land use category shall be taken into account in the land tax base starting from the date of entry of such information in the State Land Registry

[Federal draft legislation portal](#)

Draft law limiting food retailers' mark-up developed

The draft proposes the following amendments:

- To ban the mark-ups exceeding 30 percent of the selling price
- To entitle the Russian Government to set forth the maximum mark-ups and retail prices

If adopted, the law will enter into force on 1 January 2018.

[Official website of the National Association for Consumer Rights Protection](#)

New form of notification on controlled transactions, procedure for completion and electronic filing format developed

The format had to be updated due to the transition to the new classification codes (OKPD2 and OKVED2) approved by Order of the Russian Federal Agency for Technical Regulation and Metrology (Rosstandart) No. 14-st of 31 January 2014.

The proposed form contains new fields, such as "Currency Classifier" and "Debt Interest Rate", and is expected to apply from 2018.

[Federal draft legislation portal](#)

Procedure for beneficial owners disclosure developed

Draft Law No. [215-FZ](#) of 23 June 2016 obliging legal entities to provide, upon the authorities' request, documented information on its beneficial owners or measures undertaken to identify them, entered into force on 21 December 2016.

According to the approved procedure, such information shall be submitted within five business days of receipt of a respective request.

If any inaccurate, erroneous, or incomplete information is discovered in the earlier filings, the legal entity must re-file the corrected data within three business days of discovery.

[Federal draft legislation portal](#)

Amendments to draft law refining list of deductible training expenses

The draft proposes the following amendments:

- To permit the deduction of expenses incurred to perform independent qualification assessments of employees as well as graduates of vocational and higher education facilities that the taxpayer have signed employer-sponsored education agreements with
- To supplement the list of deductible expenses with the cost (in total amount not exceeding 1.5 percent of revenue) of endowments and property contributed to the educational facilities, provided at least one of the graduates of such educational facilities have signed employment contract with the taxpayer for at least one year.

For more details about the content of the draft, please refer to LT of [22 November 2016](#).

Draft Law on piloting tourist tax submitted to State Duma

The draft proposes to pilot the tourist tax in Crimea, Altai, Krasnodar, and Stavropol Territories over the period from 1 January 2018 through 31 December 2022.

The tax shall not exceed RUB 100 per day and may be reduced (or even zeroed), depending on the season, time of stay, touristic site's significance and location.

The concrete amount of tax, procedure, and time of assessment and payment will be determined by the regions.

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

Concept of e-commerce taxation in EAEU to be developed

The concept will be developed by the Eurasian Economic Commission's (EEC) Financial Policy Department jointly with the EAEU member states.

The concept is expected to introduce a harmonised e-commerce taxation mechanism and streamline the exchange of commodity flow monitoring data between the tax and customs authorities.

The EEC supported the proposal to unify the structure and personalise registration numbers assigned to product import requests and indirect tax payments by the tax authorities of the EAEU member states. The EEC also approved the monitoring system aimed at exchanging information between the member states' tax authorities for tax purposes.

[Official Eurasian Economic Committee website](#)

Subsidised car loans and leasing programs for wheeled vehicles extended

The Russian Government has resolved on extending the subsidised car loan programme for 2017.

The maximum price of cars sold under the programme was raised from RUB 1.15 to 1.45 million.

The subsidised leasing program for wheeled vehicles was also [extended](#) for 2017 under the same terms.

[Official website of the Russian Government](#)

Financial market's first basic standard approved

The Central Bank of Russia has approved [the basic standard](#) for forex dealer trading operations.

The document sets forth the list of traded currencies, counter currencies and currency pairs, a full description of forex market and transaction terms, quotation policies, the rules for clients' monetary obligations calculation and settlement, etc.

The adoption of the basic standard is expected to ensure the procedural and timing consistency of forex transactions, protect the clients of financial institutions against fraud, improve the quality of services rendered by non-credit financial institutions, and make the

financial market more transparent and comprehensible to clients.

[Official website of the Central Bank of Russia](#)

New types of audit services categories approved

Depending on the level of assurance achieved through audit-related (non-audit) services, the services will be categorised into providing reasonable assurance, limited assurance, and not providing assurance.

Non-audit services will include the review of engagement's subject-matter through performance of procedures agreed upon with the client and/or its nominee and the compilation engagement in accordance with the auditing standards requirements.

Non-audit services also include information check and other reviews exercised in accordance with the auditing standards requirements.

[Official Internet Portal for Legal Information](#)

Russian Federal Tax Services releases updated taxpayer risk self-assessment criteria

The list sets forth the updated industry-average corporate tax burden, sales margin, and ROA indicators by type of economic activity for 2016.

The information has been posted at the regulator's [official website](#).

[Official Russian Federal Tax Service website](#)

Russian Ministry of Finance to develop draft law on tax benefits for taxpayers investing in fixed capital

Following the meeting on measures designed to support corporate investments, the Russian Prime Minister has tasked the Ministry of Finance with the preparation of amendments to the Russian Tax Code, enabling a reduction of the corporate profit tax rate to five percent for taxpayers investing in acquisition, restructuring, and modernisation of fixed assets.

The mechanism of granting, time-frame, and eligibility criteria shall also be elaborated.

[Official website of the Russian Government](#)

Court practice

Russian Supreme Court clarifies applicability of tax benefits to lands used for defence purposes

Effective 2013, a lower tax rate of 0.3 percent is charged on lands restricted for defence purposes (Sub-Item 1, Item 1, Article 394 of the Russian Tax Code). Prior to 2013, such lands were non-taxable at all (Sub-Item 3, Item 2, Article 389 of the Russian Tax Code).

Judging by the established court practice, the tax benefit will apply if all of the criteria below are met:

- The land must not be privately owned (only federal,

regional, or municipal lands will qualify)

- The land must be intended for defence and security purposes and pertain to a special land category
- The land must be restricted or withdrawn from use
- The land must be actually used for defence and security purposes, which can be verified by the nature and use of facilities located thereon

One of the most disputable issues is whether privately owned lands can be treated as restricted.

To justify the application of the tax benefit, many enterprises whose stock/shares are owned by the state or state-owned companies referred to the ultimate ownership of the land by the state.

Most disputes were awarded to the tax authorities (Cases No. [A40-246755/2016](#), [A40-20948/2017](#), [A40-246940/2016](#), [A40-246774/2016](#), [A41-56541/2016](#)), with only one claim ruled in the taxpayer's favour (Case No. [A40-153892/2016](#)).

On 27 April 2017, the Russian Supreme Court released its ruling on Case No. A65-93/2016 that put an end to all disputes over the issue.

The taxpayer (a JSC) applied the lower tax rate on lands owned and used for defence purposes.

Since the JSC had been established by way of transformation from a federal unitary state-owned enterprise, the courts of three instances concluded that the Russian Federation represented by the Federal Agency for State Property Management was the

ultimate owner of such lands and supported the taxpayer's position.

The Russian Supreme Court cancelled the lower courts' resolutions and awarded the claim to the tax authority on the grounds that privately-owned land cannot be regarded as restricted regardless of its owner's corporate relationship with the state (i.e. of the form and the share of the government's participation).

Notwithstanding that the Supreme Court's ruling refers to the tax benefit applied prior to 2013 (Sub-Item 3, Item 2, Article 389 of the Russian Tax Code), the tax authorities are likely to apply a similar approach to the benefit applicable after 2013 (Sub-Item 1, Item 1, Article 394).

Therefore, the taxpayers that have applied or are planning to apply the tax benefit to privately owned lands are recommended to revise their position with account of the Supreme Court's ruling.

[Electronic Justice: commercial courts files](#)

Clarifications from government bodies

Russian Ministry of Finance discusses interpretation of foreign direct investment with foreign states

The Ministry has advised that the "Dividends" section of some Double Tax Treaties, e.g. with Austria, Germany, Iceland, Spain, Luxembourg, Netherlands, Finland, France, Switzerland, and Sweden sets forth that the lower tax rate will apply subject to holding an interest in the company which pays the dividends and investing in such company's capital.

The Ministry pointed out that the term "foreign investment" as introduced by Federal Law No. 160-FZ "On Foreign Investments" of 9 July 1999 is not alone sufficient to define the term "direct investment".

To ensure consistency, the Ministry of Finance is currently holding consultations on the interpretation of the term "direct foreign investment" term with its foreign counterparties.

[Consultant Plus](#)

Russian Ministry of Finance clarifies new doubtful debt provision rules

The Ministry has reminded that, in accordance with the amendments to the Russian Tax Code effective as of 1 January 2017, the doubtful debt provision shall be created against the portion of receivables owed by a counterparty to the taxpayer that exceeds the payables due to such counterparty.

The Ministry underlined that all payables shall be taken into account for these purposes, regardless of their age.

[Consultant Plus](#)

Russian Federal Tax Service clarifies that interest-free loan transactions will not be treated as controlled in 2017 regardless of contract date

The regulator has clarified that interest-free loans between related parties will be deemed uncontrolled as of 1 January 2017, regardless of the dates of the contracts or addenda setting forth the zero interest rates, provided the beneficiaries and parties to such transactions are registered in the Russian Federation.

The Ministry's letter re-affirmed the tax authorities' earlier clarifications (see Russian Federal Tax Service Letter No. [ED-4-13/6968@](#) of 13 April 2017).

[Consultant Plus](#)

Russian Ministry of Finance reaffirms no notification on surety agreements between non-banking companies shall be filed

The Ministry has reminded that, effective 1 January 2017, all surety (guarantee) agreements between Russian non-banking organisations will be treated as uncontrolled regardless of their compliance with the criteria of Items 1-3 of Article 105.14 of the Russian Tax Code.

Therefore, as of 1 January 2017, no notification needs to be given of such transactions, regardless of their dates.

[Consultant Plus](#)

Ministry of Finance clarifies hedging transactions verification procedure

The Ministry has advised that to justify the treatment of a derivative transaction as a hedging operation, the taxpayer shall provide a calculation confirming the resulting reduction of potential losses (foregone earnings) from the operations with the hedged item.

[Consultant Plus](#)

International legislation news

OECD releases updated list of jurisdictional commitments

The OECD has released [an updated list](#) of jurisdictional commitments. The list outlines the jurisdictions that committed to undertaking the exchange of country-by-country reports under the Convention on Mutual Administrative Assistance in Tax Matters (CbC MCAA).

Russia signed the CbC MCAA on 26 January 2017; however, no respective amendments to the tax legislation have been introduced so far.

The draft law on country-by-country reporting and automatic exchange of financial accounts information received a negative expert feedback and will be further revised (for more details, please refer to LT in Focus of [7 September 2016](#) and LT of [7 March 2017](#)).

On 6 April 2017, the Inclusive Framework on BEPS released [additional guidance](#) on implementation of Country-by-Country (CbC) reporting (for more details on the Guidance, please refer to LT in Focus of [7 April 2017](#)).

[Official OECD website](#)

OECD launches CRS avoidance whistleblower tool

The OECD has launched a tool to report the avoidance of the Standard for Automatic Exchange of Financial Account Information for Tax Matters, or CRS. [The tool](#) was launched on the Automatic Exchange Portal and allows the interested parties to report potential schemes to circumvent the CRS.

It complements the ongoing peer reviews carried out by the Global Forum on Tax Transparency and Exchange of Information for Tax Purposes to ensure the effective implementation of the CRS in all jurisdictions.

The OECD also [advised](#) that there are over 1,800 bilateral relationships in place across the globe now, most of them based on the CRS Model Competent

Authority Agreement. After joining the Agreement and introducing the respective local laws, the jurisdictions will validate their new exchange relationships by giving a notice to the OECD.

The Russian draft law on country-by-country reports and automatic exchange of financial accounts information have received negative expert feedback and will be further revised (for more details, please refer to LT in Focus of [7 September 2016](#) and LT of [7 March 2017](#)).

[Official OECD website](#)

White House outlines tax reform plan

Donald Trump's administration has released its tax reform plan that calls for the following measures:

- Cut the federal corporate tax from 35 to 15 percent
- Introduce one-time lower capital repatriation tax rate
- Set up three individual tax brackets instead of the current seven
- Double the standard individual tax deduction: a family would not pay any taxes on the first USD 24,000 income they earn. Itemised tax deductions other than charitable donations and mortgage payments will be eliminated
- Repealing alternative minimum tax and tax on net investment income

The press already [billed](#) the tax plan "the largest tax reform in the US history".

However, experts say the plan is not detailed enough and does not provide for mechanisms to make up for lost tax revenues.

[ABCNews](#)

Media review

Russian Federal Tax Service reports on performance in key areas of activity in 2016

The 2016 performance report has been posted in the Tax Analytics section of the Federal Tax Service's website.

The report offers an insight into Russia's social and economic landscape, an overview of the tax revenues administered by the Service, and a summary of key changes in the fiscal framework.

[Official Russian Federal Tax Service website](#)

Collection of VAT returns from foreign e-service suppliers completed

According to the Russian Federal Tax Service, 92 VAT returns for a total of RUB 2 billion have been filed for 1Q2017, while 111 foreign companies registered for VAT purposes.

The e-service providers that failed to file the tax returns

via their personal online accounts will be issued respective tax notices.

The regulator reminded that if a company has not had any operations in Russia, but is registered with the tax authorities, it is still liable for filing a "zero" return.

The tax authorities are currently checking the filed tax returns for accuracy.

[Official Russian Federal Tax Service website](#)

Presidential assignments following meeting with Novgorod Region's business community

The following assignments were given:

- To develop proposals to gradually increase the share of the POL excise tax allocated to the regional budgets to 100 percent by 1 January 2019

- To include Novgorod Region in the tax-free pilot project
- To prepare proposals on reducing the administrative penalties for untimely repatriation of foreign earnings
- To discuss the possibility of repealing transaction passports for FX operations between residents and non-residents and exercising currency controls by way of interdepartmental exchange of documents and information pertaining to such operations.

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

Initiative to digitalise real estate transactions

According to the draft Concept of the Digital Economy of the Russian Federation, the Russian Ministry of Communications and Media anticipates a major transformation of the Russian real estate market after 2020. Property lease and sale transactions will be executed online using the fraud-preventing blockchain technology, while construction will become more cost-effective.

According to the document, the share of digital property transactions in Russia will reach 50 percent by 2022.

The regulator also expects that by 2025, the share of construction projects employing the Building Information Modelling (BIM) technologies will account for 80 percent of the total projects.

The document also sets forth that by 2022, all state-owned enterprises will be obliged to apply the BIM technologies in their construction activities, with all digital building models to be stored on the Russian servers by 2025.

The text of the document has not yet been officially published.

[Tass Russian News Agency Official Website](#)

EU to Tackle Complaints Over Tech Companies' Trading Practices

The European Commission is planning to investigate into complaints from the European companies over unfair trading practices employed by leading tech corporations that were delisting products or services without due notice, restricting access to data, or not making search results rankings transparent enough.

The EC will analyse the situation and decide if a law is needed to target such unfair practices.

The Commission said it would soon release the user blocking guidance for tech companies.

[Vedomosti](#)

Initiative to introduce "Green Cards" in Russia

The Russian Ministry of Communications and Mass Media has put forward an initiative to introduce a Russian equivalent of the US Green Card effective 2019.

This permanent residence card will entitle highly qualified foreign specialists, fluent in Russian, to enter and work in the country.

The initiative is described in the Digital Economy programme drafted by the Ministry.

The document is awaiting the approvals of the Russian Ministries of Finance, Internal Affairs, and Economic Development.

[Izvestiya](#)

Deloitte publications

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](#).

New FSI TAX WATCH digest

We are happy to announce the first [issue](#) of FSI TAX WATCH, the 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 the complicated cases of tax treatment of capital transactions, financial assets and instruments.

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](#).

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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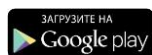


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TaxSmart app



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