



LT Digest

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Legislative initiatives

Ministry of Finance to extend currency repatriation requirements to foreign trade contracts where traded goods do not cross Russian border

A draft law has been published, extending the scope of currency residents' duties in respect of currency repatriation under foreign trade contracts.

According to the draft law, currency residents will be obliged to ensure currency repatriation for payments made to non-residents under import contracts where the goods did not cross the Russian border, as well as for payments under contracts where the goods are purchased/sold outside Russia without crossing the Russian border or within Russia without crossing the Russian border.

If adopted, the law will enter into force within 180 days of its official release.

[Federal draft legislation portal](#)

Russia to join OECD's BEPS convention

Russian Government Resolution No. 963-p of 20 May 2017 authorises the Ministry of Finance to sign, on behalf of the Russian Federation, OECD's Multilateral [Convention To Implement Tax Treaty Related Measures To Prevent Base Erosion And Profit Shifting](#) of 24 November 2016.

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[Russia and Turkey agree to lift food supply restrictions](#)

[OECD releases draft Implementation Guidance on Hard-to-Value Intangibles](#)

As a reminder, this convention will apply to 63 double taxation treaties with foreign states – except for the countries outside OECD's Ad Hoc Group for the development of the convention, and Sweden and Japan, as negotiations to amend the treaties to conform to the convention with these two countries are going on at the moment.

[Official website of the Russian Government](#)

State Duma to consider draft law on messenger apps

The draft envisages obliging mobile messengers to identify its users by phone numbers based on a contract with mobile operator, and deny access to users who do not conform to this requirement.

On top of user identification, messengers will be obliged to enable their users to block messages from other users, support mass messaging at the request of state authorities, and limit/ban mass messaging and messages containing information breaching the Russian legislation.

A messenger's failure to comply with these requirements may result in mobile operator's blocking access to the messenger based on a court order.

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

A related draft law No. [184271-7](#) was submitted to the Duma, envisaging penalties of RUB 800,000 to RUB 1 million for failure to comply with these requirements.

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

Bank of Russia amends procedure for issue of securities by credit institutions

The Bank of Russia's Directive No. 4322-U of 23 March 2017 has been published, amending the Bank of Russia's Instruction No. [148-I](#) of 27 December 2013.

The Directive requires that the following documents be submitted to the registering authority by a credit institution wishing to issue bonds:

- An application to register the bond prospectus
- An issuer profile
- The prospectus
- An excerpt from the meeting minutes of the issuer's authorised management body
- A list of the documents submitted with the application

These requirements simplify the registration procedure thanks to the fewer documents required now onwards.

The forms of the documents are attached to the directive. The directive will enter into force on 4 June 2017.

[Official website of the Central Bank of the Russian Federation](#)

Migration to digital vehicle passports pushed back to 1 July 2018

Resolution 57 of 23 May 2017 of the Collegium of the Eurasian Economic Commission has been published. It allows issuing passports of vehicles (chassis) up until 1 July 2018 in the format and according to the rules now in force in the Eurasian Economic Union's member states.

The Resolution will enter into force within 30 days of its official release.

[Consultant Plus](#)

EAEU Chemicals Safety Regulations adopted

The Regulations set forth the mandatory requirements for chemicals sold in the EAEU customs territory as well as the rules and forms of assessing compliance with such requirements, the identification rules, and the terminology and labelling guidelines.

The document will enter into force on 17 June 2017.

[Consultant Plus](#)

Clarifications from government bodies

Ministry of Finance clarifies when obligation to withhold income tax at source arises with respect to interest requalified as dividends under thin capitalisation rules

The Ministry explains that if interest was paid before the end of the reporting period when the limit for interest expenses according to the thin capitalisation rules is calculated, the tax agent's obligation to withhold tax with respect to the interest requalified as dividends arises at the end of such reporting period.

Earlier on, two court decisions were taken, supporting this position (Cases No. [A56-61228/2015](#) and No. [A56-47615/2015](#)).

[Official website of the Ministry of finance of the Russian Federation](#)

Ministry of Finance clarifies deductibility of dividends from CFC profit

The Ministry has reiterated that a CFC's profit can be reduced by the amount of dividends paid out of profits for the calendar year, for which the CFC files its financial statements in accordance with its domestic law, or out of its past years' retained earnings (including those generated before 2015).

The Ministry further noted that apart from financial statements, the amount of dividends paid can be verified by copies of payment orders or cash documents, accounting records, breakdowns of financial statements, copies of resolutions on payment of dividends, and other documents that are acceptable as per the normal business practices of the CFC's home country.

[Consultant Plus](#)

Media review

Federal Tax Service releases performance report for Q1 2017

The Federal Tax Service has officially released its performance report for Q1 2017.

The report contains an analysis of the current socio-economic situation, an update on the tax collections and the key changes in the tax legislation.

The reports also covers various aspects of tax administration.

Among other things, the regulator made an update on transfer pricing audits:

- For 2012, it completed 21 audits in respect of nine taxpayers (15 of sales of oil and oil products, four of mineral fertilisers, two of steel products); for 17 of them, additional corporate income tax and penalties were charged, totalling RUB 1.8 billion
- For 2013, it completed seven audits of groups of homogeneous transactions of six taxpayers (five of sales of steel products, two of exports of mineral fertilisers); one of the fertilisers-related audits resulted in additional corporate income tax of RUB 433 million
- For 2014-2015, four audits in respect of two taxpayers are ongoing (two for exports of agricultural products, two for imports of tea)

[Official Russian Federal Tax Service website](#)

Tax services of Russia and Cyprus agree to speed up exchange of information on tax violations

Following the meeting in Nicosia, the Tax Service of Russia and the Cypriot Tax Administration agreed to speed up the exchange of information on tax violations and broaden its scope and depth.

The parties also discussed the preparations to the launch of automated tax information exchange between the countries within the CRS framework.

As a reminder, the draft law on cbc reporting and automated information exchange has not been finalised and submitted to the State Duma yet (cf. the [LT Digest, 3-9 April 2017](#)).

[Official Russian Federal Tax Service website](#)

Ministry of Finance drops initiative on retroactive charge of excises on origin-protected imported wines

The Ministry is working on amendments to the Russian Tax Code to ban retroactive charge of excises.

The Tax Code currently in force (Article 193) does not distinguish between Russian and imported wines with a protected designation of origin (PDO) and , protected geographical indication (PGI); however, such differentiation is envisaged by the Russian industry regulations, which defines PDO and PGI wines referring to the locally produced wines only.

In the Ministry of Finance's interpretation, a lower excise rate should not have been applied to the origin-protected imported wines in the first place.

The Federal Tax Service Order of 5 May 2017 obliges the customs charge excises on imported origin-protected wines at regular rates, applying the lower

rates to Russian origin-protected wines only.

The Ministry of Finance did consider charging excises for 2016 retroactively, which would have yielded RUB 1.4 billion of extra tax revenue.

The amendments to the legislation banning the retroactive charging of excises will be submitted to the State Duma for consideration during the current legislative session.

[Vedomosti](#)

Russian Federal Tax Service discusses applicability of beneficial ownership model with international legal community

A roundtable discussion "The Development of Beneficial Ownership Concept: International Practices and the Federal Tax Service Approach" was held by the Russian Federal Tax (FTS) service as part of the annual St. Petersburg International Legal Forum.

The discussion was moderated by Sergey Arkelov, Deputy Director of the FTS.

Mr. Arkelov noted that defining the key criteria of beneficial ownership of income remains high on the agenda.

It was further noted that, based on the existing Russian court practice, only the companies with economic substance in the state of their residence, having ample powers to dispose of the earned income, and re-investing that income into their local operations should be eligible for tax benefits.

You can watch the [video](#) of the discussion on the website of St. Petersburg International Legal Forum.

[Official Russian Federal Tax Service website](#)

Russia to sign new double tax treaty with Japan until year end

Russian Minister of Economic Development Maxim Oreshkin and Japan's Minister of Economy, Trade, and Industry Hiroshige Seko have held negotiations at the APEC Ministerial Meeting.

In the statement following the meeting, the Ministers noted that Russia and Japan are planning to sign a new double tax treaty that would replace the existing 1989 document.

The new treaty is expected to incorporate all G20 recent developments and initiatives.

According to Mr. Oreshkin, the new agreement can be signed already this year.

[Official website of the Ministry of Economic Development of the Russian Federation](#)

Federation Council moves to limit opening hours of major retailers

A [draft law](#) has been developed, envisaging limitations of major retailers' opening hours in the nighttime, on weekends, and holidays. The limitations will apply to the retailers whose share of grocery turnover in a municipality exceeds 25 percent and which are prohibited from opening additional retail outlets there.

Such retailers will have to be closed daily from 10 pm to 6 am local time, from 4 pm on Saturdays, and all day on Sunday.

[Izvestia](#)

Russian Ministry of Industry and Trade to continue subsidising production of new high-tech production facilities and equipment

The respective regulation was submitted to the Russian Prime Minister for approval.

The programme was launched in 2016 and envisages the compensation of up to 50 percent of the cost of raw and finished materials and spare parts, engineering and design, purchase of hardware and expendables, logistic operations, etc.

The 2017 version of the programme sets forth an extended list of products qualifying as production facilities and equipment, specifically, new categories of road construction equipment and utility machines.

[Official website of the Minpromtorg of the Russian Federation](#)

Ministry of Industry and Trade to fine-tune special investment contracts framework

The Russian Ministry of Industry and Trade proposes easing the eligibility criteria for the zero profit tax rate and extending the applicability of investment contracts to intellectual property.

The Ministry has already sent its proposals for approval by the Russian Ministry of Finance.

[Kommersant](#)

Roskomnadzor proposes repealing licences to produce copies of audiovisual works, programmes, databases, and backing tracks on data carriers

The proposal was submitted to the Russian Ministries of Telecommunications and Media and Economic Development.

According to Roskomnadzor, this type of licensing is outdated and does not ensure an effective protection of right holders' interests (including with respect to the online distribution of content).

The Ministries have not provided any comments so far.

[Izvestia](#)

Bank of Russia suggests treating cryptocurrencies as digital goods

The Bank of Russia suggests treating cryptocurrencies as digital goods and is preparing respective amendments to the current legislation related to taxation, currency control and reporting requirements for such currencies.

According to the Bank of Russia, these are necessary amendments because currently virtual money are being issued in an uncontrolled manner, not backed by gold, which can result in turbulence in financial markets.

[Interfax](#)

Over 60 exporters to receive right to use Made in Russia national brand this year

According to the Russian Exports Centre (REC), at least 60 exporters will receive the right to use the national brand Made in Russia this year, first permissions to be awarded in June 2017.

All non-primary exporters have an opportunity to apply for the permission to use the national brand, requesting a voluntary and free of charge certification from REC.

The national brand is expected to significantly reduce the exporters' costs on promotion of their products abroad.

The Russia Today agency will provide media support to the brand, and the total budget of the project for 2017 is RUB 370 million, which will be spent on the promotion in the media and social media, at international industrial expos, on launching the [madeinrussia.com](#) portal, printing of catalogues in foreign languages, and marketing research.

[Rossyskaya gazeta](#)

Face recognition to be implemented in Russian ATMs

Russian banks (Sberbank, VTB, Binbank, Rosbank, Otkritie and several others) plan the implementation of face recognition technologies in their ATMs, making the physical card and the PIN redundant.

[Izvestia](#)

Ministry for Economic Development opposes online sales of cigarettes

The Ministry will not lift the ban on online sales of cigarettes, citing the anti-smoking measures.

[Izvestia](#)

Russia and Turkey agree to lift food supply restrictions

Russia and Turkey signed an agreement to remove the bilateral trade restrictions at the summit of the Organisation of the Black Sea Economic Cooperation.

The agreement firstly concerns food supplies, but it preserves the existing restrictions on the imports of Turkish tomatoes to Russia.

The document has not yet been officially published.

[Kommersant](#)

International legislation news

OECD releases draft Implementation Guidance on Hard-to-Value Intangibles

The OECD has published a draft Implementation Guidance on Hard-to-Value Intangibles (HTVI) as part of its BEPS Action 8.

The public discussion of the draft will continue until 30 June 2017.

This discussion draft presents the principles that should underlie the implementation of the HTVI approach. It features a number of examples to illustrate the implementation of the HTVI approach in different scenarios.

[*Official OECD website*](#)

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 governing the audiovisual service operators will enter into force on 1 July 2017.

Learn more from Legislative Tracking in Focus of [12 May 2017](#).

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.

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](#).

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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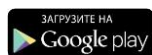


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TaxSmart app



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