



LT Digest

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Legislative initiatives

Russian State Duma considers certain draft laws

- Draft law No. [46023-7](#) that proposes enabling the sanctioned individuals to surrender their Russian tax residency and refining the tax treatment of individuals' income from marketable bonds of Russian issuers has passed the third reading (for more details, please refer to LT Digest of [22 March 2017](#));
- Draft law No. [21966-7](#) on protection of the national payment systems has been adopted in the third reading (for more details, please refer to LT of [9 November 2016](#) and LT Digest of [22 March 2017](#));
- Draft law No. [52643-7](#) on differentiation of administrative sanctions for anti-competitive agreements has passed the second reading;
- Draft law No. [67484-7](#) that proposes entitling the municipal authorities to challenge the decreased cadastral value of land plots has passed the first reading (for more details, please refer to LT of [9 January 2017](#));
- Draft law No. [22157-7](#) on ratification of the Geneva Act of the Hague Agreement Concerning International Registration of Industrial Designs has passed three readings (for more details on the draft law, please refer to LT of [7 November 2016](#));

[Russian State Duma considers certain draft laws](#)

[Russian Ministry of Natural Resources plans to change tax treatment of rare metals](#)

[Russian State Duma to consider draft law aimed at limiting tax benefits for property contributions](#)

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[The Russian Association of Internet Trade Companies develops e-commerce roadmap for 2017-2018 and until 2025](#)

[Russian Antimonopoly Service prepares new version of national competition plan for 2017-2019](#)

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[Russian Federal Tax Service resumes discussion on sales tax introduction](#)

[Russian Antimonopoly Service releases interim monitoring results for new provisions of commerce law](#)

[OECD releases report to G20 summit participants](#)

- Draft law No. [69251-7](#) on mandatory classification of tourist sites has passed the first reading (for more details please refer to LT of [9 January 2017](#));
- Draft law No. [32493-7](#) on refining the procedure for out-of-court settlements of intellectual property disputes has passed the first reading;
- Draft law No. [107145-7](#) aimed at preventing illegal online distribution and use of audiovisual works has passed the first reading.

Official website of the Russian State Duma

Russian Ministry of Natural Resources plans to change tax treatment of rare metals

The Russian Ministry of Natural Resources has developed a draft law that proposes the following amendments:

- To re-categorise titanium from rare to non-ferrous metals without changing the applicable MET rate;
- To supplement the list of rare metals forming their own deposits with such rare earth elements, as yttrium, lanthanides, indium, thallium, gallium, hafnium and tellurium;
- To reduce the MET rate for rare metals from 8 percent to 4.8 percent;
- To develop a special taxation regime for critical rare materials, in particular, to introduce a coefficient applied to newly established production facilities engaged in mining and production of critical rare metals (KNKRM) and a coefficient reflecting the rational efficiency of rare metals by-products usage (KRIRM);
- To set the lower KNKRM rate of 0.1 for new production facilities engaged in mining and production of critical rare metals (production will be deemed new if commenced after 1 January 2018); the reduced coefficient will apply during 120 tax periods, provided the taxpayer proves manufacturing of high-added-value products from the extracted critical rare metals;
- To set KRIRM to zero, if the taxpayer proves extraction of rare metal by-products and their procession into separate rare metal products;
- The list of critical rare metals and the procedure for confirming eligibility for the lower coefficients will be approved by the Russian Government;
- To ban the application of the zero MET rate for critical rare metals remaining in tailings or production dumps due to the absence of industrial extraction technologies in Russia.

The draft law is aimed at boosting the rare metals production and extraction efficiency.

[Federal draft legislation portal](#)

Russian State Duma to consider draft law aimed at limiting tax benefits for property contributions

The draft calls for:

- Limiting the scope of applicability of Sub-item 3.4, Item 1, Article 251 of the Russian Tax Code, setting forth that only unclaimed dividends written back as retained earnings will be treated as tax-exempt income;
- Supplementing Article 251 of the Russian Tax Code with Sub-item 3.5 that would grant tax exemption to assets, property/non-property rights as per their monetary value, received as capital contributions in

accordance with the civil laws of Russia;

- Including the Concessionaire's monetary fees in the taxable income.

Should the proposed amendments be adopted, the applicability of Sub-item 3.5, Item 1, Article 251 of the Russian Tax Code will be subject to the capital contribution requirements set forth by the civil legislation.

Thus, the Russian Civil Code (Item 1, Article 66.1) provides for an exhaustive list of types of assets/rights that can be contributed.

Therefore, income in the form of assets/rights, other than those expressly permitted by the civil legislation for capital contributions, cannot be tax-exempt under Sub-item 3.5, Item 1, Article 251 of the Russian Tax Code.

At the same time, the draft law does not propose any amendments to Sub-item 11, Item 1, Article 251 of the Russian Tax Code, according to which the income in the form of assets gratuitously received from the shareholder with an interest of more than 50 per cent is exempt from tax.

Thus, the changes will actually apply to contributions from shareholders with interest stakes under 50 per cent and to property/non-property rights, not envisaged by Article 66.1 of the Russian Civil Code and received free-of-charge.

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

Russian State Duma to consider draft law regulating e-commerce aggregators

The draft law calls for:

- Introducing the concept of e-commerce aggregator – an organisation or an individual entrepreneur that accumulates information about products or services offered by sellers under sales contract and enables the potential customer to connect with the seller and pay for the product or service;
- Obliging aggregators to disclose relevant information to consumers, including the producer's/seller's and its own details;
- Holding aggregators liable for misrepresenting the product/service or seller information (while due performance of the contract remains the responsibility of the seller);
- Setting a 10-day period for refunding prepayments in case of product non-delivery, or consumer's refusal to purchase or accept the delivered product on account of misrepresentation of information disclosed by the aggregator.

If adopted, the law will come into force 180 days after the official publication.

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

Russian State Duma to consider draft law calling for banning company liquidation during field customs audits

The document proposes banning the submission of a liquidation balance sheet notice to the registrar, unless an ongoing field customs audit is completed and respective findings are released.

The customs audit commencement/completion notices will be sent by the customs authorities electronically.

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

Russian State Duma to consider draft law proposing lower customs penalties

In particular, the draft calls for halving the penalties for customs breaches, if such breaches are eliminated and respective penalties are paid within thirty days.

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

Russian Ministry of Finance releases list of regulations of public importance to be developed in 2017

This list includes:

- A draft law introducing the tax on added income from the extraction of hydrocarbons (the hydrocarbon tax). The draft will be submitted to the Russian Government on 1 October 2017;
- A draft law on labeling goods with RFID tags;
- A draft law aimed at combating the consumption of surrogate alcohol and at controlling ethanol used in perfumery, cosmetic production and household chemistry;
- A draft law on customs regulation aimed at implementing the Eurasian Economic Union's Customs Code;
- A draft law on creating and maintaining the unified national population register.

[Official Ministry of Finance website](#)

Russian Government lowers coefficient used to calculate road toll

The coefficient to be applied as of 15 April 2017 has been lowered from 0.82 to 0.51. Accordingly, the road toll per 1 km will amount to RUB 1.91 instead of RUB 3.06.

Clarifications from government bodies

Russian Ministry of Finance advises that foreign entities e-selling software to Russian individuals must register with Russian tax authorities regardless of tax exemption

The Ministry has pointed out that as of 1 January 2017 the foreign e-sellers rendering Russian-based services to individuals are to register with the Russian tax authorities irrespective of whether such services are VATable or not.

Media review

The Russian Association of Internet Trade Companies develops e-commerce roadmap for 2017-2018 and until 2025

In particular, the document calls for the following measures:

- To oblige the e-shops to enable cashless payments;
- To reduce acquiring costs: offline payment by cards are now cheaper than online transactions;
- To oblige foreign e-stores to establish representative offices in Russia to enable consumer rights protection;
- To introduce the aggregator regulation.

The draft also [calls for](#) using the anti-piracy laws to fight counterfeit products, blocking the websites of involved e-stores following the copyright holders' claims.

The decision was taken at the Russian Prime Minister Dmitry Medvedev's meeting with the representatives of road transport SMEs.

[Official website of the Russian Government](#)

CBR's key rate lowered

On 24 March 2017, the Central Bank of Russia announced the key rate decrease from 10 percent to 9.75 percent.

[Official CBR website](#)

Federal Antimonopoly Service to toughen up liability for obstructing antimonopoly audits

The Service has prepared a draft law introducing special administrative sanctions for obstructing or evading antimonopoly audits.

According to the proposal, corporate fines will vary depending, on the company's turnover, from 1/200 to 1/100 of its total sales revenue, but may not be less than RUB 100,000.

If adopted, the new provisions will enter into force in July 2017.

[Federal draft legislation portal](#)

A foreign entity engaged in online licensing of software rights to individuals are exempt of VAT by virtue of Sub-item 26, Item 2, Article 149 of the Russian Tax Code.

However, such entity still has to register with the Russian tax authorities.

[Consultant Plus](#)

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

[Kommersant](#)

Russian Antimonopoly Service prepares new version of national competition plan for 2017-2019

The plan envisages the following activities:

- To ban the acquisition of assets by the state on the competitive markets. The restriction will not apply to the defence and strategic assets or to the decisions of the President of Russia and the Russian Government;

- To ban the establishment of unitary enterprises on the competitive markets and to gradually turn away from this type of legal structure;
- To limit the acquisition of new assets by the state-owned companies, unitary enterprises, and their subsidiaries;
- To facilitate access of small businesses to the government, state-owned companies' and natural monopolies' procurement;
- To combat cartels, engaging the Ministry of Internal Affairs, the Investigative Committee, and the Federal Security Service of the Russian Federation, and to commission the Prosecutor General's Office with coordinating thereof;
- To reduce the number of natural monopolies;
- To toughen the natural monopolies' regulation by introducing the unified tariff-setting principles and requiring for mandatory approval of all investment programs financed from their tariffs by the Federal Antimonopoly Service.

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

[Vedomosti](#)

Ministry of Finance considers clamping down on individual tax residency criteria

The Russian Ministry of Finance plans to explore the individual tax residency criteria in the countries, where the required physical presence is twice shorter than Russia's, i.e. 90 days.

The reduced physical presence requirements will entail the toughening of the CFC rules.

The Russian Ministry of Economic Development is considering alternative tax residency criteria, depending on the individual's centre of vital interests (property, family, work, etc.).

The draft law has not yet been officially published.

[Vedomosti](#)

Russian Federal Tax Service resumes discussion on sales tax introduction

According to the regulator, the sales tax may become an alternative to raising the VAT rates. The new cash register equipment allowing for online data transmission to the tax authorities is expected to facilitate the tax administration.

The sales tax will be similar to the local sales levies; it will not be indicated in a separate line and will not increase the product price by the tax amount.

The sales tax rate is not expected to exceed 2 or 3 percent.

The proposals have not yet been published.

[Vedomosti](#)

Russian Antimonopoly Service releases interim monitoring results for new provisions of commerce law

The results of [the first monitoring](#) of compliance with the new Commerce Law requirements have been summed up:

- 701 audits were conducted;
- 11,266 contracts were reviewed, of which 11% contained breaches;
- Failure to align the contracts with the new food supply settlement requirements (34%) and exceeding the fees' threshold by retailers (22%) are the most common breaches;
- Some retailers were found to have only formally aligned the contracts with the new statutory requirements, at the same time arranging for vendors to sign contracts with their controlled entities;
- Some federal retailers discontinued charging bonuses, yet considerably raised penalties for contractual non-performance;
- According to the vendor survey results, certain retailers, when re-signing contracts in accordance with the new statutory requirements, demanded lower supply prices and toughened up the factoring requirements;
- Regional and municipal retailers accounted for the majority of breaches.

The regulator will continue controlling compliance with the commerce law requirements.

The results of the second wave of control measures, in which the severity of breaches of the antimonopoly and commerce laws will be determined, are expected to be summed up in 3Q 2017.

[Official Russian Antimonopoly Service website](#)

International legislation news

OECD releases report to G20 summit participants

The report covers the following topics:

- The results of the BEPS effort taken by the OECD and the B20 countries;
- Key takeaways from the Global Forum on Transparency and Exchange of Information for Tax Purposes and the issues of implementing the automatic information exchange (AEOI);
- The summary of activities designed to improve the

effectiveness of beneficial ownership information in the tax area.

The list of uncooperative jurisdictions with respect to the tax transparency standards [is expected](#) to be confirmed at the B20 Summit in July 2017.

[Official OECD website](#)

Deloitte publications

Overview of key provisions of deoffshorisation law

The Russian economy deoffshorisation agenda dictates the new taxation rules for foreign corporations and unincorporated entities.

This [issue](#) of digest offers an update on the key provisions of the deoffshorisation law from Deloitte's specialists.

New rules for pollution charges

Russian Government Resolution No. [255](#) of 3 March 2017 sets forth the new rules for calculating and collecting the environmental pollution charges. The rules apply effective 1 January 2016, except for certain provisions that will come into force as of 1 January 2019 and 1 January 2020.

LT in Focus of [20 March 2017](#) offers a snapshot of the new rules, clarifications from the Federal Agency for Natural Resources Management (Rosprirodnadzor), and comments from Deloitte's specialists.

New IT Legal Drive for February 2017

We are pleased to present a new [issue](#) of IT Legal Drive, offering an overview of the latest Russian IT and e-commerce trends and news for February 2017. Learn about a draft law calling for banning the copyright-infringing mirror sites, the increase of penalties for non-compliance with website blocking requirements, the creation of a common register of the EAEU's protected designations, and the rules for online sales of medicines.

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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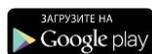


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