



LT Digest

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Legislative initiatives

CRS draft law receives negative expert feedback

The federal draft legislation [portal](#) has posted the results of the CRS draft law assessment for regulatory impact.

The draft received a negative expert feedback and was returned for revision.

During the assessment, the experts came up with certain suggestions and comments regarding the wording of the draft, they can be viewed [here](#).

For more details on the environmental tax, please refer to LT in Focus of [7 September 2016](#) and LT Digest of [22 March 2017](#).

Federal draft legislation portal

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President of Russia signs a set of federal laws

- Federal Law No. [56-FZ](#) of 3 April 2017, proposing the inclusion of government contract identifier into VAT invoices;
- Federal Law [No. 57-FZ](#), setting the court fees for appealing commercial judge orders, claims dismissed or orders denied, at commercial courts;
- Draft Law [No. 55-FZ](#) of 3 April 2017 on ratification of the Geneva Act of the Hague Agreement Concerning International Registration of Industrial Designs (for more details on the draft law, please refer to [LT of 7 November 2016](#));
- Federal Law [54-FZ](#) of 3 April 2017 on ratification of Protocol of Amendments to the Agreement on CIS Rules of Origin;
- Federal Law [No. 52-FZ](#) of 3 April 2017 on joining the Convention for the Unification of Certain Rules, Relating to International Carriage by Air.

Official Internet Portal for Legal Information

Draft laws pending before Russian State Duma

- Draft Law No. [52643-7](#) on the differentiation of administrative sanctions for anti-competitive agreements has passed the third reading;
- Draft Law No. [113663-7](#), which proposes enabling exporters to voluntarily stop applying the zero VAT rate has passed the first reading;
- Draft Law No. [1041537-6](#) introducing a new form of employee participation in corporate management has passed the first reading;
- Draft Law No. [900695-6](#) entitling Russian regions to set differentiated agricultural tax rates (for more details, please refer to [LT of 15 October 2015](#)).

Official website of the Russian State Duma

State Duma to consider draft law on protection of home buyers in FZ-214 construction projects

The following amendments are proposed:

- To oblige developers of multiunit residential housing to pay mandatory contributions to a special compensation fund;
- To exclude other types of securing developer's performance, such as surety and third-party liability insurance;
- The rules for calculating contributions to such compensation fund will be approved by the Russian Government, setting a base rate, depending on the developer's financial strength;
- To stipulate that contracts for purchase of FZ-214 properties may only be registered after the developer has made its contribution to the fund;
- To define permitted expenditures from the fund;
- To establish a non-for-profit entity (a foundation) that will be in charge of managing the compensation fund and compensation payments to buyers in case of developers' bankruptcy and will maintain a unified register of developers;
- To define the foundation's legal status, its rights and responsibilities;

- To set up a mechanism of controlling the payment of contributions to the fund via an electronic interface between the registration authority and the foundation at the time of registration of FZ-214 property purchase contract;
- To envisage that the controlling authorities may suspend acceptance of buyers' payments by the developer without a court order.

If adopted, the law will enter into force thirty days after its official publication. It will not apply to the multiunit residential housing projects, if the first sale has been signed prior to the law's coming into force.

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

Russian Ministry of Natural Resources proposes amendments to industrial and consumer waste regulation

The following amendments are proposed:

- To refine the meaning of certain terms and expressly specify that 'consumption waste' shall also include packaging waste;
- To specify that when the packaged goods used in production of other goods are sold in Russia, the environmental tax will be charged on packaging only;
- To exclude the requirement that the companies/individual entrepreneurs obtain a license to recycle their waste;
- To establish a national information system for public environmental control;
- To oblige legal entities and individual entrepreneurs that recycle waste to ensure the preparation and annual publication of environmental protection reports using a common public database for consumer waste accounting.

[Federal draft legislation portal](#)

Draft law aimed at streamlining tax delinquency settlement developed

The draft calls for the following measures:

- To enable personal tax payments via multi-functional service centres;
- To envisage that if a taxpayer discovers an error in a tax payment order, he/she shall have a chance to correct it by filing an amended tax return within three years of the date the tax was paid;
- To entitle the tax authorities to assess the correct payment details in case of errors in the tax payment order (except for the instances when such assessment may cause late payment penalties);
- To enable individuals to make advance payments towards the transportation, land, and property tax liability;
- To stipulate that tax debts may not be recovered from the designated bank accounts held by developers to finance construction-in-progress;
- To supplement the list of tax deferral criteria.

[Federal draft legislation portal](#)

Clarifications from government bodies

Russian Ministry of Finance defines Russian-based control for tax residency purposes

The Russian Ministry of Finance has reminded that in accordance with Sub-Item 3, Item 3, Article 246.2 of the Russian Tax Code, not all planning and controlling functions exercised from Russia (including strategic planning, budgeting, preparation of consolidated financial statement and management reporting etc) should qualify as the management of a foreign entity in Russia.

The Ministry stated that the functions exercised by a Russian company as an ultimate parent towards its foreign subsidiaries can be regarded as an activity aimed at managing its controlled assets, directly or indirectly, for its own benefit, subject to a number of conditions.

With reference to the OECD Guidelines, the Ministry named the following criteria for acknowledging the group management activities a "shareholder activity":

- Such activities are performed solely for its ownership interests, not for the benefit of the subsidiaries;
- The subsidiaries would never have engaged third parties to perform such services for a fee and in no event would have performed such activities themselves;
- The economic benefit from such activity can be recognised by the group in general, not by a separate foreign entity.

If the functions of an ultimate parent company meet the above-mentioned criteria, they will not be considered as "controlling" functions and, therefore, the foreign subsidiaries will not be recognised as Russian tax residents.

The regulator also specified that the functions exercised by the Russian controlling entity can be confirmed by internal policies and regulations.

It also recommended that the proportions among the types of activity be considered. Thus, day-to-day management of foreign entities may not be regarded as an exercise of the "controlling" function in Russia, if the scope of such function is considerably narrower than that in another state(s).

[Consultant Plus](#)

Ministry of Finance clarifies deductibility of dividends from CFC's profit

The Russian Ministry of Finance has reminded that, pursuant to Item 1 of Article 25.15 of the Russian Tax Code, a CFC's profits shall be reduced by the amount of dividends paid in a calendar year following the year for which the CFC files its financial statements, with account of interim dividends paid during the fiscal year for which the statements are filed.

According to the Ministry, the CFC's profit can be reduced both by the amount of dividends paid for the calendar year for which the CFC files its financial statements and by the amount of retained earnings, including those generated before 2015.

[Consultant Plus](#)

Russian Ministry of Finance clarifies CFC's profit calculation other than based on financial statements

The Ministry has clarified that, pursuant to the provisions of Article 309.1 of the Russian Tax Code, a CFC's profit (loss) shall be determined on the basis of its financial statements or in accordance with the rules set forth by Chapter 25 of the Russian Tax Code for the Russian taxpayers.

Each CFC's profit (loss) determined based on its financial statements data shall be verified by such financial statements or tax reports. Should the company have no such financial statements, the CFC's profit (loss) shall be determined in accordance with Chapter 25 of the Russian Tax Code based on its source documents, including those made in accordance with the customary business practices of the country of incorporation.

[Consultant Plus](#)

Russian Ministry of Finance clarifies procedure for identification of beneficial owner of income payable to collective investment fund

The regulator has advised that a foreign investment firm that qualifies as a collective investment fund as per its governing laws shall not be deemed a beneficial owner of the yield on securities for the purposes of Item 8, Article 310.1 of the Russian Tax Code.

[Consultant Plus](#)

International legislation news

OECD releases new CRS edition

The OECD official website has published [the second edition](#) of the Common Reporting Standard.

It contains additional technical guidance on the handling of corrections and cancellations; other provisions remained unchanged.

The OECD also published new FAQs on the application of CRS. The document can be viewed [here](#).

Official OECD website

OECD releases further guidance on Country-by-Country reporting

The additional guidance clarifies several interpretation issues related to the data to be included in the CbC report, such as the inclusion of extraordinary income and gains from investment activities into the revenues, application of accounting principles/standards, and others.

The Russian Ministry of Finance has also developed a draft federal law on automatic exchange of financial accounts and MNE information (for more details, please refer to LT in Focus of [7 September 2016](#) and [7 December 2017](#)).

[Official OECD website](#)

OECD publishes Tax Policy Study on Taxation and Skills

The report examines how tax policy can encourage development of skills in the OECD countries.

The study also examines the indicators that incentivise individuals and governments to invest in education.

[Official OECD website](#)

Amendments to Singapore legislation require setting up registers of beneficial owners and nominee directors

The amendments entered into force on 31 March 2017. The companies will be given a transitional period of 60 days to set up a register of beneficial owners and nominee directors.

In light of these amendments, the Accounting and Corporate Regulatory Authority (ACRA) has prepared a detailed [guidance](#) on maintaining the register of beneficial owners and nominal directors and a [guidance](#) on maintaining the register of controllers in limited liability partnerships.

These documents contain sample forms of information requests and notices the private companies and LLPs

may use to obtain the required data.

[Official website of the Accounting and Corporate Regulatory Authority \(ACRA\)](#)

Initiative to create central register of beneficiaries in Netherlands

On 31 March 2017, the Netherlands published a draft legislative proposal for the implementation of the ultimate beneficial owners register, or the 'UBO register'. The Dutch government launched an online public consultation, providing anyone interested with the opportunity to comment on the draft legislative proposal.

The UBO is expected to form an integral part of the Dutch business register and will contain the information on ultimate beneficial owners of corporate and other legal entities incorporated in the Netherlands (other than trusts and foreign funds).

The draft legislative proposal provides for a period of 18 months for the entities to provide information on their ultimate beneficial owner(s).

[Tax Today](#)

Media review

Quality standard for mobile apps developed

The Russian Quality Control Agency has developed a quality standard for mobile applications. It contains recommendations for application developers and describes the testing methodology that the Agency's experts will apply when examining the applications.

The document contains more than 100 requirements in terms of usability, safety, performance, reliability, and personal data collection. In particular, the user must be able to see and control the collection of his personal data and regulate access to them.

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

[Vedomosti](#)

Big data SRO initiative

Russia's largest telecom operators and Internet companies are discussing the establishment of the Big Data Association, a self-regulated organisation (SRO) of big data companies.

The Association, though, might welcome the players from other industries, including banks and insurance companies.

The market expects the Big Data Association to shortly finalise the terms and definitions, develop a code of ethics, and be able to represent the business community in interactions with the government agencies.

[Kommersant](#)

Ministry of Industry and Trade calls for new measures of supporting national automotive industry

The Ministry proposes new programmes aimed at supporting the procurement of haulage trucks, agricultural machinery, and light commercial vehicles.

Under the above-mentioned target programs, the leasing companies may offer a state-subsidised advance payment discount of up to 12.5 per cent of the respective vehicle's value.

The Ministry also considers other demand-boosting initiatives, such as subsidised loans for first-time and family-car buyers.

[Vedomosti](#)

CBR to expand its powers to supervise audit firms

The Russian Government has resolved on authorising the Central Bank of Russia to supervise the firms that audit entities of public importance, such as banks, pension funds, insurance companies, and public joint-stock companies.

The CBR is expected to acquire the new powers as of 1 January 2018.

The list of supervised firms will be further expanded, with the CBR becoming the regulator of audit services (this function is currently exercised by the Russian Ministry of Finance).

According to preliminary data, the reform of the audit services' market is expected to be finished by 2019.

The text of the Government's resolution has not been officially published yet.

[Kommersant](#)

Deloitte publications

Overview of key changes in customs regulation

Over the past few years, the Russian customs regulations have been increasingly turning towards global practices. The developments of 2016 and early 2017 were mostly aimed at simplifying the existing customs procedures, improving the business climate, and establishing an attractive investment environment in Russia. Read about the most significant developments in the Russian customs regulation that will have impact on the business in 2017 in this [issue](#) of LT Digest.

Bridging the digital gap: how tax fits into cryptocurrencies and blockchain

Today, the world is on the brink of a major tax revolution: as cryptocurrencies and distributed ledger technologies such as blockchain evolve, they push the traditional financial systems from the physical world to online.

Kseniya Osipova, Consultant from the Legal Services for Tech Projects Team, comments on an interesting [article](#)

from The International Tax Review, highlighting the key tax implications of the emerging technology.

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.

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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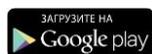


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TaxSmart app



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