

## Legislative Tracking

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### Legislative initiatives

#### **Draft law offering tax incentives to Russian companies investing in infrastructure in Far East based on investment agreements developed**

The draft law is aimed at supporting investors carrying out projects in the Far Eastern Federal District and investing in external infrastructure.

The draft law envisages the following tax privileges for the abovementioned investors:

- The regional profit tax rate component can be decreased at the discretion of a constituent entity of the Russian Federation regardless of the general limitations set forth by item 1, Article 284 of the Russian Tax Code;
- The federal corporate tax rate component will be set at 0 percent;
- For MET assessment purposes, the coefficient reflecting the territory in which a mineral is extracted will be set at 0.

The draft law also sets forth the eligibility criteria for investments in external infrastructure development (improvement) and taxpayers seeking tax benefits, and describes the procedures for the granting of such benefits.

[Federal Portal for Draft Regulations](#)

#### **Outlook for introduction of tourist tax**

The Federation Council Committee on the Budget and Financial Markets discussed the introduction of a tourist tax.

Based on the discussions, the running of a pilot test in five regions (the Republic of Crimea, Sevastopol, and the territories of Altai, Krasnodar and Stavropol) was proposed for 2017-2021 without any amendments being made to the Russian Tax Code or Budgetary Code.

Based on the results of this pilot test, a respective law will be adopted introducing the tax across the entire country.

[Official Federation Council website](#)

## Clarifications from government bodies

### Russian Ministry of Finance clarifies that rental payments for non-resident employees can be expensed for profit tax purposes

In Letter No.03-04-06/53726 of 14 September 2016, the Russian Ministry of Finance advises that if an employer covers housing for non-resident employees as employee benefits and such expenses are provided for by respective employment agreements, such rental payments can be charged to expenses for corporate tax purposes.

A similar view was previously expressed by the Ministry in Letter No. [03-08-05/41253](#) of 17 July 2015.

However, the Ministry is known to have taken the opposite position by recognising the compensation of rental expenses for relocating employees as a social

benefit, which prevents it from being expensed for corporate tax purposes irrespective of whether such benefits were provided for by the employment agreement (see Russian Ministry of Finance Letter No. [03-03-06/1/34531](#) of 14 June 2016).

[ConsultantPlus](#)

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## Media review

### National Association of Retailers presents proposal to cut non-grocery retailer opening hours to Russian Ministry of Industry and Trade

The National Association of Retailers has proposed cutting the business hours of non-grocery stores, including for clothing and footwear retailers.

It suggests developing a law that would establish non-grocery retailers' opening hours from 11 am to 9 pm.

According to retailers, such an arrangement would foster an "inflow of people into the production industry, improve traffic in cities and enable municipal budgetary savings on electricity of up to RUB 32 billion annually".

The initiative is currently being reviewed by the Russian Ministry of Industry and Trade.

[Kommersant](#)

### Russian Government to develop tax mechanism for foreign e-shops by end of 2016

The Russian Government plans to develop a tax mechanism for foreign e-shops by the end of 2016.

A proposal to introduce VAT for foreign e-shops selling digital as well as physical products to Russian citizens from 2018-2019 has already been included in the draft concept of key areas for the fiscal policy prepared by the Russian Ministry of Finance (for more details please refer to LT of [5 October 2016](#)).

The initiative has also been incorporated into the draft e-commerce roadmap that was earlier discussed by the officials of the Russian Ministry of Telecoms and Mass Communications, the Ministry of Economic Development, Ministry of Industry and Trade and the Federal Tax Service at a meeting held by the Federation Council.

The imposition of VAT on foreign e-sellers is supported by the Association of Internet Trade Companies, which wrote a letter to Minister of Economic Development, Alexei Ulyukhaev in early October suggesting that foreign online stores be put on a par with their Russian peers.

[Kommersant](#)

### Rospotrebnadzor establishes criteria based on which foreign e-shops will fall under the jurisdiction of Russian civil law

The Federal Service for Supervision of Consumer Rights Protection and Human Welfare (Rospotrebnadzor) has established the criteria based on which a foreign e-shop will be regulated by the Russian civil law.

Proposed criteria include the following:

- The e-seller uses a domain name associated with Russia (.ru, .рф, .москва, .moscow etc.);
- Settlements can be made in Russian roubles or with payment instruments accessible to Russian consumers;
- Acquiring is performed by a Russian bank or a non-banking credit institution;
- The e-store offers delivery in Russia;
- The e-store website posts advertising in Russian that links to the website of the respective e-seller, or there is other evidence of the e-seller's intent to enter into a sales agreement with a Russian consumer.

The above criteria were developed by Rospotrebnadzor with a view to enabling the application of the provisions of Russian civil law in disputes with foreign e-stores.

[Izvestia](#)

## **Russian Government proposes extension of preferential insurance rates for IT companies until 2023**

The Russian Government intends to extend the application of preferential insurance rates for IT-companies until 2023.

Such benefits are expected to apply to companies engaged in servicing and promoting IT products as well.

[Vedomosti](#)

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We hope you will find the information in this edition interesting and helpful. Our specialists are ready to answer any questions you may have on the issues covered in this edition.

Sincerely,

**Deloitte CIS partners**

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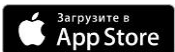


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### TaxSmart app



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