



LT in focus

General Guidelines of the Russian Tax Policy for 2016-2018

The official website of the Russian Ministry of Finance published on 28 July 2015 a set of [General Guidelines of the Russian Tax Policy for 2016-2018](#).

These guidelines will allow organizations to align their business strategies to the tax amendments anticipated in the next three years.

The Russian Government's refusal to increase the economy's tax burden will remain among its key priorities for the next three years. The Russian Government will not submit any draft laws to the State Duma stipulating a tax-burden increase, and no such bills will be supported when filed by other subjects with the power to initiate legislation. The moratorium on increasing the tax burden, which applies to the current year and each of the subsequent three years, aims to stabilize the tax system and bolster its attractiveness to investors. Additional tax incentives for investments have also been introduced, along with anti-crisis tax measures and further improvements to tax administration.

General Guidelines do not constitute a legislative act and are meant only to be used for informational purposes; they broadly cover the tax policy and its further development from the perspective of the Russian Ministry of Finance.

This edition briefly covers **key amendments** to tax and levy laws stipulated by the General Guidelines with regard to the following:

- [Corporate taxation](#);
- [Recording interests for taxation purposes](#);
- [Transfer pricing](#);
- [Value Added Tax](#);
- [Excise duties](#);
- [Natural resources taxation](#)
- [Curbing base erosion and profit shifting](#);
- [Fighting tax and levy law abuses](#);
- [Tax administration](#);
- [Consolidated taxpayers group](#);
- [Improvements to the investment climate](#);
- [Fiscal benefits](#)

Corporate taxation:

- Introducing income tax benefits to new industrial companies (green fields) within their capital investments. This benefit will be structured similarly to those available in the Far East, including a 0% income tax rate on the share payable to the federal budget and a 10% rate to the share payable to the relevant Russian constituent. The benefit will presumably apply throughout Russia starting from 2016 on investment projects that meet the already existing criteria;
- Specifying thin capitalization rules;
- Increasing the initial depreciable asset value for taxation purposes up to 80-100 thousand rubles;
- Specifying VAT rules applicable to prepayments received by sellers and deduction of the corresponding VAT by buyers;
- Simplifying the procedure on export VAT returns, as well as other improvements to this tax;
- Exempting the largest taxpayers from excise duties on exportable goods without a bank guarantee;
- Exempting some Russian transactions from TP compliance controls, by increasing the total income threshold for these transactions, among other measures.

Recording interests for taxation purposes

- Extending the validity of the rule that provides that a 0% rate applies to borrowings within Russia between related parties that require no substantiation for TP purposes;
- Introducing into the Russian Tax Code the concept of a capitalization loan to subsidiaries where a Russian company acts as a creditor, and for which the loan is regarded as an investment in the subsidiary, where interest incomes are taxed as dividends.



Transfer pricing

- Increasing the total threshold to acknowledge intra-Russian transactions as controlled from 1 bln rubles to 2-3 bln rubles with the subsequent periodic inflation-based indexing;
- Introducing a total criterion or another materiality criterion to provide documentation or to implement or omit controls (for example, when income amount per transaction or group of transactions is below 5% of total income from transactions between the parties of this transaction or group of transaction within a relevant calendar year, but does not exceed 10 mln rubles);
- Amending conditions for refusing to acknowledge transactions as controlled to make allowances for the significance of standalone divisions: the suggestion is not to regard as controllable intra-Russian transactions between taxpayers that have standalone subdivisions, with no significant impact on the taxpayers' business.

Value added tax

- Extending the general fiscal benefits procedure to transactions taxed at 0% according to the registration order of the purchased goods (services) and obtaining invoices from suppliers;
- Granting the right to apply the application-based tax refund procedure to taxpayers submitting a parental surety in which the total tax amount (VAT, excise duties, corporate tax, MET) over the three years preceding the year in which the application is submitted – excluding tax amounts paid for goods relocated outside Russia and as a tax agent by the mother company – constitutes at least 10 billion rubles;
- Establishing a VAT base calculation procedure for prepayments received under contracts in foreign currency, but actually settled in rubles;
- Establishing the right of tax agents to deduct VAT amounts transferred as prepayments;
- Specifying the Tax Code norms related to the deductions on property rights;
- Exempting from taxation waste paper sale transactions;
- Settling the obligation to restore VAT for property transferred by a legal entity undergoing reorganization to a successor that is not a VAT payer;
- Specifying VAT amount to be reclaimed by buyers in the event of a transfer of advance payment;
- Specifying the tax base calculation procedure when selling property rights to non-residential apartments, excluding garages and parking spaces;
- Establishing the taxpayer obligation to restore VAT accepted for deduction as advance payment if the shipment has not taken place within a certain period of time.

Excise duties

- Indexing excise rates in 2018 according to the consumer prices index;
- Cutting in half excise rates for wines and sparkling wines with a protected geographical indication and a protected place of origin compared to the rates of similar wines bearing no characteristics indicated;
- Establishing excise duties for medium distillates (light oil obtained from primary and/or secondary crude oil processing, gas condensate, associated gas, combustible shales and other raw hydrocarbons, excluding SRG, motor gasoline, diesel fuel, jet fuel, benzol, paraxylene, ortoxylene) simultaneously introducing the procedure for medium distillates used as marine fuels to be expensed excise-free by shipowners;
- Clarifying the procedure for the exemption from advance excise payment of alcohol and/or alcohol-containing products in terms of tax controls applied to the failures of taxpayers to file bank guarantees with tax authorities to settle the excise duties;
- Establishing an excise calculation and payment procedure for bioethanol used in motor biofuel production according to which bioethanol sales are exempt from excise duties.

Natural resources taxation

- Amending the procedure to define key MET entities for the production of precious stones and raw gemstones based on the analysis of the MET application experience;
- Aligning article 26 of the Russian Tax Code with the regulatory framework in terms of classification of raw hydrocarbon stocks;
- Considering the possibility of acknowledging chemically pure metal contained in mined ore or in mine products as a MET entity;
- Potential transferring to regional authorities of the right to determine MET rates and evaluate the tax base for common commercial minerals.

Curbing base erosion and profit shifting

1) Improvements of TP tax rules

- Reviewing disclosure rules for controlled transactions in pricing documentation for tax control purposes and notification of controlled transactions, including – among others – suggestions published by the OECD under the BEPS;
- Specifying the pricing method application procedure for taxation purposes stipulated by article 143 of the Russian Tax Code;
- Specifying conditions for acknowledging foreign trade of key Russian export goods (oil and oil products, ferrous metals, nonferrous materials, mineral fertilizers, precious metals and precious gems) as controlled;
- Specifying the powers of the Russian Federal Tax Service and territorial tax authorities when implementing article VI of the Russian Tax Code;

- Developing a pricing agreement procedure applicable to foreign transactions in which one of the parties is represented by a tax resident of another country with which a DTA is in effect.

2) Ensuring automatic Exchange of Financial Account Information with foreign jurisdictions

- Russia's joining the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information by 2018;
- Aligning the current tax and levy legislation to the Common Reporting Standard developed by OECD;

3) Amending corporate borrowing taxation procedure

- Amending current tax and levy legislation based on the final OECD/G20 recommendations related to clause 4 of BEPS;

4) Improving CFC income taxation rules

- Amending current tax and levy legislation based on the final OECD/G20 recommendations related to clause 3 of BEPS.

Fighting tax and levy law abuses

- Adding mechanisms to the Russian Tax Code limiting taxpayers' usage of schemes involving shell and offshore companies, including approaches approved by the Decree of the Plenum of the Russian Supreme Court of October 12, 2006, No. 53 "On evaluation by arbitration courts of reasons for taxpayers' fiscal benefits;"
- Amending the Russian Tax Code by introducing a legal mechanism to curb tax abuses by directly prohibiting the abuse of tax rights.

Tax administration

- Establishing a tax control institution to obtain preliminary information on tax consequences of intended transactions;
- Extending the list of data not representing a tax secret due to containing information currently published in accounting or financial reports (information about reports filed, tax reporting indicators, average staff counts, average salaries, amounts of taxes paid);
- Abolishing tax secrecy in accounting and financial reports submitted to tax authorities and releasing taxpayers from the obligation to re-submit the reports to statistical authorities.

Consolidated taxpayers group (CTG)

- Extending to 1 January 2019 the period until which restrictions will remain in place on the entry into force of CTG establishment agreements that have already been registered by tax authorities;
- After 1 January 2016, repealing limitations on the inclusion of new participants into existing CTGs;
- Introducing limitations the frequency with which CTG member counts can be amended;
- Improving the CTG mechanism in terms of their formation specifics, tax obligation calculations and payments performed by CTG members;
- Providing financial authorities with access to some data on CTG members that is currently treated as a tax secret.

Improvements to the investment climate

- Reducing the threshold for switching to the mandatory e-submission of tax returns and calculations from 100 to 50 people;
- Improving the procedure of additional tax control actions and familiarization of inspections with all tax control materials;
- Introducing a mechanism governing tax consulting and the liability of tax consultants;
- Maintaining voluntariness of using the tax consulting institution.

Fiscal benefits

- Making the decision to extend a fiscal benefit based on its efficacy analysis;
- Releasing federal authorities from the right to establish fiscal benefits related to regional and local taxes, including tax exemption, tax base deduction and taxation entities;
- Discarding fiscal benefits that have failed to impact economic growth or have any favorable social effects.

We sincerely hope the information presented in this issue is useful and interesting. Should you have any questions on these topics, please feel free to contact our specialists.

Contacts

Gennady Kamyshnikov

Partner

Government relations

+7 (495) 787 06 00

gkamyshnikov@deloitte.ru

Svetlana Meyer

Partner

Private Client Services

+7 (495) 787 06 00

smeyer@deloitte.ru

Oleg Berezin

Partner

Indirect tax

+7 (495) 787 06 00

oberezin@deloitte.ru

Grigory Pavlotsky

Partner

Managing Partner

+7 (495) 787 06 00

gpavlotsky@deloitte.ru

Raisa Alexakhina

Partner

Legal Services

+7 (495) 787 06 00

ralexakhina@deloitte.ru

Dmitry Kulakov

Partner

Transfer Pricing

+7 (495) 787 06 00

dkulakov@deloitte.ru

TaxSmart app



deloitte.ru

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