



Legislative Tracking In Focus

Starting from 1 January 2018, the approach to calculation of taxable income from the sale of shares by individuals changes

In the end of November 2017, the President of the Russian Federation approved a number of Federal Laws, introducing significant changes in personal taxation. Federal Law No. 335-FZ "On changes to Parts One and Two of the Russian Tax Code and other legal acts" ("the Law") clarifies, inter alia, the principles of calculating the taxable base for transactions with securities and derivatives in accordance with Subitem 9, Item 13, Article 214.1 of the Russian Tax Code.

According to the current rules, gross sale proceeds from the sale of shares can be reduced by the amounts already taxed at purchase or receipt (including the gratuitous transfer, acquisition at a discount, receipt as a gift or in succession) and **the relevant tax already paid** on these amounts. The financial result of a sale of shares can be zero or negative (the resulting losses can be carried forward to future tax periods).

The changes introduced by the Law abolish the practice of deducting the paid taxes from the taxable base. Now the taxpayer can reduce his taxable income

from the sale of shares only by the amounts already taxed at purchase/receipt of shares.

These amendments may significantly affect taxation of personal income for some categories of individuals, e.g., participants of long-term incentive programmes. A taxable event may occur when they acquire shares at a strike price lower than the market price or receive shares free of charge, and sell them later on.

The new version of Subitem 9, Item 13, Article 214.1 of the Russian Tax Code will be effective as of 1 January 2018.



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