

## LT in Focus

### R&D benefits: be fruitful and multiply

The [law](#) introducing changes to the regulation of tax-deductible R&D expenses is now signed. It is a brainchild of [Deloitte CIS team which participates in the Expert Council of the Russian Open Government](#), developing tax incentives to support innovations. You may have read about the discussions the law went through in our previous [issues](#).

The law expands the list of deductible R&D expenses that can be increased by a multiplying factor of 1.5 for deduction purposes, introduces an alternative procedure for filing R&D reports to confirm such deductibility, and details profit taxation following the revaluation of intangibles.

#### What's new: the details

**1. Newly revealed intangibles will be exempt for profit tax purposes from 1 January 2018 to 1 January 2020.**

**2. The list of R&D expenses is expanded**

The list of fully deductible expenses now includes the cost of acquiring rights (exclusive or non-exclusive) to invention, utility model or industrial prototype, used solely for R&D purposes. Social insurance contributions and bonuses paid on behalf of and to R&D employees were also included in the list. Previously, the above-mentioned expenses could only be deducted subject to the limit of 75 percent of total R&D staff payroll expenses.

**3. The use of the 1.5 multiplier for deductible R&D expenses recognised an intangible asset is now regulated**

**4. The law introduces an alternative way of confirming a company's eligibility for the 1.5 multiplier:** Alongside with submitting the R&D reports to the tax authorities, a new option is introduced: the reports can now be registered in the governmental information system.

#### What's next?

The changes will apply effective 1 January 2018. A wider list of deductible R&D expenses means greater tax benefits for the companies.

However, the law leaves a number of issues open. For instance, the cost of purchase of exclusive or non-exclusive software rights is not included in the list. The deductibility of these expenses is limited, which may challenge the use of the benefit by the companies that outsource their R&D activities.

We recommend that the companies which invest in upgrading/developing new products, services, technologies, production and management models reconsider the scope of relevant expenses in terms of incentive applicability, introduce changes to their accounting policies with respect to R&D expenses, and review other relevant internal regulations.

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We hope that you will find this newsletter interesting and informative. Please feel welcome to contact us for more information on the topics covered.

Best regards,

**Deloitte CIS Partners**

# Contacts

## Global Investment & Innovation Incentives

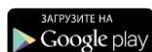


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## TaxSmart app



## [deloitte.ru](http://deloitte.ru)

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