

LT in Focus

Streamlining non-tax charges: incorporation in the Tax Code or a separate law?

In their effort to put together a uniform list of non-tax charges, the Russian Ministry of Economic Development and Russian Ministry of Finance developed a draft law that would regulate the mandatory payments charged on legal entities and individual entrepreneurs and bring consistency to the non-tax charges framework.

The legislative initiative is meant to improve the business environment and improve transparency of non-tax payments administration. Including the non-tax charges into the Tax Code is another option currently on the table. The draft law that is going through the public hearings now will introduce a number of important developments.

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"We welcome the government's initiative to streamline all non-tax charges and create a unified register of them. We expect that it will put an end to the unsystematic introduction of new charges, including at the municipal and regional levels. Once the draft law emerges from the development and discussion stages, we hope it will structure the non-tax payments into a transparent and consistent framework, easing their administration and communications with the controlling authorities for the business. We are closely monitoring the draft law and anticipate its adoption by the end of this year."

The purpose of the document is to set the uniform rules to assess and charge the mandatory payments, payable by **legal entities or individual entrepreneurs** incorporated in Russia or **foreign legal entities** that fall under their scope.

According to the draft law, the mandatory payments will encompass:

- Individual non-reciprocal payments
- Fees payable for engaging in certain types of business in a particular region
- Fees charged for the issue of documents confirming the rights of legal entities and individual entrepreneurs

The mandatory charges are expected to include the environmental fee, recycling fee, pollution charges, federal road toll, regulatory expert review, and nearly 50 other fees and duties.

Excluded charges

The list of mandatory charges will not include taxes, customs duties, social contributions, civil, administrative, and criminal penalties, federal and municipal service fees, and the fees charged in contests and biddings.

Payment registers

The mandatory payments will be set exclusively by federal laws, government resolutions, regional laws, and municipal regulations. New charges or amendments to the existing ones cannot be introduced **before 1 January of the year** following the year, in which the relevant regulations were enacted, but not earlier than six months from their official publication.

Payments will be considered mandatory if they are included in a federal, regional or municipal **list of mandatory payments**, based on which an online **register of mandatory payments** will be maintained. The register will contain the data on regulations underlying such payments, calculation formulas, due dates, and total expected revenues.

Effective date

The draft law is expected to enter into force on **1 January 2019**; the lists of federal, regional, and municipal mandatory payments are to be finalised by **1 January 2020**.

Exemptions

The payments not included in the lists of mandatory charges by **1 July 2020** will be considered optional, with no penalties for non-payment.

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,

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