

Research & Development and Government Incentives April News

28 April 2016

Priority investors in Orenburg granted land tax benefit

Orenburg City Council

On 28 April 2016, the Orenburg City Council adopted **Decision** No. 149, granting land tax benefits to investors engaged in priority investment projects. The benefits apply to land used in implementing Orenburg priority investment projects for the duration of the relevant priority investment project. The Decision establishes that the benefit can be applied in the form of an exemption from land tax in the amount of 100% for the first two years following the year in which the investment project was designated an Orenburg priority investment project, 50% in the following two years and 20% in the fifth year of the project's implementation. The previous benefit system provided for an exemption from land tax for one year with the rate increasing to the standard rate over the course of two years.

The Decision enters into force on 1 January 2017.

15 April 2016

Tax benefits for brewers in Sverdlovsk Region proposed

Legislative Assembly of Sverdlovsk Region

On 15 April 2016, a draft law proposing property tax exemptions for companies producing beer in Sverdlovsk Region was introduced to the Legislative Assembly of Sverdlovsk Region for consideration. Companies will have to meet the following conditions to receive the tax benefits:

- Revenue from beer sales must amount to no less than 70% of total sales revenue;
- The average employee headcount must be greater than 100 people;
- The volume of beer production in physical terms in the tax period in which corporate property tax is being paid should be no lower than in the previous tax period.

To obtain approval of the right to receive the tax benefit, a particular package of documents must be filed. The draft law extends to legal relations arising from 1 January 2016.

15 April 2016

Additional charge of corporate property tax in relation to unjustified corporate property tax benefits on energy efficient properties upheld

Catalogue of Arbitrational Cases

OJSC Kondopoga (hereafter, the Company) filed a claim with Republic of Karelia Federal Tax Service Interdistrict Inspectorate No. 9 to overturn a decision to hold the Company liable for tax violations and to charge additional corporate profit tax for 2014. The Company argued that it was justified in applying the tax benefit envisaged under item 21, Article 381 of the Russian Tax Code in relation to apartments located in a block of apartments that was assigned a high energy-efficiency rating in its project documentation. The Company pointed to the fact that in 2012–2013, the tax authorities carried out office tax audits for the respective tax periods, which found no violations of tax legislation by the Company as regards the application of tax benefits.

The Commercial Court of the Republic of Karelia established that the tax benefit may not be applied in relation to the apartments, as they are not considered independent property items until the residential building is put into operation. Furthermore, the legislation does not provide for the establishment of the energy-efficiency rating for apartments based on the rules for determining the energy efficiency of apartment blocks. The court also ruled that the Company failed to justify the application of tax benefits via documentation because the section of the building's project documentation in which the B rating (high energy efficiency) was specified cannot be accepted as documentary evidence. The court ruled in favour of the tax authorities.

14 April 2016

Establishment of new special economic zones in Tula Region and the Republic of Buryatia

[Russian Government](#)

[Russian News Agency TASS](#)

On 14 April 2016, a resolution on the establishment of the new “Uzlovaya” manufacturing special economic zone in Tula Region was signed.

In the Republic of Buryatia, plans call for the establishment of a port special economic zone as part of Baikal International Airport. An application has already been sent to the Russian Ministry of Economic Development for consideration. As of 8 April 2016, agreements of intent have already been signed with three large Chinese investors.

Tax benefits in the form of an exemption from corporate property tax for 10 years and from land tax for 5 years are granted to residents of manufacturing and port special economic zones. Furthermore, in accordance with item 1, Article 284 of the Russian Tax Code, Russian federal subjects (regions, territories, republics, federal cities) may establish a reduced profit tax rate (no greater than 13.5 percent) for residents of special economic zones. This applies to activities carried out in the special economic zone (in case of separate accounting of income/expenses), and relates to the part of the tax to be paid to the budget of the federal subject.

12 April 2016

Shopping centres in Leningrad Region will pay corporate property tax according to cadastral value

[Leningrad Region Register of Regulations](#)

From 1 January 2017, owners of shopping centres with floor spaces exceeding 1,000 sq. m. will pay corporate property tax based on the cadastral value of the property. The relevant amendments were introduced to the law “On Corporate Property Tax” by Leningrad Regional Law No.26-OZ of 12 April 2016, which enters into force on 1 January 2017. The list of specific items corresponding to these characteristics will be established no later than 1 January 2017 and will be provided to the regional tax inspectorate. For more details on calculating corporate property tax based on cadastral value, please see Research & Development and Government Incentives News [issue No. 11 of December 2015](#).

8 April 2016

Rules for concluding special investment contracts in Amur Region amended

[Official Internet Portal for Internet Information](#)

On 8 April 2016, Amur Region [Resolution](#) No. 121 amended the timeframes for concluding special investment contracts. According to the new version of the legislation, the relevant authority must inform investors of a decision not to conclude a special investment contract within 10 days from receiving the committee protocol, and not from the day the decision is made. Furthermore, the period in which a special investment contract must be signed has been reduced to 10 days (from 15 days) if stimulus moves envisaged under municipal regulations apply to the investor.

5 April 2016

Murmansk Regional Law extending list of property subject to tax benefits when implementing investment projects enters into force

[Official Internet Portal for Legal Information](#)

On 5 April 2016, Murmansk Regional Duma [Law](#) No. 1974-01-ZMO entered into force, extending the list of property exempt from corporate property tax when implementing investment projects. The benefits will not only apply to property established or acquired during an investment project’s implementation period (the period following the conclusion of an agreement on state support for investment in the Murmansk Region), but also to property accounted for as a fixed asset in the period from the beginning of the investment project until the conclusion of a similar agreement.

The law extends to legal relations arising in relation to priority or strategic Murmansk Region investment projects recognised as such prior to 1 January 2014.

4 April 2016

Procedure for granting subsidies to entities investing in Leningrad Region approved

[Leningrad Region Register of Regulations](#)

Leningrad Region Government [Resolution](#) No. 88 entered into force on 4 April 2016. The Resolution approves the procedure for granting subsidies to legal entities investing in Leningrad Region in accordance with Regional Law No. 24-OZ of 22 July 1997 in order to compensate costs related to the production of goods and the performance of work and services.

The Resolution additionally establishes the conditions for subsidies, the compensation procedure and the overall amount of subsidies to be granted to organisations in a given accounting period. The subsidies may not exceed the total costs incurred in the accounting period in relation to the production of goods or the performance of work and services.

Contacts

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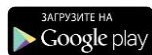
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