



Research & Development and Government Incentives December News

1 January 2016

List of regions for calculating property tax based on cadastral value extended

Russian regions have started calculating corporate property tax based on the cadastral value following a law signed in October 2014, which requires all regions to do so by 2020. As of 1 January 2016, 64 Russian regions have adopted this approach to taxation. For more detailed information on regional statistics and key changes, please see our [Russian Alert](#).

31 December 2015

New technical innovation special economic zone created in the Moscow Region

[Official website of the Government of the Russian Federation](#)

The Russian government has approved the creation of a new Special Economic Zone (SEZ) in the Moscow Region. The new zone, called Istok, was established through [Resolution](#) No. 1538 of 31 December 2015 and is a Technological Innovation zone. The zone is located in the Fryazino District of the Moscow Region. Residents of the zone will be eligible for several tax incentives, including an exemption from corporate property tax for 10 years and land tax for five years, and a reduced profit tax rate not exceeding 13.5%.

31 December 2015

Saratov Region clarifies terms for applying for “most favorable environment”

[Federal portal of draft regulations](#)

On 31 December 2015, a [Law](#) was adopted in the Saratov Region that clarifies the application terms for the “most favorable environment.” The previous terms, set out in Law 116-ZCO dated 28 June 2007, stipulated the possibility and the procedure for concluding an investment agreement under the terms of “most favorable environment.” It did not, however, establish the correlation between the conclusion of an investment agreement and the provision of the “most favorable environment” to the investor.

30 December 2015

Subsidies granted to pharmaceutical and healthcare companies

[Official website of the Government of the Russian Federation](#)

Russian Government [Resolution](#) No. 1503 dated 30 December 2015 approved rules for providing federal budget subsidies to Russian entities for the reimbursement of up to 50% of costs incurred starting 1 January 2015 for developing new medicines analogous to existing innovative drugs. Subsidies will be granted on the basis of an application, provided that the applicant meets established criteria. The subsidy granting procedure assumes an obligation to achieve set targets following the results of the application review. One of the requirements for obtaining a subsidy is the availability of a business plan that provides for arranging and performing a set of pre-clinical studies of a medicine, accumulating samples of the medicine being developed, and conducting a set of clinical trials. RUB 1.1 billion has been allocated for these subsidies in the federal budget for 2016.

28 December 2015

Supreme Court dismisses appeal by RZD against the ruling by the Federal Tax Service

Index of arbitration proceedings

The Russian Supreme Court has dismissed the cassation appeal by RZD to invalidate a Federal Tax Service ruling regarding an additional corporate property tax assessment of RUB 297 mln, including interest and penalties.

According to the legislation of the Sverdlovsk region, organizations have the right to apply for property tax incentives in form of a reduction in the amount of tax calculated for the period of incentive to the level of the previous tax period, with an increase in the average cost of property recognized as the object of taxation, except in cases of mergers.

The Supreme Court pointed out that the grounds for the application by RZD for property tax exemption in accordance with the laws of the Sverdlovsk region in relation to the average value of the disputed property are not relevant because the increase in the taxable annual average value of the Company's assets was not at the expense of investments of the Company but rather in connection with changes to the tax laws.

For more details on this case, please see our **August issue (No. 7, 2015)**.

22 December 2015

Tax incentives granted to residents of priority development territories

Official website of the Primorsky Territory Legislative Assembly

Official website of the State Assembly (Il Tumen) of the Republic of Sakha (Yakutia)

On 22 December 2015, a **law** was adopted in the Primorsky Territory granting residents of priority development territories in the Territory a property tax exemption for the period of five years from the month following the month in which property was recognized in the priority development territory's books, and a reduced tax rate of 0.5% for the following five years.

On 30 November 2015, a **Law** was adopted in the Republic of Sakha (Yakutia) that grants residents of priority development territories of the Republic tax incentives in the form of a 0% regional profit tax rate for the first five tax periods starting from the period in which the first profit was generated under the agreement that established the taxpayer as a resident in the priority development territory and a 10% profit tax rate for the following five tax periods.

22 December 2015

Investors in hotels and exhibition centers in St. Petersburg may get tax incentives

Committee for Economic Policy and Strategic Planning of St. Petersburg

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On 22 December 2015, a **draft law** was introduced in the St. Petersburg Legislative Assembly that proposes granting corporate property tax relief for investors involved in the creation of hotels and infrastructure for convention and exhibition activities. For further details, please see our **November issue (No. 10, 2015)**.

Another **draft law**, introduced to the assembly on 21 December 2015, stipulates the reduction of the threshold of aggregate investments required to qualify hotel development projects as strategic from RUB 15 to 1.5 billion. Strategic investors receive an additional incentive in the form of targeted provision of a state-owned land plot for project implementation.

Investors should apply for tax incentives individually, as the status of a strategic investor does itself affect the procedure and the possibility of obtaining tax incentives stipulated by the St. Petersburg law on tax incentives, i.e. profit tax reduction of up to 17.5% for two years, and corporate property tax exemption for three years.

22 December 2015

Arbitration court dismisses appeal by the Federal Tax Service against RITEK

[Index of arbitration proceedings](#)

The Ninth Arbitration Appeals Court of Moscow dismissed the appeal of the Federal Tax Service in its case against energy extraction firm RITEK. The company had been assessed additional profit tax on revenue in the form of a reduction of the calculated property tax as a result of not applying a corporate property tax incentive due to incorrect classification of fixed assets subject to tax incentives.

A field tax audit found that the company did not apply this incentive, even though it had the right to do so. The Company then claimed the tax incentive by filing written objections, however, the Tax Inspectorate did not accept them.

The court accepted the arguments made by RITEK and decided in favor of the taxpayer, noting that the Company claimed the corporate property tax incentive in an appropriate manner, i.e. by filing written objections as part of the field tax audit with respect to incentives related to the object of the audit and the audited tax period.

The Court ruled that the Federal Tax Service should have had to calculate actual tax liabilities affecting the income tax increase and the property tax decrease.

18 December 2015

Tax incentives granted to residents of the Vladivostok Free Port

[Official website of the Primorsky Territory Legislative Assembly](#)

[Federal portal of draft regulations](#)

On 1 December 2015, Primorsky Territory Law No. **718-KZ** was adopted, which grants residents of the Vladivostok Free Port a property tax exemption for the period of five years from the month following the month in which property was recognized in the entity's books; the residents may apply a reduced tax rate of 0.5% for the following five years.

Primorsky Territory Law No. **719-KZ** was also adopted, which grants Free Port residents the right to apply a reduced corporate profit tax rate of 0% for the first five tax periods from the moment of profit generation and not less than 12% for the next five tax periods.

On 18 December 2015, the Ministry for Development of the Russian Far East announced the development of a draft law expanding the status of Vladivostok Free Port resident to certain categories of legal entities whose operations are of significant social and economic importance to the Primorsky Territory. This draft law provides the opportunity to obtain state support to legal entities newly incorporated in the territory of the Vladivostok Free Port (as per the current version) as well as currently existing legal entities.

17 December 2015

Supreme Court dismisses cassation appeal by Volkswagen Group Rus against Federal Tax Service ruling

[Index of arbitration proceedings](#)

The Supreme Court of the Russian Federation has dismissed a cassation appeal filed by LLC Volkswagen Group Rus requesting the invalidation of a ruling by the Federal Tax Service regarding an additional corporate property tax assessment of RUB 583 mln, including interest and penalties.

The Supreme Court noted that the Company's arguments did not prove that serious violations by courts of the rules prescribed by the substantive and/or process laws had affected the outcome of the case, and could not provide a sufficient basis for the cassation review of appealed court resolutions.

For more details on the case of LLC Volkswagen Group Rus, please see our **November issue (No. 3, 2014)**.

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