



Research & Development and Government Incentives February News

4 March 2016

Residents of special economic zones in the Moscow region granted tax incentives

Moscow Regional Duma

On 4 March, **Law No 15/2016-OZ** was enacted, which provides all types of residents of the special economic zones (SEZ) of the Moscow region with tax benefits in the form of an exemption from the regional share of the profit tax for 8 years after acquiring the status of a SEZ resident. Additionally, during the following 6 years, the share of the profit tax transferred to the regional budget will be 5%, and after 14 years of acquiring the SEZ resident status, 13.5%. The Law applies to legal relations that have emerged on or after 1 January 2016.

So far, three SEZs have been established in the Moscow region: the technology development zones "Dubna" and "Istok", and the industrial production zone "Stupino Quadrat".

2 March 2016

Leasing companies in the Voronezh region granted property tax incentives

RIA Voronezh

On 2 March 2016, **Law No 004-OZ** was approved, which grants companies that render financial leasing of aviation equipment and (or) dry lease a tax rate in the amount of 0.3% instead of the earlier stipulated 1.1%, in relation to the aviation equipment. The decision may have been precipitated by the departure of one of the largest investors in the region, a leasing company that has announced its intention to reregister in the Ulyanovsk region. For more details see our January edition (**Edition 11 January 2016**).

1 March 2016

Regional legislative acts enacted to regulate the procedure for granting tax benefits

Official Website of St Petersburg Administration

Official Website of the Government of the Kirovsk Region

Official e-Portal of Legal Information

On 1 March 2016, **Law of St Petersburg No 67-7** was enacted. This law extends the list of the national economic priority sectors that grant investors the right to acquire the status of a strategic investment project to include, among others, projects aimed at developing tourism, including hotels. The total amount of investment into such projects should be equal to or exceed RUB 1.5 billion. The status of a strategic investment project grants investors the right to use beneficial lease rates and receive beneficial terms and conditions for purchasing land plots. However, investors must apply for the tax benefits separately, as the status of a strategic investor does by itself not amend the procedure and possibility for receiving tax benefits provided by the St Petersburg law "On tax incentives," which provides a reduced the profit tax of 17.5% and redemption of the corporate property tax for 3 years.

On 27 February 2016, **Governmental Ruling No 85/63** and **Governmental Ruling No 85/62** were enacted in the Kirov region, which specify the procedure for providing documents to confirm the right to apply the reduced profit tax rate and differentiated corporate property tax rates. The amended provisions reduce the period for the taxpayers to file copies of investment reports to the Ministry of Economic Development of the Kirov Region and update the notification templates on the intention to apply reduced property and profit tax rates.

On 20 February 2016, **Governmental Ruling No 35-PP** was enacted in the Magadan region. The ruling governs the mechanisms for interaction with investors, provides templates for investment project management and specifies the procedure and terms for reviewing applications of initiators of investment project initiators. Earlier Magadan region legislation failed to govern relations that would emerge from the implementation of investment projects.

On 1 February 2016, [the Governmental Ruling of the Chelyabinsk region No11-P](#) was enacted, which puts into place a number of provisions for investment agreements, including: rules for concluding investment agreements, documents required for investment agreements and categories of the subjects of investment activities. Earlier legislation failed to regulate these types of relations.

29 February 2016

Beer brewers in the Republic of Khakassia may be granted tax benefits

Corporate News Agency KorpoMir

The Supreme Council of the Republic of Khakassia has approved a draft law that may exempt beer producers registered in the Republic from property tax for 3 years. These companies may also have the period extended for applying a reduced profit tax rate of 15.5% instead of 20% for 3 years. To apply the benefits, the companies will have to increase the excise duties paid to the budget on the beer sold by at least 2% YoY.

17 February 2016

Commercial court rules in favor of taxpayer in determining the commencement date for the period of applying reduced property tax rates

Commercial Cases Database

On 15 June 2006, Roskon LLC (hereinafter, the Company) was included into the registrar of residents of the Special Economic Zone of the Kaliningrad region (hereinafter, SEZ) and was granted the right to apply a reduced property tax rate in the amount of 0% for 6 calendar years after being included into the registrar of residents.

In 2014, the Company filed a revised property tax declaration for 12 months of 2013, in which it claimed its right to apply the reduced rate of 0% throughout all of 2012, as the Company believed that the application of the beneficial rate to a non-full calendar year contradicted the general rules of calculating the property tax base. The Inspectorate of the Federal Tax Service disagreed with the Company's stance and additionally charged the tax.

During the court hearing, a new provision came into force, which amended the procedure for calculating the periods for applying the beneficial property tax rate by the SEZ residents. Under the new provision, the 0% rate is to be applied for the first six tax periods instead of the earlier stipulated six calendar years, and is to be applied to legal relations that emerged on or after 1 April 2006.

Defending its position in court, the Company took the above provision into account. Even though the provision applies to the profit tax, the Company believes it also applies to the legal relations related to property tax.

The Inspectorate, in its turn, disagreed with the conclusion and believed that the Company should rather follow the provisions of Article 385.1 of the Russian Tax Code, which stipulate that the rate of 0% is to be applied to six calendar years rather than tax periods. The Inspectorate believed that the first calendar year in which the Company applied the 0% rate was 2006, and therefore 2012 was the seventh year after the Company had been included into the residents registrar. Therefore, the Company was not eligible to apply the 0% property rate starting from 1 January 2012.

The Commercial Court of the Kaliningrad regions disagreed with the Inspectorate and ruled in favor of the taxpayer, having concluded that even though the enacted provision specified the procedure for profit tax purposes, the provision also had to apply to the property tax benefit, as it made sense to take into account the literal meaning of the words and expressions in the provision as well as the objectives pursued by the legislative authorities when enacting those provisions. Thus, the court concluded there were no reasons to deprive the taxpayer of the right to apply the 0% property tax rate in 2012.

15 February 2016

Law imposing limitations on state support to foreign legal entities enacted

Official e-Portal of Legal Information

On 15 February 2016, Federal Law No 23-FZ came into force, which amends the Russian Budget Code and imposes limitations on providing state support in the form of subsidies and budget investments to foreign legal entities, including offshore companies. For more details see our January edition ([Edition 11 January 2016](#)).

11 February 2016

Murmansk Regional Duma reviewing draft law on extending the list of property objects eligible for beneficial tax rates during investment projects

Murmansk Regional Duma

The Murmansk Regional Duma has received a draft law that proposes extending the list of property objects eligible for an exemption from corporate property tax for investor companies. Under the provisions of the draft law, the benefit will apply not only to the property created or purchased during an investment project since the state support agreement for an investment project in the Murmansk region is concluded, but also to property entered into the books from the beginning of the investment project to the conclusion of this agreement.

11 February 2016

Residents of the Naberezhny Chelny Territories of Advanced Social and Economic Growth (TASEG) granted tax benefits

Government of the Republic of Tatarstan

On 11 February 2015, two laws were approved granting tax benefits to the residents of the Naberezhny Chelny Territories of Advanced Social and Economic Growth (TASEG) in the Republic of Tatarstan. **Law No 4-ZRT** exempts the residents from property tax for a period of 10 years, and **Law No 5-ZRT** provides residents with the right to apply a reduced profit tax rate on profits transferred to the budget of the Republic of Tatarstan. The rate will be a maximum of 5% during the first five years and 10% during the subsequent five years.

Additionally, on 4 February 2016, Regulation No 6 was been approved, which establishes the procedure for acquiring resident status in the Naberezhny Chelny TASEG.

9 February 2016

Commercial Court rules in favor of taxpayer on question of charging additional tax due to the failure to fulfil terms and conditions of an investment project

Commercial Cases Database

The Commercial Court of the Republic of Karelia has rejected the appeal petition of the Inspectorate of the Federal Tax Service on charging additional property tax from the Pronezhskaya Gornaya Kompania LLC (hereinafter, the Company). The tax authority argued that the Company had breached a material condition for using the property tax benefit by accruing a MET tax debt.

As interpreted by the Court, the law envisions granting property tax benefits only to companies that have no tax and levy arrears to the budget of the Republic of Karelia or local budgets. As MET is a federal tax, an increase or formation of a MET arrears has no legal consequences for the taxpayer's right to apply the property tax benefit according to the law of the Republic of Karelia.

The ruling was in favor of the taxpayer.

Contacts

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