

## Russian VAT rules for electronically supplied services

Tax & Legal  
September 2016



# Limitations of liability



This publication has been written in general terms and therefore cannot be relied on to cover specific situations. Application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Deloitte CIS would be pleased to advise the readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte CIS accepts no duty of care or liability for any loss occasioned to any person acting or refraining from actions as a result of any material in this publication.

# Contents

Russian ESS rules in general	4
Decision-making chart	5
E-service list	6
Intermediaries	8
Fixed establishment	9
B2C vs B2B	10
Place of supply	11
Tax registration procedures	12
VAT accounting and compliance	13
What's next?	14
Deloitte assistance in registration and compliance	15
Subscribe to Deloitte periodicals	16
Contacts	17



Russian ESS rules in general
Decision-making chart
E-service list
Intermediaries
Fixed establishment
B2C vs B2B
Place of supply
Tax registration procedures
VAT accounting and compliance
What's next?
Deloitte assistance in registration and compliance
Subscribe to Deloitte periodicals
Contacts

# Russian ESS rules in general



## Federal Law # 244-FZ of 3 July 2016

- The law applies to foreign providers of electronically supplied services ("**ESS**" or "**e-services**") and foreign intermediaries involved in supplying e-services.
- The above entities may be required to apply for Russian tax registration ([Note 1](#)), account for and pay VAT by themselves with respect to e-services provided to private customers ("**B2C**") ([Note 2](#)).

## ESS rules effective from 1 January 2017

- Tax registration will be available from 1 January 2017 and the first VAT return and payment is due for the 1st quarter of 2017 by 25 April 2017 ([Note 3](#)).
- The existing VAT payment mechanism will continue to apply to e-services supplied by foreign providers to business customers ("**B2B**") where VAT is payable by customers via the reverse charge mechanism.
- There are services included in the e-services list currently deemed to be supplied at the place of activity of the service provider that, from 1 January 2017, will be deemed to be supplied where received. Thus, the reverse charge mechanism will start applying to B2B supplies of the relevant services from the mentioned date.

Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

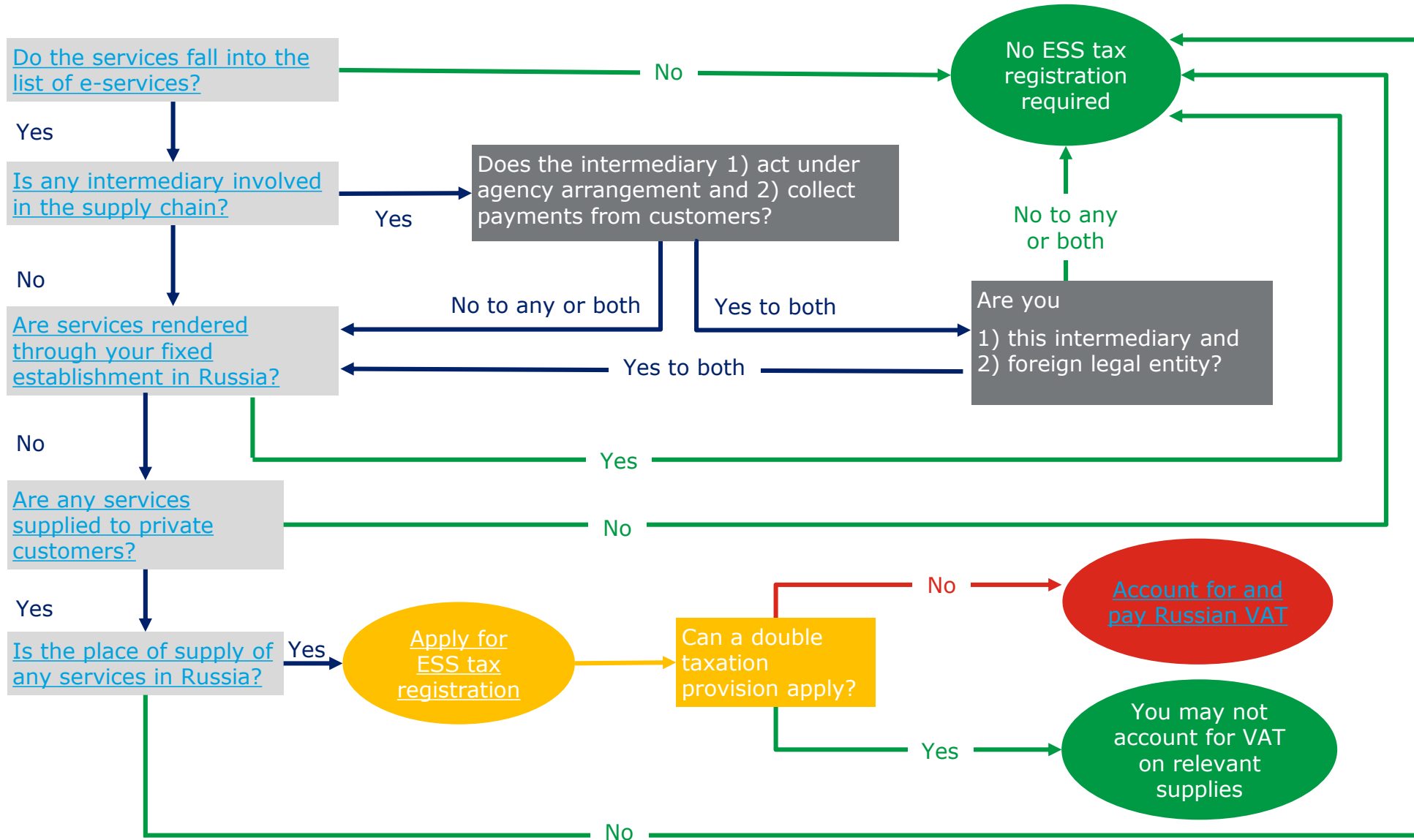
What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# Decision-making chart



Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts



# E-services list

E-services are services delivered over the internet or similar electronic networks that are automated and rely on information technologies ([Note 4](#))



Provision of the right to use software (incl. online games) and databases through the internet, incl. updates to them and additional functions ([Note 5](#))



Provision of rights to use e-books/other e-publications, information/educational materials, images, music with or without lyrics, and audio-visual content through the internet



Advertising services provided on the internet, incl. use of web-based software and databases, provision of advertising space on the internet



Services for placing offers for the acquisition (sale) of goods, work, services and property rights on the internet



Data storage and processing, where a person who provided data has access to the data through the internet



Provision of access to internet search engines



Provision of domain names and hosting services



Online provision of computing capacity to place information in an information system



Remote system administration and support of information systems and websites



Web-based statistics management



Provision of search services and/or information to the purchaser on potential customers



Provision of web-based platforms for establishing contacts and concluding transactions between buyers and sellers



Provision/maintenance of a commercial/personal presence on the internet; websites/web pages support, securing access to them and provision of read-write access



Services performed automatically through the internet once a purchaser inputs data; provision of automated data searches and the provision of sorted data through an information and telecommunications network

Russian ESS rules in general

Decision-making chart

**E-service list**

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# E-services list

The following supplies are NOT e-services



Provision of internet access



Provision of consulting services via e-mail



Sale of goods and services ordered over the internet, where the supply is made without using the internet



Sale or transfer of rights to use software (including online games) or databases on tangible media



Russian ESS rules in general

Decision-making chart

[E-service list](#)

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# Intermediaries



## **A foreign intermediary shall obtain tax registration and a foreign e-services provider can skip this requirement if this intermediary:**

- Is involved directly in settlements ([Note 6](#)) with private customers ([Note 7](#))
- Acts under a commission, an agency or any other similar arrangement ([Note 8](#)) with foreign entities rendering e-services deemed to be supplied in Russia ([Note 9](#))
- Does not carry out business through a fixed establishment in Russia

## **A foreign e-services provider can also skip tax registration if supplies are made through a Russian intermediary or a fixed establishment of a foreign intermediary, if this intermediary:**

- Is involved directly in settlements with private customers
- Acts under a commission, an agency or any other similar arrangement with foreign entities rendering e-services deemed to be supplied in Russia

Russian ESS rules in general

Decision-making chart

E-service list

**Intermediaries**

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts



# Fixed establishment



Any territorially separated division of an entity equipped with fixed working places (a workplace shall be deemed permanent if it is created for more than one month) irrespective of whether the division's set-up is reflected in the charter or other internal documents of the entity and irrespective of the authority handed to it.



Fixed establishment through which e-services are supplied shall report relevant VAT liabilities by itself using general tax compliance procedures, i.e. not through the taxpayer portal and not using special ESS VAT return form ([Note 10](#))

Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

**Fixed establishment**

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# B2C vs B2B



## How to differentiate B2C vs B2B

### B2B

All legal entities and private entrepreneurs ([Note 11](#))

### B2C

Natural persons not registered as private entrepreneurs

# 01

Ask all customers to provide confirmation of whether they are private or business or use other means to identify potential business customers

# 02

Obtain from business customers their Tax Identification Number ("**TIN**") and / or State Registration Number ("**SRN**") / State Registration Number of Private Entrepreneur ("**SRNPE**")

# 03

Verify TIN and/or SRN / SRNPE through the official website of the Federal Tax Service [egrul.nalog.ru](http://egrul.nalog.ru)

# 04

Unless the data is provided by business customers / verified on the Federal Tax Service's web site, treat supplies as B2C and account for VAT ([Note 12](#))

---

For B2B supplies made by foreign providers VAT shall be self-assessed by business customers registered with the tax authorities (except for ESS tax registered entities) and paid via the reverse charge mechanism ([Note 13](#))

Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

**B2C vs B2B**

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# Place of supply



E-services are deemed to be supplied at the place of the customer's location: the existing rules apply for a business customer's location while there are new rules for a private customer's location

A private customer is treated as located in Russia if **AT LEAST ONE** of the following 4 conditions is met:



Data on place of supply & service fees to be indicated in Transaction Registers

## Double taxation provision

If B2C supply of e-services is deemed to be made in Russia but under the legislation of a foreign country this supply is also deemed to be made in such foreign country, the foreign provider has the right to determine the place of supply at its own discretion ([Note 14](#))

Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# Tax registration procedures



## 01

**Submit an application form ([Note 15](#)) and relevant supporting documents either:**

- a) through an authorized representative, or
- b) by registered mail, or
- c) in electronic form through the official website of the Federal Tax Service ([www.nalog.ru](http://www.nalog.ru))

**As a result obtain:**

- a) Tax Registration Notification within 30 days from submission of the application form, which will be sent to the e-mail indicated in this form
- b) Access to the taxpayer portal ([Note 16](#)) together with Tax Registration Notification within the same timeline

## 02

**Open a bank account in Russia**

A RUB account as well as a foreign currency account if necessary ([Note 17](#))

## 03

**Obtain a non-qualified digital signature**

for signing VAT returns and other documents to be sent through the taxpayer portal ([Note 18](#))

## 04

**(optional)**

**Enter into agreements with Russian e-document operator(s)**

to submit VAT returns during periods when the taxpayer portal cannot be used ([Note 19](#))

Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

**Tax registration procedures**

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# VAT accounting and compliance



## Keep Transaction Registers

- A table listing transactions deemed to be supplied in Russia for each calendar quarter ([Note 20](#))
- Indicate the information on meeting conditions for recognizing Russia as the place of supply of services to private customers
- Indicate service fees in RUB (fees received in foreign currency to be converted into RUB)
- To be submitted only if requested by the tax authorities

**No requirements to keep other VAT registers/books and issue VAT invoices for ESS** ([Note 21](#))



## Determine tax point

- The last day of the quarter in which payment ([Note 22](#)) is received ([Note 23](#))
- Foreign currency payments to be converted into RUB at the Central Bank of Russia's FOREX rate effective on the above-mentioned last day of the quarter



## Calculate VAT liability

- Multiply VAT-inclusive service fees in RUB by the 15.25% VAT rate (no reduced rate established) ([Note 24](#))



## Prepare VAT return and submit to tax authorities

- Special ESS VAT return form ([Note 25](#))
- Submit on a quarterly basis by the 25th day of the month following reporting quarter
- No Russian input credit or refund



## Pay VAT liability

- Pay in RUB by the 25th day of the month following reporting quarter ([Note 17](#))

Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

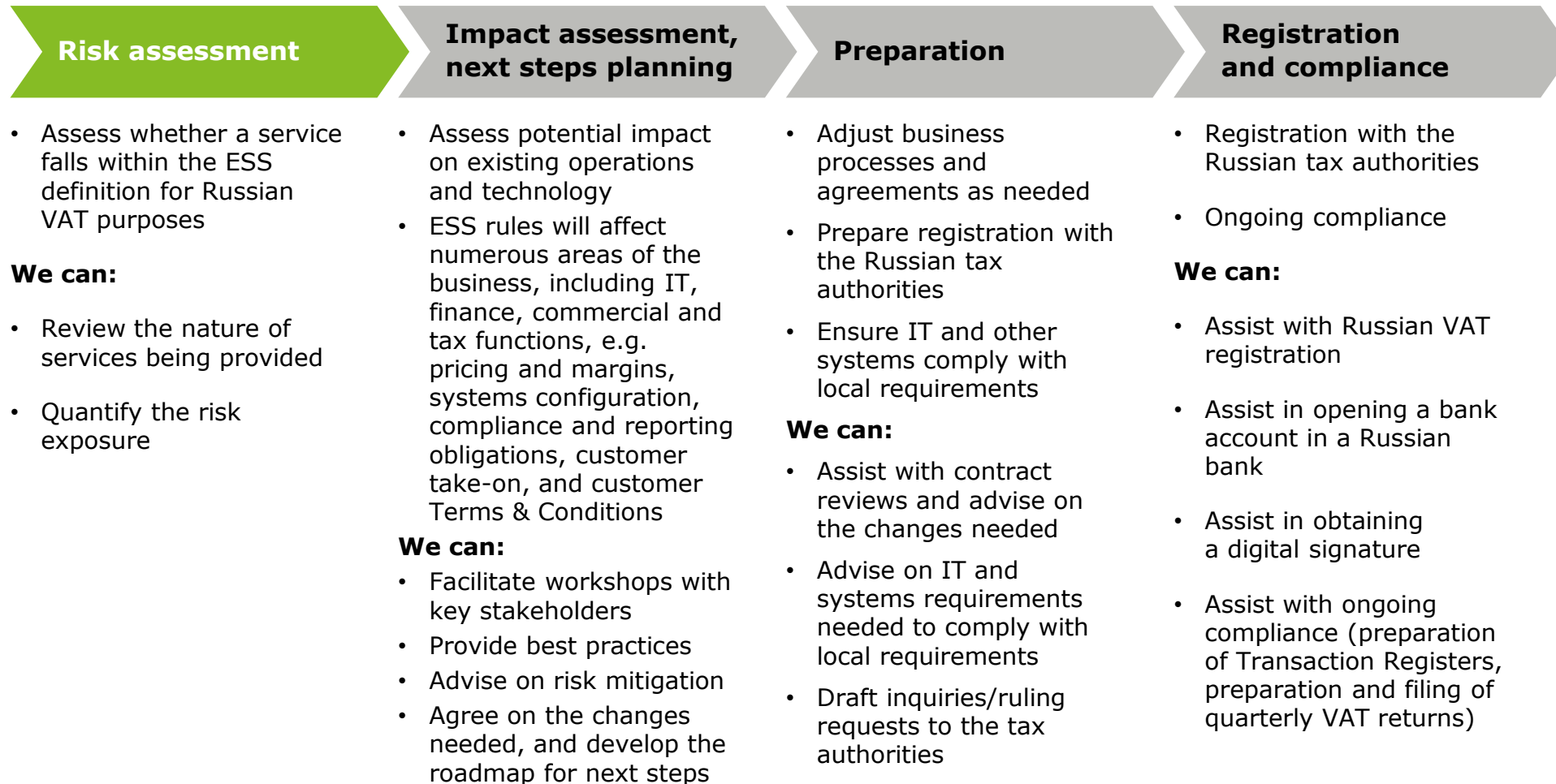
Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# What's next?

Recommended steps and how we can help



Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

**What's next?**

Deloitte assistance in registration and compliance

Subscribe to Deloitte periodicals

Contacts

# Deloitte assistance in registration and compliance



<b>Option 1:</b>	<b>Assistance in obtaining tax registration and access to the taxpayer portal:</b> <ul style="list-style-type: none"><li>• Preparation of the application form for tax registration and its submission to the tax authorities</li><li>• Collection of tax registration notification</li><li>• Assistance in opening a bank account in a Russian bank</li><li>• Assistance in obtaining a digital signature certificate</li></ul> After completion of these procedures, the client will have all facilities and tools to submit VAT returns and pay VAT in Russia on its own.
<b>Option 2:</b>	<b>In addition to the procedures under Option 1, the following scope is included:</b> <ul style="list-style-type: none"><li>• Preparation of VAT returns on the basis of Transaction Registers prepared by the client and submission of VAT returns approved by the client to the tax authorities through the taxpayer portal using the client's digital signature</li><li>• Review / preparation of replies to the tax authorities to their requests for information and documents</li><li>• Dispute resolution and assistance during VAT audits by the tax authorities</li></ul>
<b>Option 3:</b>	<b>Full scope support including:</b> <ul style="list-style-type: none"><li>• Obtaining tax registration (procedures under Option 1), regular reminders from Deloitte to update information contained in the initial application form</li><li>• Preparation of Transaction Registers based on information provided in any form by the client or based on the data contained in the client's ERP system</li><li>• Preparation and submission of VAT returns to the tax authorities</li><li>• Monitoring any requests received from the tax authorities through the taxpayer portal, communication with the tax authorities through the taxpayer portal based on information/documents received from the client</li><li>• Dispute resolution and assistance during VAT audits by the tax authorities</li></ul>

Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

[Deloitte assistance in registration and compliance](#)

Subscribe to Deloitte periodicals

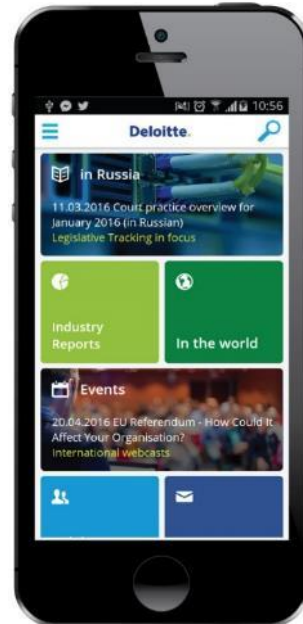
Contacts

# Subscribe to Deloitte periodicals



## Stay up to date with tax news by [subscribing](#) to our publications

- Legislative Tracking – a daily review of legislative changes.
- Legislative Tracking in Focus – weekly reviews each of which is dedicated to key events in the world of taxation and law.
- R&D News – reviews of changes in regional and federal law relating to state support for investment activities in Russia.



**TaxSmart** – our mobile app, on which you can find news, surveys, opinions of Deloitte specialists on key Russian and international tax issues, and reviews of the most important court decisions. This app also contains a calendar of Deloitte events and the contact details of our industry group leaders. TaxSmart makes it easier to keep up-to-date with events in the world of taxation.



We also hold live and webcast client events dedicated to key taxation news. [Subscribe to our newsletter](#) to receive invitations to these events.

Russian ESS rules in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration procedures

VAT accounting and compliance

What's next?

Deloitte assistance in registration and compliance

[Subscribe to Deloitte periodicals](#)

Contacts



# Contacts



**Oleg Berezin**  
Tax Partner  
Indirect Tax Services  
Leader

+7 495 787 06 00  
(ext. 2188)  
oberezin@deloitte.ru



**Vasily Markov**  
Technology, Media &  
Telecommunications  
Tax Leader

+7 812 703 71 06  
(ext. 2556)  
vmarkov@deloitte.ru



**Andrey Silantiev**  
Indirect Tax Partner

+7 495 787 06 00  
(ext. 1192)  
asilantiev@deloitte.ru



**Svetlana Romanova**  
Indirect Tax Manager

+7 495 787 06 00  
(ext. 5201)  
sromanova@deloitte.ru



**Estella Dzhantukhanova**  
Director  
International Tax –  
Russia and CIS desk

+1 212 436 3928  
+1 347 237 7975  
esdzhantukhanova@deloitte.com

Russian ESS rules  
in general

Decision-making chart

E-service list

Intermediaries

Fixed establishment

B2C vs B2B

Place of supply

Tax registration  
procedures

VAT accounting  
and compliance

What's next?

Deloitte assistance  
in registration  
and compliance

Subscribe to Deloitte  
periodicals

**Contacts**



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

#### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 225,000 professionals make an impact that matters, please connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.