

Russia



Background

The corporate tax rate is 20%. Russia offers a 150% super deduction, reduced social security contributions, and an exemption from a value added tax (VAT).

Nature of incentives

150% super deduction: Companies conducting eligible R&D activities can apply for a 150% super deduction to reduce profits tax. A super deduction can be taken even if the R&D activities fail to produce a new product or new service. Losses attributable to super deductions may be carried forward for 10 years, but are not refundable if they cannot be utilized.

Depreciation: Accelerated depreciation may be taken on fixed assets used in R&D activities.

Reduced social security contributions: For the period 2015-2017, companies involved in developing software may qualify for reduced social security contribution rates as follows:

- 14% on annual compensation up to a cap of RUB 670K (standard rate is 30%),
- 12% on annual remuneration of RUB 670K–RUB 711K (standard rate is 10%), and
- 4% on annual remuneration exceeding RUB 711K (standard rate is 10%).

Special Economic Zones (SEZs): Russian legal entities registered in a Technical and Innovation SEZ with no external branches or representative offices can have their profits tax rate reduced from 20% to 0% depending on the region. These companies also benefit from a property tax exemption, free customs zone treatment, and a reduced rate of 14% for social security contributions. The approval process is complex.

Starting in 2010, companies operating within the Skolkovo Innovation Centre are entitled to an exemption from profit tax, VAT and property tax and a reduced rate of 14% for social security contributions.

To receive such benefits, the company must be a Russian legal entity and be conducting one of the following targeted types of innovative activity: energy efficiency, nuclear engineering, space technology, medicine, or IT.

Russia offers 150% super deduction for profits tax, reduced social security contributions, and a value added tax exemption for businesses operating in designated zones.

Eligible industries and qualifying costs

R&D expenditure must relate to the development of new products, the improvement of production processes, or the development of new services. The list of qualifying R&D activities includes: activities that often are performed by companies across many industries, such as oil and gas, telecommunications, transportation, and IT. Qualifying costs include labor costs, R&D contractor expenses, depreciation of equipment used for R&D, and other relevant and properly allocated expenses limited by a 75% cap of eligible salary costs.

IP and jurisdictional restrictions

There are no specific restrictions on whether activities must be conducted within Russia or whether overseas R&D contractors can be used. However, a contractor performing R&D for a third party cannot claim the incentive, but the third party can make the claim if it meets all other criteria.

The super deduction can be applied regardless of whether the activities are successful, i.e., whether or not the activity resulted in IP. If the R&D activities led to the creation of IP, the relevant expenses are multiplied by 1.5 and amortized over a two-year period. The cost of acquiring IP is not eligible for the super deduction.

Other concerns

The Russian tax authorities require R&D reports for every eligible project to be filed with the annual profits tax return. There is no preapproval procedure, and the reports are examined as part of the profits tax calculation within the tax audit procedures.

Contact:

Vasily Markov
vmarkov@deloitte.ru
7 812 703 7106

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Nature of benefit available	Income tax benefit generally available	Specific pre-approval required from government	Refundable/ Carryforward
Super deduction, reduced social security contributions, reduced tax rates and VAT exemption	<ol style="list-style-type: none"> 1. 150% super deduction for certain R&D expenses. 2. Reduced social security contribution for companies involved in software development. 3. Reduced profit tax rate for Russian legal entities registered in a Technical and Innovation Special Economic Zone. 4. Special treatment for business operating in Skolkovo Innovation Center. 5. Value added tax (VAT) exemption for certain incomes. 	Yes, as required by the Russian tax authorities.	Losses for tax purposes resulting from super deductions can be carried forward for 10 years.
R&D activities must occur in country	Cap/Limitations on benefits	IP must be retained in country	Industry eligibility restriction
No	Certain limitations apply to the reduced social security contributions for companies involved in software development.	No	No