

**OVERVIEW OF TAX EVENTS FOR OCTOBER 2016**

## REGULATORY DEVELOPMENTS

According to the intergovernmental agreement between Russia and Turkey, signed on 10 October, the two countries will exempt the Turkish Stream pipeline from major taxes.

*izvestia.ru, 10 October 2016*

On 13 October, the Russian Government approved the draft Main Directions of Tax Policy for the years 2017-2019, prepared by the Russian Ministry of Finance. Specifically, it is suggested:

- to maintain the personal income tax and other tax rates at the current level until 2019;
- to almost double the fine for non-payment of taxes;
- to limit the amount of a loss that may reduce the tax base;
- to introduce VAT for foreign on-line stores;
- to limit the movable property exemption.

*ria.ru, 21 October 2016,*

*www.vedomosti.ru, 07 October 2016,*

*www.rbc.ru, 06 October 2016,*

*www.kommersant.ru/doc/3107268, 04 October 2016*

Pursuant to the Main Directions of Tax Policy, a government bill was introduced to State Duma to implement the directions.

*www.vedomosti.ru, 28 October 2016*

After one and a half years in discussions the Russian Ministry of Finance published the final text of the bill, amending articles 82 and 93.1 of the Russian Tax Code, whereby there will be virtually no audit secrecy for the tax authorities.

*regulation.gov.ru*

## PRACTICE

Russia's Federal Tax Service has launched the test version of what it calls 'VAT-office' for foreign taxpayers of the Google tax (<http://lkio.gnivc.ru/>). Soon, a “My account” service will be available, which a foreign company will be able to use to submit their statements and monitor their payments.

*[www.nalog.ru](http://www.nalog.ru), 04-05 October 2016*

In 2016, the tax authorities managed to shape favourable commercial court practice in disputes against banks over cross-border transactions, when income is being paid to foreign companies. The banks withheld the income tax at a reduced rate under Double Tax Treaties between Russia and countries, which their direct counterparties under these transactions were from. The tax authorities persuaded the courts that the counterparties were not beneficiaries in these transactions, but merely intermediaries involved in transactions for tax optimisation purposes.

*[www.kommersant.ru](http://www.kommersant.ru), 28 October 2016*

At the International Legal Forum of the Asia-Pacific Countries held in Vladivostok, the Russian Supreme Court judge *T.V.Zaviyalova* informed of two overviews of court practice: one will be on disputes involving foreign investors, the other on tax control over transaction prices.

*[pravo.ru](http://pravo.ru), 04 October 2016*