

**OVERVIEW OF TAX EVENTS
FOR AUGUST 2014**

REGULATORY DEVELOPMENTS

President Vladimir Putin of Russia has signed *amendments to the law "On valuation activity"* which simplify the procedure for challenging the cadastral value of land and other property. The Russian Ministry of Finance plans to calculate property tax depending on the cadastral (market) value of real estate starting next year, rather than based on the inventory valuation (which is the current practice).

**izvestia.ru 28 July 2014,
www.kremlin.ru 22 July 2014**

The Russian Government has approved a template agreement for exchanging tax information (*Resolution No. 805 dated 14 August 2014*).

Now, Russia will start active negotiations for entering into contracts with specific offshore zones, and, in the first place, with those from which Russia wants to receive information: the British Virgin Islands, Guernsey and Jersey. The template agreement provides for Russian tax authorities to participate in audits abroad; with permission from their foreign colleagues, they will be admitted to questionings and document checks. The template agreement will allow information to be requested not only about nominal shareholders but also about the whole chain of owners, about the founders of trusts and funds, and their beneficial owners.

**www.kommersant.ru 19 August 2014,
Vedomosti 18 August 2014**

During a meeting with the Russian Government, Russian President Vladimir Putin discussed the details of the future draft law to improve the taxation of offshore companies. The Russian Government is to consider the relevant draft law in mid-September.

At the same time, the date is being discussed for the anti-offshore draft law to come into force concerning controlled foreign companies (CFCs); one of the options is 2019.

izvestia.ru, 31 July 2014 and 30 July 2014

The Russian Ministry of Finance has published a new version of the draft law on CFCs:
http://minfin.ru/common/upload/library/2014/09/main/proj_FZ_izm_NK.pdf

The Russian Government is working on a draft law which will reset to zero the tax on pensions paid by private pension funds.

kommersant.ru, 29 August 2014

The Russian Ministry of Healthcare is working on a draft law under which companies will have to make contributions on compulsory health insurance from all amounts payable to an employee.

rg.ru, 26 August 2014

The Russian Ministry of Finance will strike Malta from its black list of offshore zones further to the governmental double tax treaty being signed. This follows from the amendments prepared by the Ministry and published on official information portal regulation.gov.ru.

Vedomosti 05 August 2014

The draft tax manoeuvre in the oil industry developed by the Russian Ministry of Finance will change the tax and excise rates which have already been agreed for the coming years. For

instance, it is planned dramatically to reduce duties for oil exports and excise payments but to increase mineral extraction tax. The new rules will become effective from 2015.

kommersant.ru, 27 August 2014

rg.ru, 26 August 2014

Various state bodies have received the draft law developed by the Russian Ministry of Finance on regions introducing sales tax. On 1 January 2015, a new chapter 30.1 will be added to the Russian Tax Code, setting the general parameters of the tax. Regions will independently decide whether to implement it or not.

The tax will be paid by companies and entrepreneurs working with individuals. The maximum tax rate will be 3% of the sales price; regions will be allowed to set a lesser rate.

rg.ru, rbcdaily.ru 5 August 2014

The Russian Ministry of Finance and the Federal Tax Service do not support the suggestion of businesses that the declarative procedure for a VAT refund should be extended. There are concerns that if the requirement for a bank guarantee to be in place to ensure early VAT refund becomes non-binding for the majority of the taxpayers, this could result in fraudulent practices involving that tax.

kommersant.ru 11 August 2014

The Association of Trading Companies and Manufacturers of Consumer Electronics and Computer Equipment and Anatoly Semenov, the Intellectual Property Representative of Presidential Commissioner for Entrepreneurs' Rights, petition the Russian Prime Minister Dmitry Medvedev to either overhaul the "author's tax" or abolish it altogether. They ask the Russian Ministry of Economic Development to assess the regulatory effect of the levy and the Russian Audit Chamber to audit the funds which have been paid for 4 years now by each buyer of photo and video cameras, computers, USB sticks and memory cards, in other words, all gadgets except TVs.

kommersant.ru 30 July 2014

The royalties received from the Russian Union of Right-holders, an affiliate of the Russian Authors' Society, represented the fastest growing segment in the structure of royalties collected by the Society in 2013. Specifically, it was the so-called "author's tax", i.e. the royalty for audio tracks and audiovisual works being reproduced for personal needs, to be collected from importers and manufacturers of household electrical appliances. Last year, these royalties increased by 187.76% and achieved RUB 390.7 million.

www.vedomosti.ru 5 August 2014

PRACTICE

In accordance with the anti-corruption plan, employees of the tax authorities will be instilled with a "negative attitude to gifts being offered in connection with their official status." The Russian Federal Tax Service will make public on its website each corruption event. The relevant information is set out in *Order No. MMV-7-4/354@ dated 4 July 2014*.

www.gazeta-unp.ru 30 July 2014

The efficiency of field tax audits is increasing but the number of them is going down. From January till June 2014, the auditors carried out 15,200 checks in total, which is 2,500 less than the year before. At the same time, the 'price' of one audit had increased to RUB 11.3 million, i.e. almost by RUB 2 million.

www.gazeta-unp.ru 20 August 2014

Tax authorities claim payment from non-for-profit organisations (NPOs) and try to convince courts that transfers from foreign funds do not represent charity contributions at all; consequently, income is not exempted from tax. But how can NPOs possibly pay tax on amounts worth millions which they must spend restlessly, as agreed with their sponsors?

Human rights defenders are concerned that if tax pressure on NPOs continues, a lot of organisations may cease to exist.

www.ng.ru 28 August 2014

Ukrainian companies operating in the Crimea and the city of Sevastopol are not enthusiastic about shifting to Russian jurisdiction: by the beginning of August, only about 400 legal persons had registered under Russian legislation. One of the reasons is an increased tax burden.

kommersant.ru 19 August 2014

On 6 August, the new unified Russian Supreme Court assumed its functions, while the Russian Supreme Commercial ('Arbitration') Court ceased to operate. The new court will become the supreme judicial body responsible for civil, criminal and administrative cases and for resolving economic disputes. 170 judges will sit on the unified Supreme Court. The function of resolving economic disputes of the former Supreme Commercial ('Arbitration') Court will pass on to the Judicial Panel for Economic Disputes of the Supreme Court, consisting of 30 judges.

Suggestions are being prepared to reconcile the legal positions of the Supreme Court and the abolished Supreme Commercial ('Arbitration') Court.

[Vedomosti](http://vedomosti.ru) 8 August 2014

rbcdaily.ru 7 August 2014

The first days when the Judicial Panel for Economic Disputes of the Supreme Court started working turned out to be quite the opposite of the last days of the Supreme Commercial ('Arbitration') Court. Lawyers note a drastic slow-down at the stage already when a complaint is received by the Court.

www.dp.ru 20 August 2014

The Russian Supreme Commercial Court has dismissed the proceedings on the case challenging the Order of the Russian Federal Tax Service which approved the form of a notice regarding a taxpayer's controlled transactions (*Ruling No. VAS-10012/13 dated 24 July 2014*). The proceedings were dismissed after the claimants, OJSC Avtoframos, CJSC Volvo Vostok and LLC Oriflame Cosmetics, which had demanded that the order be partially cancelled, dropped their claims.

rapsinews.ru 25 July 2014

The Russian branch of Oriflame, a Swedish manufacturer of cosmetics, intends to challenge in court EUR 21 million being collected which was calculated under tax audits. The claim relates to royalties being paid to foreign right owners residing outside Russia. Oriflame is



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confident of its practice in this area: the level of the royalty of the company is equal to or less than that of industry practices; while the claims raised by the tax authority are at odds with Russian and international legislative provisions.

www.rbc.ru 28 August 2014