

**OVERVIEW OF TAX EVENTS
FOR JULY 2014**

REGULATORY DEVELOPMENTS

The Russian President has signed a number of tax laws:

No. 225-FZ dated 21 July 2014, which concerns improving mechanisms for assessing and challenging the cadastral value of real estate items being. The time period between state assessments is has been limited to three years but it is now compulsory for companies to submit a pre-trial appeal to a commission under the Federal Registration Service ("Rosreestr"). The duration has been settled for decisions regarding reassessment of the value. The law will come into force on 1 April 2015.

No. 239-FZ dated 21 July 2014, which exempts from VAT the Mistral helicopter carriers which will be bought in France for the Russian Ministry of Defence.

www.kremlin.ru, 22 July 2014

No. 173-FZ dated 28 June 2014 permits Russian banks to transfer information on American taxpayers to US tax services.

www.vedomosti.ru, kommersant.ru 30 June 2014

For your information:

(Vedomosti, 2 July 2014)

More than 200 legal entities from Russia registered at the website of the US tax service within a single month to comply with the FATCA requirements. As of 1 July the list included 729 Russian residents, which were not only banks but also investment, management and insurance companies.

The Russian Federal Tax Service (the "FTS") and the Russian Investigation Committee have prepared a compromise version of amendments to the Russian Code of Criminal Procedure. They allow investigators to initiate cases regarding tax violations without a tax authority's consent but with a compulsory procedure which includes applying to the tax authority.

rg.ru, 1 July 2014

The Russian Investigative Committee has developed a draft law regarding criminal liability for companies. Liability of several types is introduced for legal entities, from a warning and fine, which may be proportional to the damage caused, to a prohibition on doing business and compulsory liquidation.

www.vedomosti.ru, 24 July 2014

The Russian Ministry of Finance will refine the draft law regarding controlled foreign companies to take into account the commissions of the Russian Prime Minister. A foreign company will be treated as controlled if a Russian owner's participation share in it is "initially over 50% but gradually decreasing to 25% for one party or 10% if the aggregate participation share of Russian tax residents in the foreign company is more than 50%". The stage-by-stage approach will also apply to the groups of parties which will have to pay taxes.

It has also been decided that the law will initially apply only to the owners who are individuals holding a share in a foreign company. The undistributed profit tax will become chargeable against controlled foreign companies from 2015, but fines and late payment charges will be introduced only starting from 2017. The Ministry of Finance is ready to abandon the requirement

that tax authorities be notified of property in foreign companies when the participation share is 1%.

The date is being discussed for the anti-offshore draft law to come into force concerning controlled foreign companies; one of the options is 2019. The Government should consider the refined draft law in the middle of September. The President expects the Parliament to adopt this law in the autumn.

rbcdaily.ru, 30 June 2014, izvestia.ru/news/574615, 31 July 2014

A letter from the Federal Financial Monitoring Service to the Russian Government describes the principles behind creating a register of the beneficial owners of companies. It is proposed that a separate register not be created, but that the existing Companies Register be supplemented with the required information meaning data regarding individuals who own directly or through third parties more than 25% of the legal entity's capital (full name, passport data and taxpayer ID). The corresponding amendments are proposed to the Russian Civil Code. For the companies which are already registered it is proposed to set a time limit for providing these data. Administrative liability is proposed for providing incorrect data.

kommersant.ru, 17 July 2014

The Council for Public Health and Demographic Problems is opening a wide discussion of initiatives aimed at restricting in Russia the activities of international tobacco corporations, which have a stranglehold over virtually the entire tobacco market in this country. The taxes which they pay in this country are 10 to 20 times lower, which is unfair.

State Duma deputy Dmitry Nosov has put before the Duma a draft law (No. 580342-6) regarding amendments to the Russian Tax Code which envisage excise duties being increased to the average level of the countries in the European region of the WHO (see <http://izvestia.ru/news/574631> 31 July 2014).

The Russian Ministry of Finance has prepared a number of amendments to the tax administration rules (see <http://regulation.gov.ru/project/15780.html>). The most significant of them is to set a strict two-month time limit for the new forms of tax returns to come into force and to extend to regulatory legal acts which are not directly related to taxes and duties the rules set in the Russian Tax Code regarding the time limits for these provisions to come into force. Providing returns in an electronic form will become compulsory for companies with more than 50 employees, as opposed to the current 100. The "taxpayer's personal account" on the Internet will receive an official status.

kommersant.ru, 29 July 2014

The Association of Trading Companies and Manufacturers of Consumer Electronics and Computer Equipment (RATEK) and Anatoly Semenov, the Intellectual Property Representative of Presidential Commissioner for Entrepreneurs' Rights, are petitioning the Russian Prime Minister Dmitry Medvedev to revise or completely abolish the private copying levy. They are asking 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

Russian President Vladimir Putin is in favour of a sales tax being introduced. However, the sales tax is not the only initiative of the authorities: they are preparing to increase contributions to the Federal Compulsory Medical Insurance Fund (the current 5.1% rate will apply to the whole payroll budget and not to its part under a set limit) as well as to increase by 2% the VAT and the personal income tax.

www.rbc.ru, 1 August 2014

In the near future, a draft law will be sent to the Russian Government regarding the territories for priority development. The Ministry for the Development of the Far East is preparing the draft law. A special procedure for refunding VAT will apply to residents of such territories and the social security contributions rate will be 7.6% during the first 10 years. Regional and municipal authorities will be able to set five-year benefits for the property and land tax. A decision regarding VAT being refunded to a resident will be made within 10 days. The federal part of profit tax will be set to nil and the regional part will be not more than 5% during the first five years and not less than 10% during the following five years.

www.vedomosti.ru, 17 July 2014

PRACTICE

In March, the Russian Central Bank introduced the practice of booking deferred tax assets and liabilities into Russian Accounting Standards, thus bringing them closer to the international accounting principles. In April and May, immediately after the new regulation came into force, banks were to show the whole amount of tax assets or liabilities as profit or loss. The new development has greatly supported the banking system's financial results for the first five months.

[Vedomosti](http://Vedomosti.ru), 11 July 2014

Companies may deduct for profit tax purposes their expenses connected with training in sports clubs, conducting physical education and sports events, purchasing inventory and other costs incurred for the purposes of developing sports in the companies. Order No. 375n dated 16 June 2014 of the Russian Ministry of Labour has come into force "On amending the Model list of an employer's annual measures to improve work conditions and safety and lowering professional risks".

rg.ru, 15 July 2014

A new service has appeared as a pilot project at the website of the Russian Federal Tax Service. It shows information on legal entities and individual entrepreneurs which have not submitted tax returns or are in arrears to the state budget. It is planned that before the end of 2014 another service will be implemented which will provide information on the number of instances of an individual being involved in a legal entity's activities.

nalog.ru, 17 July 2014

From 1 August 2014 to 1 February 2015 an experiment will take place of information being sent to tax authorities about purchases made in shops (see Resolution No. 657 dated 14 July 2014 of the Russian Government). The experiment will be conducted in shops of Moscow, Moscow Region, Kaluga Region and Tatarstan.

Companies will participate in the experiment on a voluntary basis; those willing to become involved should file an application to the tax service. Data transmitters will be installed in their



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cash registers, which will send the information on the settlements performed to tax authorities through telecommunication channels of authorised operators.

rg.ru, 22 July 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 notice regarding a taxpayer's controlled transactions. 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