

**OVERVIEW OF TAX EVENTS
FOR OCTOBER 2014**

REGULATORY DEVELOPMENTS

Federal Law No. 308-FZ "On amending the Russian Criminal Procedure Code" dated 22 October 2014 has been signed. Russian investigators have the right to initiate criminal cases with regard to tax crimes at their own discretion (without the tax authorities having to issue a decision to this effect).

The police inform the Investigative Committee of a crime. Within three days an investigator should send to the tax authority materials and a preliminary calculation of the underpaid amount of tax. The tax authority should respond within 15 days. If the investigator receives no opinion from the tax authority, he/she has the right to initiate a case without such opinion.

Federal Law No. 284-FZ dated 4 October 2014 has been signed, regarding personal property tax being modernised and switching to be based on the cadastral value of property. Starting from 2015, this tax will be assessed based on the cadastral rather than the inventory value. The base rate will be 0.1 percent of the cadastral value of the facility. Municipal authorities are allowed to raise this to 0.3 percent or to reduce it to zero.

On 29 October, the Federation Council ratified the **Convention on mutual administrative assistance in tax matters**.

On 24 October, the State Duma adopted the following laws:

- "On amending part one and two of the Russian Tax Code". A new article 11.2 - Taxpayer's Personal Account - has been added. New criteria have also been introduced to assess the tax base for the property used for retail trade and office purposes;

- "On amending part one of the Russian Tax Code". An institution of tax monitoring, which is fundamentally new, has been introduced to ensure preventive tax control.

Vedomosti and rapsinews.ru, 21 October 2014

On the same day the State Duma adopted in the first reading draft laws as follows:

- "On the federal budget for 2015 and the 2016-2017 planning period". Implications of the 'tax manoeuvre' have been accounted for in the budget revenue. This manoeuvre implies that export duties on oil and oil products will be gradually reduced, and simultaneously the mineral extraction tax rate for oil and gas condensate will be increased. At the same time the procedure has been updated for calculating incentive coefficients reducing mineral extraction tax, and export duty on oil;

- "On amending part two of the Russian Tax Code" concerning specific aspects of certain categories of foreign nationals paying mineral extraction tax.

kommersant.ru, 24 October 2014

Additionally:

(rg.ru, 30 October 2014)

Along with the budget for the next three years, the Russian Government has approved a number of tax changes: the tax on dividends has been raised for individuals, larger excise duty rates have been set in respect of cigarettes, the threshold has been removed in respect of salaries subject to contributions to the Compulsory Medical Insurance Fund, while water tax and forest tax have increased.

On 11 October 2014, the State Duma plans to consider in the first reading a draft law 'On amending the first and second part of the Russian Tax Code' to the extent of taxing the profit of controlled foreign companies and the income of foreign organisations.

The Russian Government has provided positive feedback on this draft to the State Duma and suggested considering whether two important provisions of the draft could be eased. One concerns the holding that the Russian owner should have in an offshore company to be treated as its controlling entity, and another is about the threshold amount of the effective tax rate which, if exceeded, results in taxes being paid in Russia.

**www.rapsinews.ru, 29 October 2014,
www.duma.gov.ru, 23 October 2014**

A draft Federal Law "On amending chapter 21 of the Russian Tax Code" has been put before the State Duma. It establishes that VAT amounts may be deducted based on VAT invoices received by a taxpayer after the end of the tax period in which goods (work or services) have been booked or payment for them has been transferred in full or in part but before the due date for filing a tax return relating to the above tax period. Taxpayers will have the right to state additional information, including details of source documents, in such VAT invoice. It is proposed to extend the period for filing the tax return and paying the tax by five days.

For information:

The following draft laws have also been submitted to the State Duma:

- "On amending part one and two of the Russian Tax Code in view of adopting the Federal Law "On patronage activities". It proposes that provisions should be included in the Russian Tax Code that will motivate individuals and legal entities to become involved in patronage activities by providing to them tax benefits. Such benefits concern personal income tax, profit tax and corporate property tax.
- on granting a right to legal entities to stop using their round seal on paper documents.

The Russian Ministry of Justice has submitted to the Russian Government a draft law that establishes harsher liability for evading insurance contributions payable to extra-budgetary funds.

rbcdaily.ru, 14 October 2014

Russian Minister of Finance *Anton Siluanov* and Head of the Chinese State Administration of Taxation *Wang Jun* have signed an Agreement between the governments of the two countries on avoiding double taxation and preventing tax evasion.

Vedomosti, 14 October 2014

PRACTICE

According to the World Bank's Doing Business-2015 rating, Russia has moved up to the 62th position in its ranking of 189 countries. This has been based on Russia reaching the 34th place in the list of the best practices in the category "Starting a business" (Registering companies). In the area of paying taxes Russia has also drawn closer to the best global standards and has been ranked 49th.

www.nalog.ru, 29 October 2014

The Global Forum on Transparency and Exchange of Information for Tax Purposes has recognised that Russia generally complies with transparency criteria. The USA, the UK, Germany and Italy have been assessed similarly. Countries which have passed the transparency exam will be able to obtain access to the international system of automatic exchange of information.

www.nalog.ru, 30 October 2014

The Federal Tax Service is planning to identify industries with the highest tax risks (all the companies will be grouped according to their OKVED code (i.e. the code from the Russian Classification of Economic Activities). It is also going to analyse the tax burden on the companies. Audits within one and the same industry will take place simultaneously in all regions. They will most likely be carried out in the largest organisations of a region and in holding companies.

www.gazeta-unp.ru, 6 October 2014

This summer new cash registers with Internet access were introduced in Russian shops. The Tax Service will now oversee purchases online. It is likely that this will deprive retailers of one scheme for evading taxes. Buyers will receive electronic slips that cannot be lost and will have an opportunity to take part in a lottery. Such lottery will serve as an incentive measure to promote 'people's control' of retailers.

kommersant.ru, 20 October 2014

The Russian Ministry of Justice has challenged a decision of the European Court of Human Rights stating that EUR 1.866 billion should be recovered from Russia in favour of former shareholders of YUKOS. The Strasbourg court issued its decision upholding the claim in part as early as September 2011. The Court has found that YUKOS's right to fair and public court proceedings within a reasonable timeframe had been violated.

www.kommersant.ru, 30 October 2014