

OVERVIEW OF TAX EVENTS FOR FEBRUARY 2016

REGULATORY DEVELOPMENTS

The Russian President has signed a law to ratify the Russian-Chinese intergovernmental agreement to avoid double taxation and prevent profit tax evasion.

www.kommersant.ru, 1 February 2016

The Russian President has signed a law specifying aspects of the activity of controlled foreign entities.

www.kommersant.ru, 15 February 2016

Additionally:

(www.kommersant.ru, 25 February 2016)

The Russian Government discussed with the Russian Finance Ministry and the Central Bank of Russia potential amendments to currency legislation, for at present some of its rules run counter to the legislation regarding controlled foreign entities.

The Russian President has also signed a set of laws prescribing how regulations issued by federal and other state authorities clarifying legislation can be challenged in the Russian Supreme Court.

www.rg.ru, 16 February 2016

On 26 February, the State Duma adopted a law to raise excise duty on gasoline and diesel oil effective from 1 April 2016.

On the same day, the following draft laws were passed in the first reading:

- regarding VAT on e-sales by foreign entities to Russian nationals of electronic services, games, music, books and videos;
- regarding the compulsory use of cash register equipment with the possibility for online sales reports to be submitted to the database of the Federal Tax Service.

www.duma.gov.ru, 26 February 2016

On 24 February, the Russian State Duma adopted amendments to the law regarding the Kaliningrad SEZ to reduce by three times the minimum investments required to obtain the status of a resident.

kaliningrad.rbc.ru, 24 February 2016

The State Duma passed in the first reading amendments to the Russian Criminal Code providing for fines and imprisonment to be imposed on companies and individual entrepreneurs for evading social security contributions to state extra-budgetary funds.

www.vedomosti.ru, 19 February 2016

The Federal Tax Service has published at regulation.gov.ru an updated draft blacklist of countries which either do not share tax information with Russia or do so reluctantly. The draft list has excluded the following nine countries: the UK, Switzerland, Austria, Israel, Abkhazia, the Principality of Andorra, Lebanon, Malta and the Federated States of Micronesia. However, six new countries have been added: the Virgin Islands (USA), Greenland, Guam, Puerto-Rico, Taiwan and the Faeroe Islands.

www.nalog.ru, 2 February 2016

The Russian Government is considering the proposal of the Ministry of Finance, the Ministry of Industry and Trade, the Ministry of Agriculture and the Ministry of Healthcare for excise duty to be imposed on palm oil and other 'harmful' products.

www.vedomosti.ru, 9 February 2016

The Russian Finance Ministry has drafted a roadmap to streamline the administration of proceeds to the budget. The roadmap has been put before the Russian Government. It provides for simpler administration for good faith taxpayers alongside tougher control and increased liability for those evading taxes and duties. The key idea is to enhance the cooperation between the Federal Tax Service, the Federal Customs Service, the bailiffs' office and other agencies. The tax section contains a raft of measures to combat tax base erosion. The document also proposes to simplify payment of taxes and penalties.

Vedomosti, 20 February 2016

In its "Concept of amendments to legislation" submitted to the Russian Government, the Russian Finance Ministry proposes that the Russian Tax Code be supplemented with a chapter regarding a unified social security contribution. This would be equated with all other taxes, with the reduced rate applied to high salaries abolished and the unified rate reduced from 30% to 28-29% to avoid an increase in the tax burden.

www.kommersant.ru, 25 February 2016

PRACTICE

Ilya Trunin has been appointed Deputy Finance Minister responsible for tax policy, to take over after Sergey Shatalov resigned. Mr Trunin has been head of the Department for tax and customs and tariffs policy at the Russian Finance Ministry since 2006.

www.rbc.ru, 15 February 2016

The Federal Service for Fiscal and Budgetary Supervision is being disbanded, with its powers now being vested in the Treasury, the Federal Tax Service and the Federal Customs Service. These agencies will collect penalties with respect to the currency violations they may identify. The Russian President is to decide whether to preserve the Federal Tax Service and the Federal Customs Service or to unite them.

The system of civil registration offices will be reformed. The Tax Service will establish a unified system of recording and identifying the population.

ria.ru, 25 February 2016,

Vedomosti, 12 and 1 February 2016

The number of tax offences that the Russian Investigative Committee investigated in 2015 grew almost 1.5 times, as compared with the previous year. In 2015, over 4,000 criminal tax offences were pending investigation. Almost 2,500 have been completed, which was up by 48% more on the 2014 figure, with almost RUB 15 billion in damages having been recovered.

ria.ru, 26 February 2016

Additionally:

(www.kommersant.ru, 27 February 2016)

At forum held by the Russian Investigative Committee, the investigators were persuaded that they should apply to make an arrest, especially of businessmen, only under exceptional circumstances and should investigate criminal cases within two months without any red tape. Together with the Russian Federal Tax Service investigators were instructed to reveal the most complicated tax evasion schemes, where social programmes hinge on tax proceeds.

The Moscow State Commercial Court has dismissed a claim by Parexel International Rus, a Russia-based unit of Parexel, which sought to challenge additional tax assessments. In 2011-2012 Parexel was advising its affiliates in Russia (Parexel International, LLC (USA) and Parexel International GmbH (Germany)) regarding clinical trials of medicines, as requested by global pharmaceutical companies. Accordingly, Parexel paid profit tax in Russia only with regard to such consulting services. The tax authority has



Pepeliaev Group LLC
12, Krasnopresnenskaya Nab.,
Entrance 7, World Trade Center-II
Moscow 123610, Russia

E: info@pgplaw.ru
T: +7 (495) 967 00 07
F: +7 (495) 967 00 08
www.pgplaw.ru

proven that Parexel did not advise the affiliates, but independently executed the orders for clinical trials the affiliates received.

Vedomosti, 17 February 2016