

## client alert

TAX | RUSSIA |

26 JANUARY 2017

### RECENT CHANGES TO TAX LEGISLATION

#### TAX CODE

Numerous amendments have been introduced to the Tax Code of the RF (the "TC RF"). The amendments came into force from 1 January 2017, subject to certain exceptions, and were introduced by Federal Laws No. 399-FZ, No. 400-FZ, No. 401-FZ, No. 402-FZ, No. 403-FZ, No. 404-FZ, No. 405-FZ, No. 406-FZ, No. 407-FZ and No. 408-FZ, all dated 30 November 2016, as well as Federal Law No. 448-FZ dated 19 December 2016 and Federal Laws No. 463-FZ, No. 464-FZ and No. 475-FZ dated 28 December 2016<sup>1</sup>.

The main amendments of the TC RF are the following:

- taxes due from a taxpayer can be paid by another person (a legal entity or an individual) starting from 30 November 2016;
- interest rates on overdue tax payments arising after 1 October 2017 have been raised for legal entities starting from the 31st day of delay, i.e. the interest rate is 1/300 of the CBR refinancing rate for each day of delay within the first 30 days of delay, and 1/150 of the CBR refinancing rate for each day of delay starting from the 31st day of delay;
- the profit tax allocation between the federal and regional budget is 3% (*rather than 2%*) and 17% (*rather than 18%*) respectively during the period starting from 2017 until the end of 2020;
- the following transactions are not treated as controlled transactions under Russian transfer pricing rules: (i) the provision of interest free loans between Russian interdependent parties, and (ii) the provision of guarantees, provided that all parties to the transaction are Russian non-banking legal entities;
- losses carried-forward cannot decrease the taxable base of a reporting (tax) period by more than 50%, starting from 2017 until the end of 2020;

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<sup>1</sup> Please note that certain amendments to the TC RF were introduced earlier in 2016 and these also came into force from 1 January 2017 (subject to certain exceptions). In particular, amendments to thin capitalisation rules introduced by Federal Law No. 25-FZ dated 15 February 2016, the obligatory notification related to a foreign company as a beneficial owner, for the purposes of applying respective provisions of double tax treaties, introduced by Federal Law No. 32-FZ dated 15 February 2016 as well as key amendments to the TC RF outlined in our Flash Tax Report of 1 August 2016.

- losses incurred from 2017 can be carried forward without applying the 10-year limitation period on recognising losses (i.e. the limitation period is abolished);
- the excise tax rates have been raised on alcohol products, tobacco and gasoline; and
- e-cigarettes, liquids for e-cigarettes and tobacco (tobacco products) consumed by being heated have been added to the list of goods subject to excise tax.

## CONTRIBUTIONS TO NON BUDGETARY STATE FUNDS

According to the Regulation of the Government of the Russian Federation dated 29 November 2016, No. 1255, the ceilings for calculating contributions to the pension fund and social insurance fund have been increased as follows:

- gross remuneration not exceeding RUB 876,000 (*rather than RUB 796,000*) per year per employee in respect of contributions to the pension fund at the rate of 22%, and a 10% rate applies to the amount exceeding the ceiling (i.e. exceeding RUB 876,000); and
- gross remuneration not exceeding RUB 755,000 (*rather than RUB 718,000*) per year per employee in respect of contributions to the social insurance fund.

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