

## RECENT CHANGES TO TAX LEGISLATION

### TAX CODE

Federal Law No. 267-FZ dated 30 September 2013, Federal Law No. 269-FZ dated 30 September 2013, Federal Law of the RF No. 307-Φ3 dated 2 November 2013, Federal law of the RF No. 420-FZ dated 28 December 2013, Decree of the Government of the RF No. 761 dated 31 August 2013 have introduced numerous amendments to the tax Code of the RF (the "TC RF") which come into force from 1 January 2014 subject to certain exemptions.

The main changes are as follows:

#### Profit Tax

- Amendments are introduced in respect of calculation, withholding and reporting rules related to income on securities paid to foreign entities acting on behalf of third parties, in particular:
  - changes of the rules related to determining withholding tax agents, in particular, a depositary is a withholding tax agent in respect of certain securities;
  - adoption of a 30% profit tax rate on certain types of income on certain securities, if required information has not been provided at all or not fully provided to a tax agent within deadlines established in the TC RF;
  - application of a reduced profit tax rate under the applicable double tax treaty is allowed only in the form of tax refunds in respect of dividends on the shares issued by Russian legal entities, if such shares are held by foreign entities acting in favour of third parties.
- The rules for determining sale price and purchase price of listed securities for tax purposes have been amended;
- The rules for determining limits for deductibility of interest expenses under Article 269.1 of the TC RF have been changed. According to the new rules transfer pricing rules established in the first part of the TC RF are applicable to interest expenses. It means that, in particular, the tax authorities can control the level of interest expenses only in respect of controlled transactions for transfer pricing purposes and only within transfer pricing rules (subject to certain exceptions, in particular, related to certain loans in which a bank is a party to the debt obligation). Provisions included in this item are applicable with effect from 1 January 2015.

**VAT**

- VAT invoices should not be issued in respect of transactions which are non VATable according to Article 149 of the TC RF;
- A list of auxiliary VAT exempted services to the list of certain licensed activities on security, commodity and currency markets included into sub point 12.2 of point 2 of Article 149 of the TC RF has been established by the Government of the RF (applies to legal relations starting from 1 January 2013).

**Excise Duty**

- Excise duty rates on certain excisable goods have been increased (for example, excise duty rate on fuel has been increased).

**Property tax**

- The property tax base for the below listed objects is cadastral value from 1 January 2014 after the adoption of respective regional laws (regions can establish particularities for the definition of a taxable base based on cadastral value):
  - administrative, business centers and shopping centers and premises within them;
  - office premises, premises for retail, public catering and premises for consumer services;
  - immovable property owned by foreign legal entities which do not have a permanent establishment in the Russian Federation and immovable property of foreign legal entities which does not relate to permanent establishments in the Russian Federation of such foreign entities;
- The maximum property tax rates have been established for immovable property in respect of which the tax should be calculated based on cadastral value (i) for Moscow and (ii) for other subjects of the Russian Federation (in particular, for Moscow 1.5% for the year 2014, 1,7% for the year 2015 and 2% starting from the year 2016). The regions shall establish the property tax rate for immovable property in respect of which the tax should be calculated based on cadastral value within the maximum property tax rates (for example, the Law of Moscow No.63 dated 20 November 2013 established the following property tax rates in Moscow: 0.9 % for the year 2014, 1.2% for the year 2015, 1.5% for the year 2016, 1.8% for the year 2017 and 2% for the year 2018).

**Personal Income Tax**

- Investment tax deduction has been introduced within certain established limits per calendar year in respect of sale of listed securities which have been owned by a taxpayer for more than 3 years (applies to securities purchased after 1 January 2014).

## Tax Concessions for Far East

Tax concessions for investment projects are provided in 13 Far Eastern and Siberian regions, in particular Kamchatka, Khabarovsk, Amur, Irkutsk, Magadan Sakhalin regions, etc., in particular, investors in the 13 regions in question will use a lower rate for Profit tax (the rates of profit tax payable to the regional budget will be adopted by the respective Russian regions), i.e. 0% profit tax rate is payable to the Federal budget during the first ten years from the tax period in which the first income from sales under the investment project is accounted for tax purposes and regional profit tax rate cannot exceed 10% in the first five years in question and cannot be less than 10% in the following five years in question, provided certain requirements are met, in particular:

- The investment project relates to the production of goods (subject to certain exemptions, for example it cannot apply to the production of certain excisable goods except cars and motorcycles, etc.);
- The criteria for investments are met (in particular, not less than 50 million Ruble investments within three years from the date of inclusion of an investor into the list of participants of regional investment projects or not less than 500 million Rubles within five years); and
- Requirements for participants of the investment project are met (in particular, an investor must be a Russian legal entity incorporated in one of the respective regions in question which does not have any subdivisions in any other regions other than the regions in question, not included into a consolidated group of taxpayers, etc.).

---

## CONTACTS

DAVID LASFARGUE  
lasfargue@gide.com

TATIANA KIRGETOVA  
kirgetova@gide.com

You can also find this legal update on our website in the News & Insights section: [gide.com](http://gide.com)

This newsletter is a free, periodical electronic publication edited by the law firm Gide Loyrette Nouel (the "Law Firm"), and published for Gide's clients and business associates. The newsletter is strictly limited to personal use by its addressees and is intended to provide non-exhaustive, general legal information. The newsletter is not intended to be and should not be construed as providing legal advice. The addressee is solely liable for any use of the information contained herein and the Law Firm shall not be held responsible for any damages, direct, indirect or otherwise, arising from the use of the information by the addressee. In accordance with the French Data Protection Act, you may request access to, rectification of, or deletion of your personal data processed by our Communications department ([privacy@gide.com](mailto:privacy@gide.com)).