

accountor

Changes in taxation 2020–2021

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MLI (Multilateral Convention to Implement Tax Treaty Related Measures for BEPS Prevention)

From 2021 onwards

Russia will apply MLI to double taxation treaties (DTT) concluded with a number of states

<https://www.oecd.org/tax/treaties/mli-matching-database.htm>

MLI Matching Database beta
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Status as of 27 November 2020

Select jurisdictions:

Russia

Finland

Read the Disclaimer

	Russia	Finland	
Signature MLI	07/06/2017	07/06/2017	
Ratification instrument deposited	18/06/2019	25/02/2019	
Mock-up date of ratification			
Status of List	Definitive	Definitive	
Synthesised text	Not available yet		
	Not available yet		
Article 2 Covered Tax Agreement		The agreement would be a 'Covered Tax Agreement'.	
Article 3 Transparent Entities		Article 3 would not apply.	

Jump to entry into effect MLI

(Federal Law 79-FZ dated May 1, 2019)

Changes to Double Taxation Treaties

Expected from 2021

State	Status of changes	Current rates	Expected
Cyprus	Protocol dated September 8, 2020	Dividends 10%, 5% Imposed in the country of the recipient of income	15% 5% for government, central banks, pension funds, insurance companies, public companies if: - 15% of voting shares are free-floating; - They directly own at least 15% of the capital of the company paying dividends for 365 days
Malta	Protocol dated October 1, 2020		
Luxembourg	Protocol dated November 6, 2020	Dividends 15%, 5% Imposed in the country of the recipient of income	
Netherlands	Russia has denounced this Treaty		These rates will not be applied before 2022

Requests sent to Switzerland and Hong Kong

Personal income tax

2020

Those individuals residing in the Russian Federation from 90 to 182 days in 2020 may be recognized as a tax resident of the Russian Federation

Applications are to be submitted to tax authorities in any form by April 30, 2021

(Federal Law 265-FZ dated July 31, 2020)

From 2021 onwards

Progressive taxation is to be introduced

Residents of the Russian Federation and non-resident highly qualified specialists:

Income up to RUB 5,000,000 is taxed at 13%, and over RUB 5,000,000 at 15%

Residents of the Russian Federation:

Income from the sale of property is taxed at 13%

(Federal Law 372-FZ dated November 23, 2020)

Social contributions



From 2021 onwards

Type of contribution	Tax base (= accrued salary per employee)	Tax rate	Tax rate when tax base is exceeded
Pension insurance	RUB 1,465,000 (in 2020 – RUB 1,292,000)	22%	10%
Social insurance	RUB 966,000 (in 2020 – RUB 912,000)	2.9%	
Medical insurance	-	5.1%	5.1%

Special rates
SME 15%
IT companies 7.6%

(Russian Government Decree No.1935 dated November 26, 2020)

Corporate income tax



From 2020

New criteria for tax exemption on income in the form of property gratuitously received by Russian companies

- Tax exemption on the transfer of property rights such as, for example:
 - Right to claim debt
 - Right to use property
 - Intellectual property right, etc.
- Indirect participation of transferring party in receiving party is allowed and vice versa
- Participation share $\geq 50\%$

(Federal Law 374-FZ dated November 23, 2020)

Corporate income tax

2020-2021

2020-2021: Special interest rate ranges under controlled debt

Usual range	Range for 2020-2021
Obligations between Russian companies in RUB	
75%-125% of CB rate	0%-180% of CB rate
Other obligations in RUB	
75%-125% of CB rate	75%-180% of CB rate
Obligations in EUR	
EURIBOR + 4% - EURIBOR + 7%	EURIBOR – EURIBOR + 7%
Obligations in USD, GBP	
LIBOR + 4% - LIBOR +7%	LIBOR – LIBOR + 7%

(Federal Law 374-FZ dated November 23, 2020)

Tax benefits for IT companies



From 2021 onwards

Income tax rate - 3% (instead of 20%)

Social insurance contribution rates – 7.6% (instead of 14%)

VAT exemption for Russian software

To be eligible for these benefits, IT companies must meet the following criteria:

- They must be accredited by the Ministry of Digital Development, Communications and Mass Media (30 days)
- Their average number of employees must be at least 7
- At least 90% of their income must come from software development and modification

Read more – [Tax relief for IT companies in Russia](#)

Tax benefits for IT companies (VAT)



From 2021 onwards

VAT exemption on the sale of rights to Russian software programs and databases

- Software programs/databases must be included in the register of Russian software and databases
- Software programs are not intended to post advertising on the internet, searching for customers, and concluding transactions
- Benefits apply in case of access to software programs/databases through cloud services
- No license agreement required
- VAT deduction for advertising and marketing expenses for software promotion abroad

The sale in Russia of foreign software and Russian software not included in the register is subject to 20% VAT

The following must be done:

- Include VAT in contracts
- Consider the conditions for tax deduction
- Foreign companies must register with tax authorities to pay VAT on their own

(Federal Law No. 265-FZ dated July 31, 2020)

Read more – [Tax relief for IT companies in Russia](#)

Property tax

From 2021 onwards

If the cadastral value of a real estate property included in a regional list is not determined, then tax will be charged on the average annual value.

This applies to the following real estate properties:

- Shopping and business centers as well as premises in shopping and business centers
- Offices
- Catering facilities
- Consumer services facilities

(Federal Law 374-FZ dated November 23, 2020)

The value of movable property is indicated in tax returns.

Special tax treatments

From 2021 onwards

Cancelation of single tax on imputed income

Taxpayers must switch to other tax treatments such as, for example, patent taxation system, simplified taxation system.

New thresholds set for simplified taxation system

Income – RUB150-200 million

Average number of employees – 100 -130

When the thresholds (RUB 150 million, 100 people) are exceeded, higher tax rates are applied:

8% – simplified tax on income

20% – simplified tax on income minus expenses

(Federal Law No. 97-FZ dated June 29, 2012 and Federal Law No. 266-FZ dated July 31, 2020)

Criteria for statutory audit of financial statements as of December 31, 2020:

If in the year preceding the reporting year, i.e. 2019 for 2020

- **Asset value > RUB 60 million; and/or**
- **Net turnover > RUB 400 million.**

Thank you for your time!



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