
Accountor Russia

e-Services Taxation

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Internet Sales to Russia

Cross-border internet sales to Russia

Export of software programs from Finland to be used in Russian companies

Export of software programs as a remote service so that the program is in foreign server but used in Russia

VAT

Services Taxable at Customer's Place

1. Transfers and assignments of copyrights, patents, licenses, trade marks and similar rights;
2. Software and database development, their adaptation and modification;
3. The services of consultants, engineers, lawyers, accountants, auditors and other similar services, as well as data processing and R&D
4. Advertising and marketing services;
5. The supply of staff;
6. The hiring out of movable tangible property, with the exception of land transport
7. Agency in the services mentioned above.
8. **Electronically supplied services (ESS) – from 2017**

Full list is in Article 148 (1) (4) of Tax Code

Electronically Supplied Services

1. the supply of software, games and databases, including changes and upgrades;
2. advertising services in the Internet and the provision of advertising space;
3. online data warehousing and processing where the data is stored and retrieved electronically;
4. providing processing resources over the Internet to put data into information system;
5. website and webpage hosting;
6. remote administration of information systems, including websites;
7. the supply of the digitized content of books and other electronic publications, educational, information materials, pictorial images, musical and audiovisual compositions over the Internet;
8. providing access to search engines.

Full list is in Article 174.2 of Russian Tax Code

Electronically Supplied Services do not Include

1. Goods, where the order and processing is done electronically;
2. Sale of software on tangible media (CD-ROMs, floppy disks etc.);
3. Services of professionals, who advise clients by e-mail;
4. Access to the Internet.

ESS is taxable in Russia if...

...the customer is...

Russian
firm

Russian
branch of
foreign firm

Russian
self-employed
person

Individual meeting any of the following criteria:

1. S/he lives in Russia;
2. S/he uses Russian bank account or Russian payment service provider;
3. His/her IP address is registered in Russia;
4. S/he uses telephone number with dialing prefix for Russia.

IT related VAT exemptions

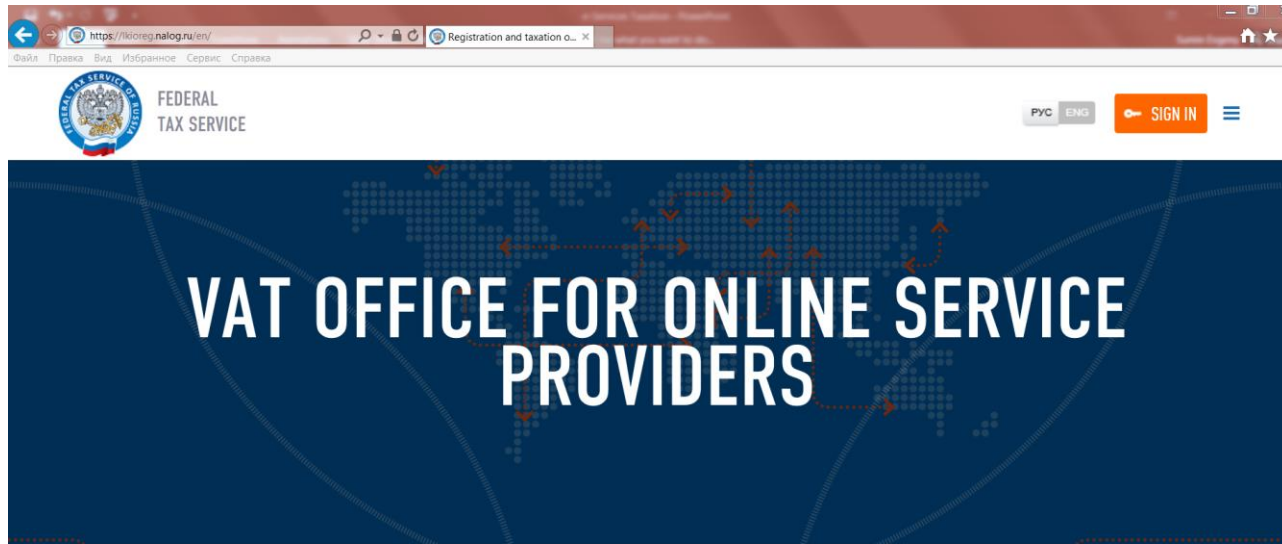
Article 149 (2) (26) of the Federal Tax Code exempts transfers/licensing of patents, software, databases and know-how

Registration Requirements for foreign suppliers of ESS

1. Foreign firms supplying taxable ESS (or their agents)
2. must register with the Federal Tax Service as VAT payer within 30 calendar days
3. (Article 83 (4.6) of Tax Code)

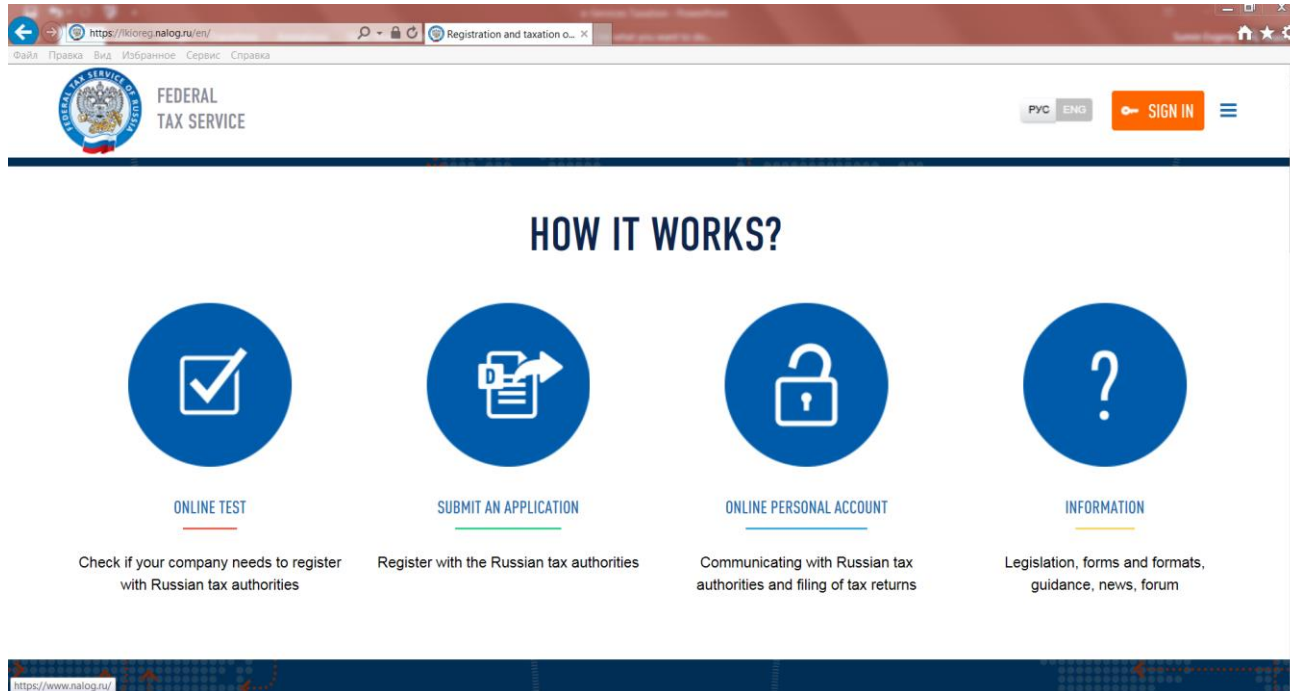
Online Personal Account

<https://lkioreg.nalog.ru/en>



HOW IT WORKS?

Online Personal Account. How it Works



The screenshot shows the website for the Federal Tax Service of Russia. The browser address bar displays <https://kicoreg.nalog.ru/en/>. The page header includes the Federal Tax Service logo, the text "FEDERAL TAX SERVICE", and a "SIGN IN" button. The main content area is titled "HOW IT WORKS?" and features four steps, each with a blue circular icon and a description:

- ONLINE TEST**: Check if your company needs to register with Russian tax authorities. (Icon: checkmark in a box)
- SUBMIT AN APPLICATION**: Register with the Russian tax authorities. (Icon: document with arrow)
- ONLINE PERSONAL ACCOUNT**: Communicating with Russian tax authorities and filing of tax returns. (Icon: padlock)
- INFORMATION**: Legislation, forms and formats, guidance, news, forum. (Icon: question mark)

The footer of the page shows the URL <https://www.nalog.ru>.

Due Dates for Suppliers of ESS

Pay VAT by the 25th day of the following quarter (Article 174.2 (7) of the Tax Code)

File tax return through your personal account by the 25th day of the following quarter (Article 174.2 (8) of the Tax Code)

How to Calculate VAT for ESS

Service price × 15.25% = VAT payable

No deductions!

ESS B2C Supply

Finland

Finnish
Firm-Supplier

ESS taxable in Russia

Russia



ESS B2C Supply. VAT Registration

Finland

Russia

Registration as Russian
VAT-payer within 30 days



lkioreg.nalog.ru

Finnish
Firm - Supplier

ESS taxable in Russia



ESS B2C Supply. Reporting and Payment

Finland

Russia

Filing VAT return, paying tax by
25th day of the following quarter



lkioreg.nalog.ru

Finnish
Firm - Supplier

ESS taxable in Russia



ESS B2B Supply

Finland

Finnish
Firm-Supplier

ESS taxable in Russia

Russia

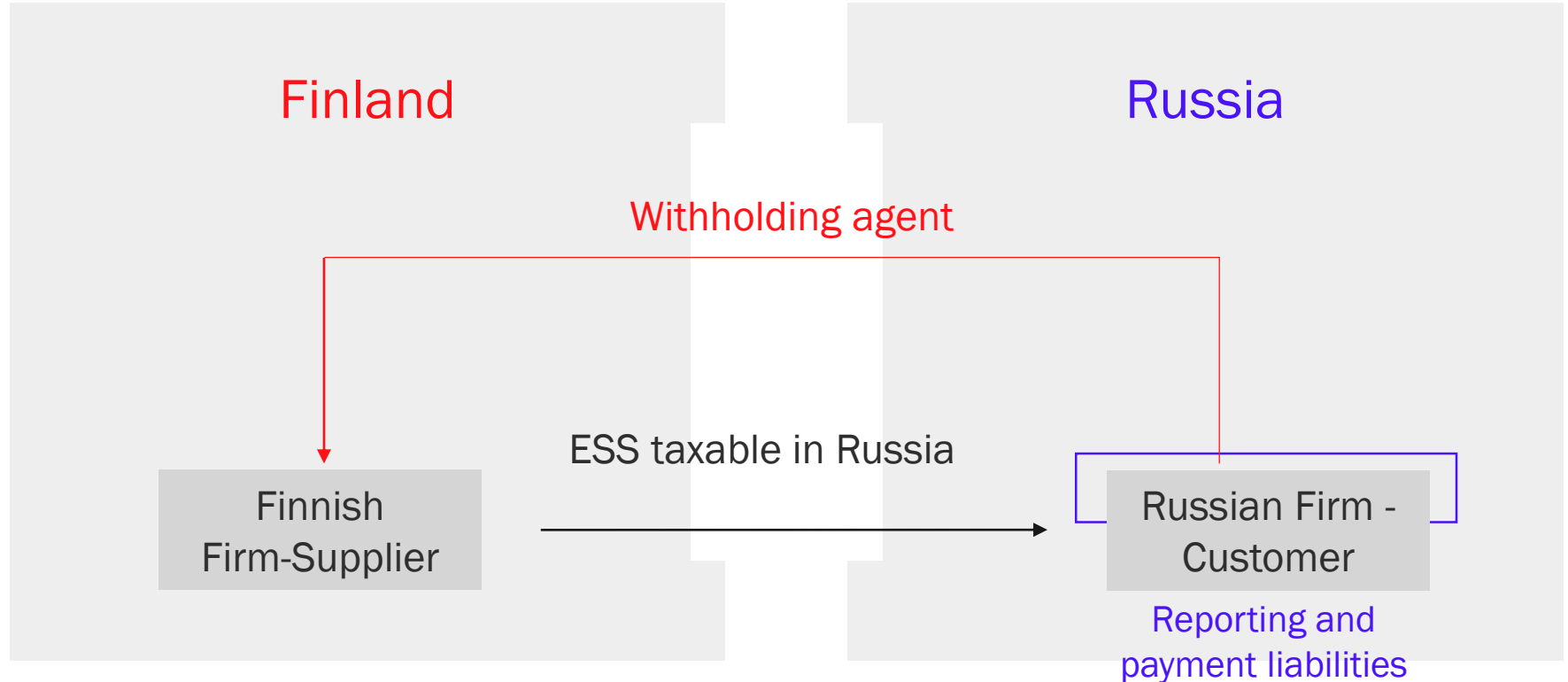
Russian Firm -
Customer

The diagram illustrates a B2B supply chain between two countries. On the left, a light gray box represents Finland, containing a smaller gray box labeled 'Finnish Firm-Supplier'. On the right, a light gray box represents Russia, containing a smaller gray box labeled 'Russian Firm - Customer'. A horizontal arrow points from the Finnish supplier to the Russian customer. Above the arrow, the text 'ESS taxable in Russia' is written, indicating that the supply is subject to tax in the destination country.

ESS B2B supply. Withholding VAT



ESS B2B supply. Reporting and Payment

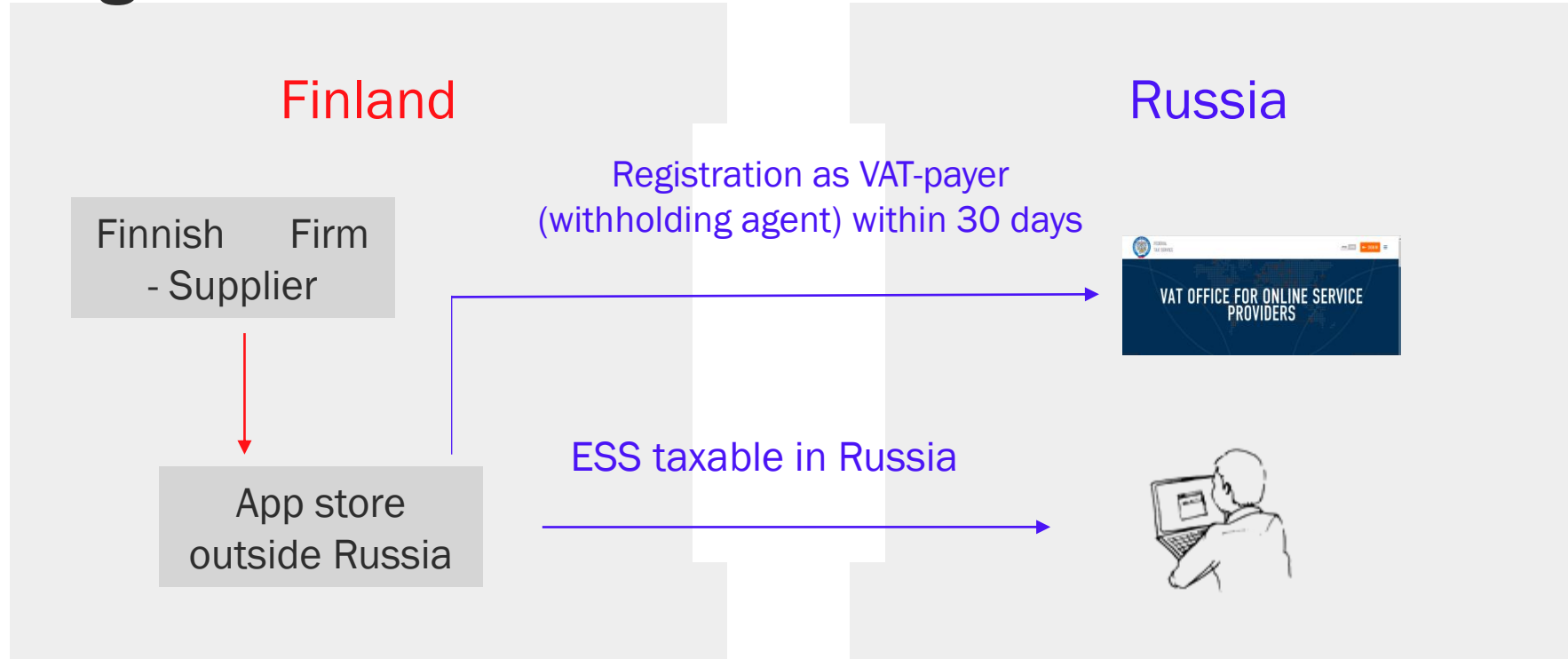


Export of Applications (Software) via App Stores

B2C Supply Through a Foreign App Store



B2C Supply Through a Foreign App Store. VAT Registration



B2C Supply Through a Foreign App Store. Reporting and Payment

Finland

Finnish Firm
- Supplier



App store
outside Russia

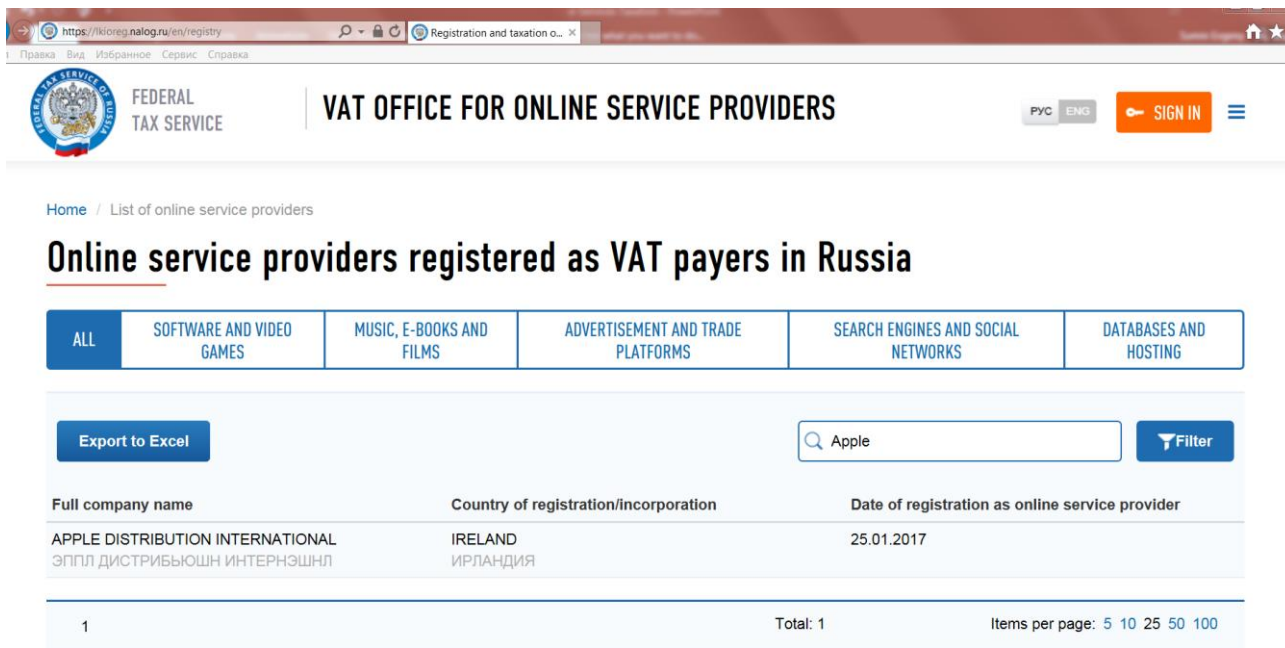
Filing VAT return, paying tax
by 25th day of the following quarter

ESS taxable in Russia

Russia



How to Check if an App Store Operator is Registered in Russia



The screenshot shows the website of the Federal Tax Service of Russia, specifically the VAT Office for Online Service Providers. The page displays a search result for 'Apple' in the VAT registry. The search criteria are set to 'ALL' categories. The search results table shows one entry for 'APPLE DISTRIBUTION INTERNATIONAL' registered in Ireland on 25.01.2017. The page also includes navigation links, a search bar, and a filter button.

Home / List of online service providers

Online service providers registered as VAT payers in Russia

Export to Excel

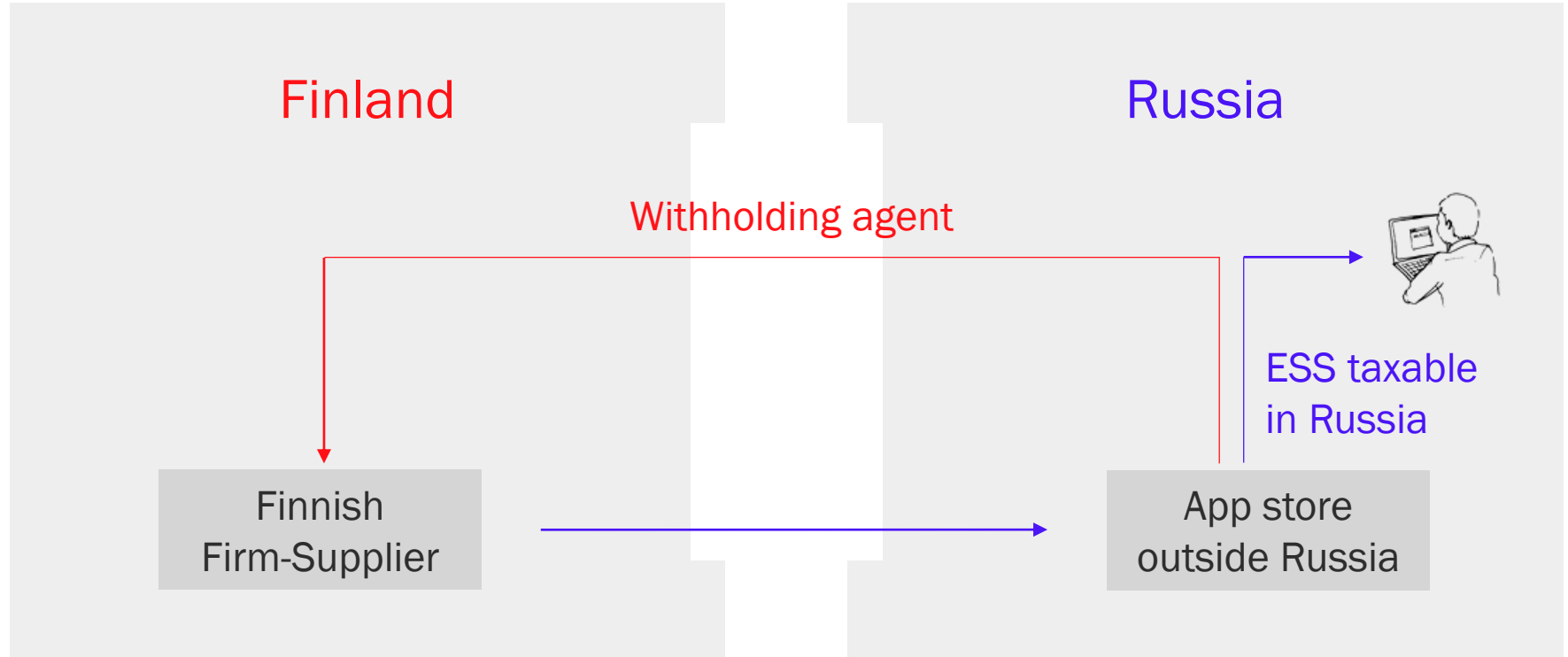
Apple

Filter

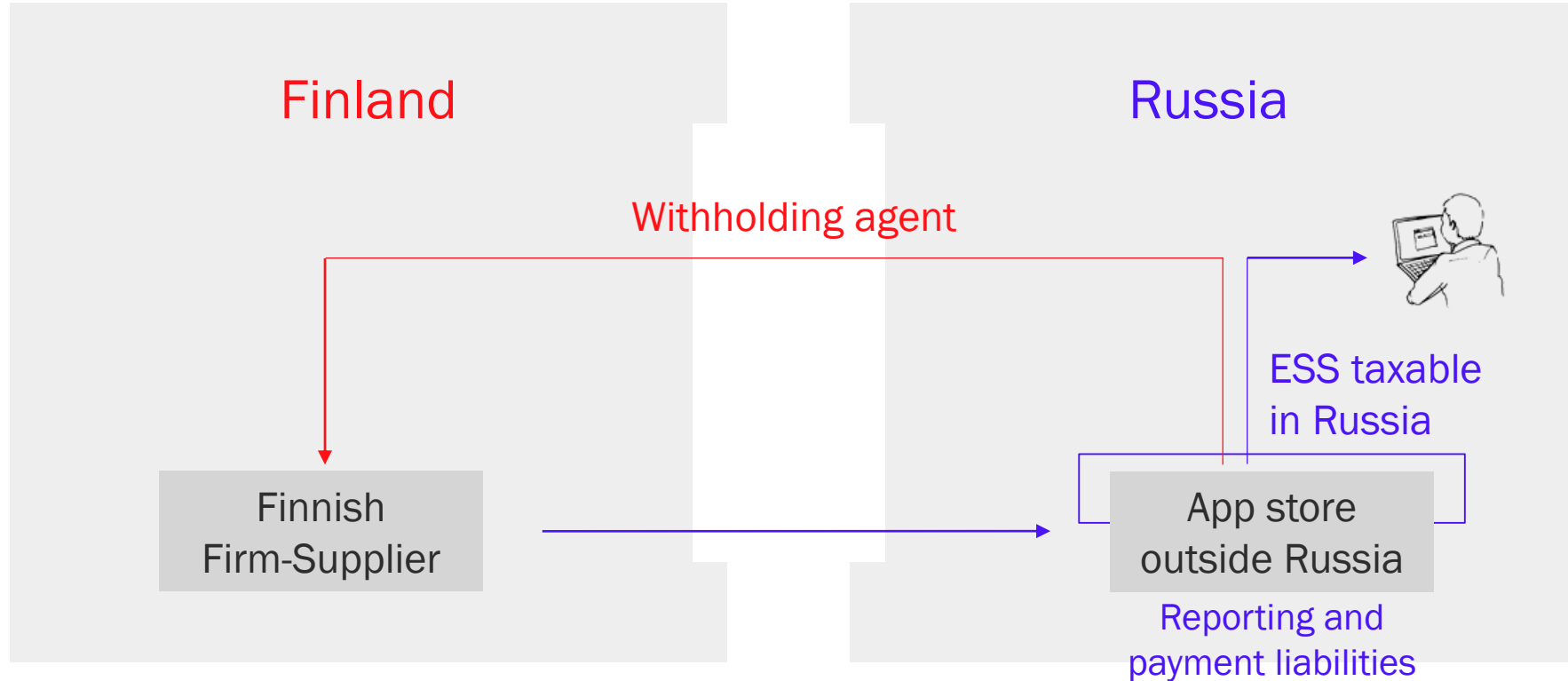
Full company name	Country of registration/incorporation	Date of registration as online service provider
APPLE DISTRIBUTION INTERNATIONAL ЭППЛ ДИСТРИБЬЮШН ИНТЕРНЭШНЛ	IRELAND ИРЛАНДИЯ	25.01.2017

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ESS B2B supply. Reporting and Payment



ESS B2B supply. Reporting and Payment



Internet Sales to Russia. Income Tax

Income Tax - Permanent Establishment Concept

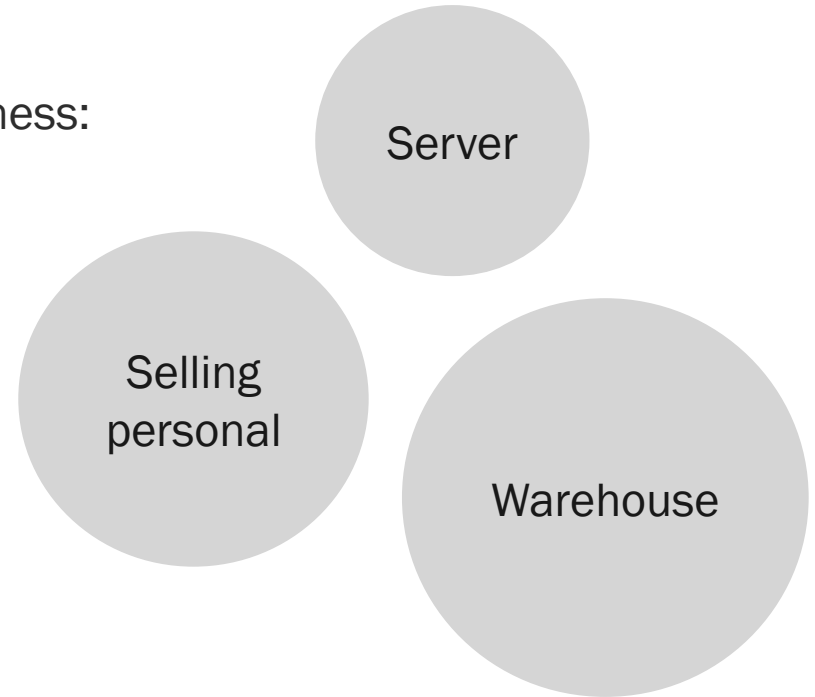
Fixed place through which the firm runs business:

Concept of physical presence in Russia:

Equipment

Personnel engaged in sales

Warehouse used for sales/deliveries



Export of Education and Training Programs from Finland to Russia

Place of supply for education/training programs


The place of supply of educational services is where the services physically carried out
(Article 148 (1) (3) of Tax Code)

Supply of Educational/Training Services via Internet

Finland

Finnish
Firm-Supplier

Education/training
services via internet



Place of
supply?

Russia



Contact Us

Thank you for reading our presentation.
Feel free to contact us



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