

# account+or

**Significant changes expected and upcoming  
in 2020**

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TaXmas 2019

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

From 2020 onwards

Russia will apply MLI to Double Taxation Treaties (DTT) with several countries

How to assess modifications made by MLI to DTT with a particular country?

- Check that the country has ratified MLI
- Check that the country applies MLI to DTT with Russia
- Which provisions of DTT are modified by MLI? How?
- When do MLI provisions become effective?

Toolkit for application of MLI: <https://www.oecd.org/tax/treaties/mli-matching-database.htm>

(Federal Law 79-FZ dated May 01, 2019)

# Mutual Agreement Procedure

From January 01, 2020 onwards

Taxpayers will be able to adjust taxes using the mutual agreement procedure provided under DTT

How?

Taxes: Corporate Income Tax, Personal Income Tax

- Taxpayers apply to the Ministry of Finance for tax adjustment according to DTT
- Tax authorities may audit a period of 10 years, checking transfer prices
- Based on the decision rendered by tax authorities, companies apply for a tax refund under the general procedure

(Federal Law 325-FZ dated September 29, 2019)

Prices for intra-group intangibles are analyzed based on OECD approach

Tested functions for intangible assets:

- Development
- Enhancement
- Maintenance
- Protection
- Exploitation

Revenues from exploitation of intangibles and costs are allocated among the group by compensating the group entities for the above functions, the assets used, and the risks assumed

(Federal Law 325-FZ dated September 29, 2019)

From July 01, 2019 onwards

When services are provided to a foreign company, input VAT is deductible

This rule applies when the following services are provided:

Marketing, consulting, accounting, juridical, audit, engineering, advertising, data processing, R&D, as well as development, adaptation and modification of software programs

(Federal Law 63-FZ dated April 15, 2019)

Carrying forward of tax losses: limitation extended to December 31, 2021

Companies can deduct deferred tax losses from their corporate income tax  
Limitation 2017-**2021**: taxable income cannot be decreased by more than 50%

(Federal Law 325-FZ dated September 29, 2019)

# Traceability of Products

Expected from January 01, 2021

Traceability of products imported into Russia → additional paperwork for companies

- List of products approved by the Russian Government
- Receipt of registration number upon importation of product consignments
- Companies will be required to:
  - Include registration numbers in VAT invoices and VAT returns
  - Report sales to individuals, disposal not related to sales, and export to tax authorities

# Personal Income Tax

Expected

Rules for determining the tax status of an individual could change  
Tax rate for tax residents and non-residents could be 13%

Tax residents of Russia – individuals

Duration of stay in Russia of over 90 days per year (instead of 183 days)  
Russia is the place where the individual has a center of vital interests (real estate, personal or economical relations, etc.)

(Main directions for the budget, tax and customs tariff policy for 2020  
and for the planning period 2021 and 2022  
approved by the Ministry of Finance of Russia)



# Transportation Tax and Land Tax

From 2020 onwards

- Companies do not need to send tax returns
- Tax authorities notify companies about tax
- Companies apply to tax authorities for tax benefits
- New deadline for tax payment – March 1<sup>st</sup>

(Federal Law 63-FZ dated April 15, 2019, Federal Law 325-FZ dated September 29, 2019)

# Property Tax

From 2020 onwards

Single centralized declaration for all real estate

If the following conditions are met:

- Real estate in one region of Russia
- Tax is calculated based on the balance value
- No need to pay tax to different budgets
- Relevant tax authorities are notified about centralized declaration

If cadastral value changes during the year, companies start paying tax based on the new value

(Federal Law 63-FZ dated April 15, 2019)

# Social Contributions from 2020



Type of contribution	Tax base (= accrued salary per employee)	Tax rate	Tax rate when tax base is exceeded
Pension insurance	RUB 1,292,000 (in 2019 – RUB 1,150,000)	22%	10%
Social insurance	RUB 912,000 (in 2019 – RUB 865,000)	2.9%	
Medical insurance	-	5.1%	5.1%

Criteria for statutory audit of financial statements as of December 31, 2019:

If in the year preceding the reporting year, i.e. 2018 for 2019

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

# Thank you for your time!

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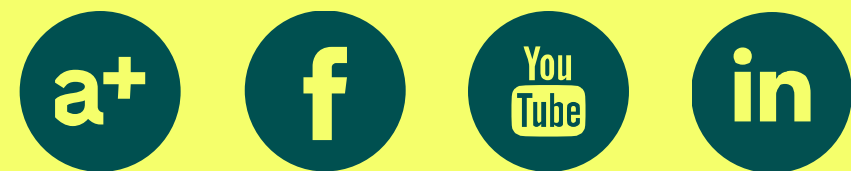
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