

Changes in taxation 2020-2021

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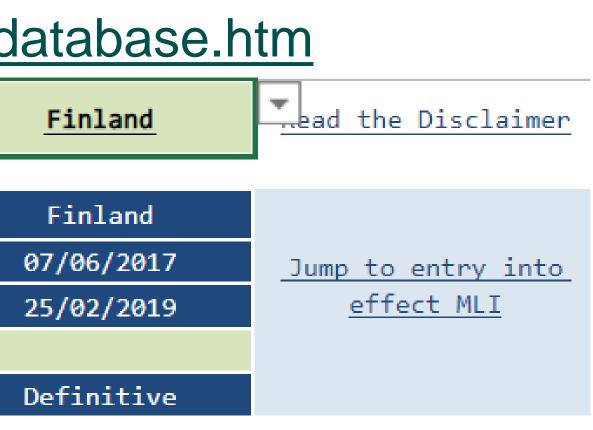
MLI (Multilateral Convention to Implement Tax Treaty **Related Measures for BEPS Prevention)**

From 2021 onwards – MLI to apply to passive income

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

MLI Matching Database beta © OECD 2017-20	Select jurisdictions:	<u>Russia</u>	
Sta	tus as of 27 November 2020	Russia	
	Signature MLI	07/06/2017	
	Ratification instrument deposited	18/06/2019	
	Mock-up date of ratification		
	Status of List	Definitive	
Synthesised text	published by Russia	Not available yet	
	published by Finland	Not available yet	
Article 2 Covered Tax Agreement		The agreement woul	d be
Articl	e 3 Transparent Entities	Article 3 would no	t app

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



a 'Covered Tax Agreement'.

oply.

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







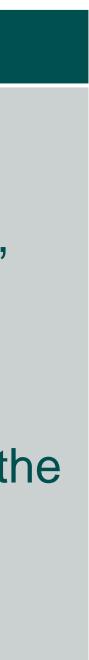
Changes to Double Taxation Treaties

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- 	
Malta	Protocol dated October 1, 2020			
Luxembourg	Protocol dated November 6, 2020	Dividends 15%, 5% Imposed in the country of the recipient of income	 floating; They directly own at least 15% of capital of the company paying dividends for 365 days 	
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

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 265-FZ dated July 31, 2020)

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













Social contributions

From 2021 onwards

Type of contribution

Tax base (= accrued sala

Pension insurance

Social insurance

Medical insurance

Special rates SME 15% IT companies 7.6% (in 2020 – RUB 1 RUB 966,0

(in 2020 - RUB 9

accrued salary per employee)	Tax rate	Tax rate when ta base is exceeded
RUB 1,465,000 020 – RUB 1,292,000)	22%	10%
RUB 966,000 2020 – RUB 912,000)	2.9%	
-	5.1%	5.1%

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





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Corporate income tax

From 2020

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

- Tax exemption on the transfer of property rights such as, for example:
 - Right to claim debt
 - Right to use property
 - Intellectual property right, etc.
- Participation share $\geq 50\%$

Indirect participation of transferring party in receiving party is allowed and vice versa

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









Corporate income tax

2020-2021

2020-2021: Special interest rate ranges under controlled debt

Usual range

Obligations between Russian companies in RUB 75%-125% of CB rate

Other obligations in RUB

75%-125% of CB rate

Obligations in EUR

EURIBOR + 4% - EURIBOR + 7%

Obligations in USD, GBP

LIBOR + 4% - LIBOR +7%

Range for 2020-2021

0%-180% of CB rate

75%-180% of CB rate

EURIBOR – EURIBOR + 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:

- Media (30 days)
- Their average number of employees must be at least 7

Read more – <u>Tax relief for IT companies in Russia</u>





They must be accredited by the Ministry of Digital Development, Communications and Mass

• At least 90% of their income must come from software development and modification







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 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

Read more – <u>Tax relief for IT companies in Russia</u>



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

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











Property tax

From 2021 onwards

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**

The value of movable property is indicated in tax returns.

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

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











Special tax treatments

From 2021 onwards

Cancelation of single tax on imputed income

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)

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















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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