

In Focus

Breaking down key legislative developments

Tax and Legal



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Lawmakers Greenlight Autumn Tax Package

The large package of tax amendments we reported on earlier is adopted.

The package proposes the following key measures:

- to increase the VAT rate;
- to reduce IT tax incentives;
- to increase social security contribution rates for small and medium-sized enterprises (SMEs);
- to lower the income threshold for taxpayers under the simplified tax system (STS) to become VAT payers etc.

Compared to its initial version, the final law was substantially amended and now incorporates the following key provisions:

- a new exemption test for profits of active CFC holding and sub-holding companies;
- a new criterion for classifying transactions as controlled;
- introduction of a technology levy;
- the renewal of measures previously introduced following the suspension of double tax treaties etc.

Our review has been updated to reflect the adopted amendments.

Taxation of CFC Profits and New Basis for Treating Transactions as Controlled

CFC profit taxation

The Russian Tax Code [permits](#) a profit tax exemption for CFCs recognized [as active foreign holding or sub-holding companies](#).

The exemption is available on the condition that the CFC is not a tax-resident in a jurisdiction [listed](#) as an offshore zone (or, until the end of 2026, in the [special list](#) of offshore zones).

The amendments add a new exemption prerequisite: the CFC must be subject to a corporate income tax (CIT) rate of at least 15% in its country of residence.

The change takes effect in respect of income in amount of CFCs profits for the periods starting from 2026 year.

New Basis for Treating Transactions as Controlled

Even transactions with unrelated parties will be classified as controlled if one of the parties is located in a low-tax jurisdiction with a corporate tax rate of 15% and less and their annual value exceeds RUB 120 million.

The new rule applies to transactions where income or expenses are recorded on or after 1 January 2026 even if the contract was signed earlier.



Dmitri Kulakov

Partner

Tax & Legal

“Notably, the list of non-blacklisted jurisdictions with a $\leq 15\%$ corporate tax rate is relatively small. It encompasses several CIS states, such as Moldova, Kyrgyzstan, Turkmenistan, Uzbekistan and Georgia, and some Middle Eastern countries, such as Qatar, Iraq, Kuwait and Oman.

Starting from 2026 the UAE will join them due to anticipated de-listing from the blacklist.

The UAE stands out among the above-mentioned jurisdictions as Russia's most significant trade and investment partner, maintaining a 9% corporate profit tax rate (if the Pillar 2 impact is excluded).

These amendments seem deliberately aimed at this jurisdiction seeking to curb the use of non-arm's length pricing in transactions with conditionally independent parties for tax avoidance.

In any case, the amendments will increase the administrative burden on taxpayers:

- they will be required to independently monitor the tax rate in their counterparty's country of residence (no official lists are planned for this purpose);*
- the meaning of the "CIT rate under foreign law" is ambiguous, given that countries often have multiple rates. A general rate may exceed 15%, but a counterparty could qualify for a preferential rate that falls below the threshold;*
- If a transaction is deemed controlled, the company must fulfill all corresponding obligations, e.g. submit a notification and prepare documentation.”*

VAT

Increase in VAT rate

The general VAT rate will increase from 20% to 22%.

The preferential rate of 10% will remain for essential products such as foods, medicines, children's items, etc.

However, the 10% preferential rate will be abolished for dairy-containing products with a milk fat substitute, as well as for melted spreads containing dairy and plant fat.

The effective VAT rate for certain transactions—such as selling an enterprise as entire business or providing electronic services—will rise from 16.67% to 18.03%.



“The VAT increase will affect end prices and inflation. Businesses can either pass the full cost on to consumers, which will fuel inflation, or absorb the cost initially, which will directly impact their expenses and profitability, a situation that is unsustainable in the long run. As they adapt to higher rates, businesses will need to make decisions weighing the risk of the reduced demand.

We advise companies to analyze their current agreements to determine if the VAT clauses require updating or more precise definition.”

Sergey Shchelkalin

Managing Partner

Tax & Legal

The new rate will apply to sales made on or after 1 January 2026, regardless of the contract date. The bill does not contain any transitional provisions, which may create certain calculation challenges for taxpayers (for instance, as regards a 2% top-up prepayment, subsequent price adjustments, and similar situations).

We expect the approach to these issues will be similar to the one adopted during the previous VAT rate increase from 18% to 20%.

At that time, the Russian Federal Tax Service published a detailed [letter](#) outlining its position on the "transitional measures."

Based on this letter, key transitional questions may be addressed as follows:

Business case	Position (based on the previous letter of the Russian Federal Tax Service)
<p>A prepayment was received/made in 2025, while the supply occurred in 2026</p>	<p>Prepayments received in 2025 are subject to VAT at the rate of 20/120. Upon shipment, VAT on the prepayment calculated by the seller at the 20/120 rate qualifies for deduction.</p> <p>The buyer who reclaimed VAT on prepayment must reinstate the VAT calculated at the 20/120 rate upon the final supply.</p> <p>Prepayments received before 2026 are subject to VAT at 20/120, regardless of whether the new rate was already factored into the payment.</p>
<p>The buyer is charged a 2% prepayment VAT top up</p>	<p>Payments made after 1 January 2026 are deemed a tax surcharge, not a prepayment, requiring the seller to issue an adjusting invoice for the VAT difference.</p> <p>Payments made before 1 January 2026 qualify as a standard prepayment subject to VAT at the 20/120 rate.</p>
<p>Processing of 2025 shipments in 2026: invoice adjustments, corrections, and product returns</p>	<p>For both adjustment and correction invoices, the tax rate applicable on the original date of shipment must be used.</p> <p>The return of products shipped in 2025 requires an adjustment invoice, which must reflect the tax rate in effect at the time of the original shipment.</p>
<p>Payment for a service supplied in Russia was made in 2025, prior to the service provision in 2026</p>	<p>The 20/120 VAT rate is applied; agent VAT does not need to be recalculated following the service provision.</p>
<p>A service was supplied in Russia in 2025 but paid for in 2026</p>	<p>The 20/120 rate is applied; agent VAT does not need to be recalculated after payment.</p>

Lowering of income threshold for STS for VAT calculation purposes

The amendments introduce a lower income threshold for STS taxpayers to qualify for VAT exemption.

While initially proposed to be set at RUB 10 million (a sixfold decrease from the current RUB 60 million), the new threshold will instead be phased in gradually to:

- RUB 20 million in 2026;
- RUB 15 million in 2027; and
- RUB 10 million from 2028 onwards.

The right to apply preferential tax rates of 5% and 7% will remain unaffected.

Consequently, starting in 2026, taxpayers applying STS will be required to pay VAT if their income exceeded RUB 20 million in 2025 or exceeds RUB 20 million at any point during 2026.

These taxpayers will be given a choice between two regimes:

- pay VAT at the standard rates (0%, 10%, 22%) with the right to reclaim input VAT;
- pay VAT at preferential rates (5% for annual income up to RUB 250 million, or 7% for income between RUB 250-450 million), but forfeit the right to deduct input VAT.

Furthermore, the amended legislation allows businesses and individual entrepreneurs – first-time users of preferential rates of 5% or 7% to waive them prematurely (without waiting for the end of the mandatory 12 tax periods) provided a waiver is submitted within one year of initial election.

Another relief is offered: STS users will not be penalized for failing to submit their first VAT declaration in 2026.

“Initially, a more radical reduction of the threshold—an immediate cut to RUB 10 million—was planned. The authorities, however, have opted for a phased transition to mitigate the impact of introducing a VAT obligation for STS users. Regardless of this measured approach, STS companies must begin their preparations immediately. The changes will not only increase the direct tax burden but also generate significant administrative costs. Organizations will need to establish VAT accounting procedures, master new compliance reporting, and implement supporting business processes.”

VAT Exemption Repealed for Selected Banking Services

VAT exemption was repealed for the following services:

- payment card servicing;
- services provided by payment infrastructure operators, including the collection, processing, and provision of data on payment card transactions (acquiring).



Georgiy Ghukasian

Director

Tax & Legal

“Prior to the second reading, the Central Bank of Russia voiced its opposition to these amendments. In its official review, the regulator warned that subjecting acquiring, processing, and data handling services to VAT would increase costs for banks and ultimately raise the price of cashless transactions for end consumers.

Despite this opposition, the amendments were ultimately approved.

It is highly likely that banks will seek to pass the new VAT cost on through their fee structures.

In other words, services such as payment card servicing and acquiring could see significant price increases starting in 2026.

VAT on ore sales

The amendments establish a 0% VAT rate on the supply of ores, concentrates, and other industrial products containing precious metals from mining companies to authorized refiners.

To qualify for the zero-rate VAT, the taxpayer must provide:

- a sales contract confirming the above-mentioned products are destined for refining;

- supporting documents (or copies) evidencing their transfer to a refiner.

Currently, the Russian Tax Code provides for VAT exemption with respect to sales of ore, concentrates and other industrial products containing precious metals.

Reclassifying this exemption as a 0% VAT rate will allow taxpayers engaged in precious metal mining to claim input VAT deductions.

Crypto mining infrastructure

The lease of crypto mining infrastructure or real-time computational capacity to foreign persons by a Russian taxpayer will be subject to VAT in Russia.

Digital platforms and digital rights

The amendments offer VAT exemption for the following services:

- services provided by investment platform operators. This includes: investment acquisition services under investment agreements and agreements facilitating the acquisition or accounting for utility digital rights except for consulting services and software licensing;
- other services rendered by investment platform providers provided they are directly linked to the activities aimed at attracting investments;

The amendments also clarify how the tax base for transactions involving utility tokens shall be determined.

VAT exemption for tour operators

VAT exemption for tour operators on the sale of

domestic and/or inbound tourist packages is extended until the end of 2030 instead of the end of 2027.

Expropriation of real estate

The transfer of real estate seized by the federal or municipal government will be exempt from VAT provided the taxpayer receives compensation in accordance with Russian law.

Prepayment invoicing

For any sale involving a prepayment, the final sales invoice will be required to contain the number and the date of the original prepayment invoice.

Simplified VAT reclamation

The amendments extend the simplified VAT reclamation procedure until the end of 2026. This mechanism permits taxpayers to reclaim VAT prior to the completion of a desk audit without a bank guarantee or surety. The maximum reclaimed amount is capped at the total of taxes and social security contributions paid by the taxpayer in the preceding calendar year.

Corporate Income Tax

Loss carry-forward limitation

The Russian Tax Code [establishes](#) a restriction on the carry-forward of prior-year losses: such losses may be deducted in an amount not exceeding 50% of the current period's tax base. The amendments extend the limitation until the end of 2030.

IT benefits

The amendments provide that Skolkovo / Innovative scientific and technological centers (ISTC) residents will not be entitled to the reduced income tax rate for IT organizations.

This represents a reversal of the Russian Ministry of Finance's prior position which had clarified that no such restriction existed for Skolkovo participants (Letter No. 03-03-06/1/117506 of 25 November 2024).

Consequently, Skolkovo residents will be barred from applying the preferential tax rate for the entire duration of their status, even if they satisfy all standard eligibility criteria (e.g., IT accreditation and deriving at least 70% of income from qualifying activities).

As a positive amendment, – companies with state participation may retain their right to the benefit provided they meet specific criteria to be established by the Russian Government (which have not yet been approved).

Reduced tax rate for personal trusts

Income from managing a unit investment fund's assets will count toward the 90% passive income threshold that a private fund must meet to qualify for the

preferential 15% profit tax rate.

Foreign agent status to impact eligibility for preferential tax rates

Under the amendments, taxpayers will be disqualified from applying nearly all preferential income tax rates, including those for IT companies, private funds, and others, if, on the reporting date, they either hold the status of a "foreign agent," or have more than 10% of their capital, in aggregate, owned directly or indirectly by the entities holding "foreign agent" status.

Regional investment allowance

The regional investment allowance (RIA) will be available to [taxpayers](#) paying tax at 40%. This rate is applicable to natural monopolists (and their subsidiaries) engaged in transmitting oil or oil products via trunk pipelines.

Furthermore, regional governments will be authorized to extend RIA to cover any other expenses not explicitly qualifying under the Russian Tax Code.

Regions may also set the RIA rate for these expenses, up to a maximum of 100% as permitted by the Russian Tax Code.

If a taxpayer uses such new RIA, the corresponding expenses will become non-deductible.

Notably, such RIA will be available even to organizations that are generally prohibited from using the standard RIA mechanism (such as participants in Regional Investment Projects, residents of Special Economic Zones, etc).

The package also provides for other RIA-related changes:

- organizations extracting hydrocarbons at a new offshore field may now apply RIA to fixed asset investments unrelated to this extraction activity⁵
- however, they will not be able use RIA to reduce the federal portion of their profit tax.

Federal investment allowance

The right to the federal investment allowance (FIA) will be allowed to transfer to group entities that are otherwise not eligible for the benefit due to a non-qualifying OKVED code (in other words, only the transferor is required to hold the qualifying primary

OKVED code).

FIA will be inapplicable to the initial cost of property, plant and equipment that are not subject to depreciation and assets whose initial cost was funded through government subsidies.

How to determine income when goods are distributed in lieu of cash obligations

Pursuant to the amendments, when property, property rights, works, or services are provided to settle a pre-existing monetary obligation unrelated to that transfer, the sales revenue booked will be equivalent to the value of such obligation subject to transfer pricing rules.

“The amendment addresses the question of whether the transfer of property to settle a dividend obligation constitutes a sale for tax purposes. If enacted, such transfer will be treated as a taxable sale. Furthermore, the proposed wording (referencing Article 105.3) stipulates that income is to be calculated based on the market value of the transferred property or rights, not the underlying obligation towards which they are transferred.

Consequently, using real estate to pay dividends would trigger a taxable sale at market value, resulting in taxation of the embedded capital gain.

Receiving property from a foreign agent free of charge

The Russian Tax Code provides tax exemption for income in the form of property / rights transferred free of charge from the parent company to a subsidiary, or from the subsidiary to its parent company provided that a direct / indirect interest in the subsidiary is at least 50%.

Under the amendments, exemption will not apply if the recipient is an organization that, on the date of receiving the property/ rights, either holds a "foreign agent" status itself or has more than 10% of its charter capital owned—directly or indirectly—by entities with "foreign agent" status.

Use of multiplier to deduct registered software license fees

The [Russian Tax Code](#) permits companies to apply a deduction multiplier of 2 to expenses for purchasing registered software, databases, or integrated circuit topologies licenses.

According to the amendments, the multiplier will not apply if the license agreement permits sublicensing.

In other words, the multiplier is only available to organizations that expect to use the rights to software / databases / hardware systems in its own business rather than for resale.

Doubtful debt

[Under the Russian Tax Code](#), a debt is classified as

doubtful if it is unsecured, arises from the sale of goods, performance of work, or provision of services and remains unpaid after the due date specified in the contract.

The amendments stipulate that doubtful debt also includes court-awarded fines, penalties and other sanctions payable to the taxpayer if the original contract debt was already considered doubtful.

Bad debt

Under the existing [provisions](#) of the Russian Tax Code, banks can write off purchased receivables on loans as bad debt if the original loans have already been officially declared uncollectible under Russian tax law .

Under the amendments, this option will also be available to debt collection agencies entered into the official register.

Similar to banks, such agencies will also have a right to tax-deduct expenses incurred to acquire the loan claims but only after they have exhausted all possible means to collect the debt.

At the same time, the question of whether other taxpayers can tax-deduct the expenses—for instance, if the statute of limitations on that claim has expired—remains unresolved.

Another change – a debt cannot be written off as bad if the related income has not yet been recorded in the accounts.

“The new rules may prohibit companies to write off receivables tied to an unrealized foreign exchange gain as bad debt, if that gain has not yet been recognized due to temporary accounting rules.

Outstanding interest and penalties of foreign state-owned companies'

A Russian organization's income in the form of interest on foreign entity's debts, fines, penalties and/or other contractual sanctions will be recognized using the cash method (on the date funds are received), but no later than 31 December 2029.

The provision applies if the following conditions are met:

- a foreign company is restricted in its ability to make payments or enter into financial transactions;
- the direct/indirect participation share of a foreign state in this foreign entity, which is domiciled in that same foreign state, is 50% or more.

If the debt of such a foreign entity is forgiven or written off due to the expiration of the statute of limitations, no withholding tax will be levied.

Also if the debt is forgiven, the part that includes previously declared income (like interest or penalties) can be written off as a bad debt.

Cash method for certain types of income

The cash method of accounting will now apply to the following types of income:

- court-awarded compensation paid to a bankrupt company for losses caused by the actions or omissions of its controlling parties;
- compensation paid to a taxpayer for losses caused by third-party actions or omissions where no contractual relationship with such third party exists.

The party found liable for these damages will also recognize the corresponding expense using the cash method.

Cost of shares of/equity interest entities of strategic importance

As a reminder, the current version of the Russian Tax Code establishes special rules for determining the cost basis of shares/equity interests in an entity of strategic importance (ESI) acquired by a taxpayer under the provisions of Federal Law No. 470-FZ.

Therefore, if a taxpayer holds a direct interest in a foreign holding company (FHC), the tax cost of ESI shares/equity interest is determined by multiplying the taxpayer's documented costs of acquiring shares/interest in FHC (the tax book value of such IHC shares/equity interest for corporate taxpayers) by the proportion of ESI shares/interest in the FHC assets, based on the financial statements for the last reporting date preceding 1 March 2022.

Using the proportion of ESI's shares/equity interest value in the FHC's total asset value often prevents investors that acquired their ESI stake through FHC from deducting the full amount of their expenses, an issue previously [highlighted](#) by media.

According to the amendments, ESI may elect to use the proportion of the market value of its shares/equity interest to the market value of the FHC's assets instead of the proportion based on book values.

This valuation must be established as of 150 days after the court ruling suspending the FHC's rights.

In this case, the valuation must be initiated by the ESI and performed by an independent appraiser in compliance with Russian law.

ESI must publish the calculated proportion (based on the market valuation) within 30 days from the date of the appraisal report.

The market valuation may be conducted only once, within a three-year period from the date the FHC's corporate rights were suspended.

Furthermore, the amendments stipulate that the proportion shall be deemed equal to one if both of the following conditions are simultaneously met:

- the combined balance sheet value of ESI's shares/equity interest and the FHC's cash equivalents (including deposits), as a proportion of the FHC's total assets, exceeded 95% according to the financial statements for the last reporting date preceding 1 March 2022;
- the ratio of FHC's cash and cash equivalents (including deposits) on the date of suspension of rights to the total balance sheet value of its assets (from the financial statements for the last reporting date preceding 1 March 2022) is 5% or less.

In other words, if FHC's assets as of the date nearest to 1 March 2022 were mostly represented by ESI shares and cash, but its cash holdings had drastically fallen by the time its rights were suspended, the book value proportion is set to one. This effectively maximizes the tax-deductible base for the investor's initial cost of the FHC interest.

The amendments will apply retrospectively as of 1 January 2025.

Tax filing

Starting 2027, companies will no longer be required to file tax returns at each separate subdivision's location.

Tax relief for multinational holding companies

The law changes the tax incentive regime for multinational holding companies.

As a reminder, one of the [requirements](#) for the incentives is the minimum share of domestic spending on goods, works, and services are domestic (70%).

To prevent ambiguity, the law excludes securities transaction costs from the relevant expenditure ratio.

This amendment addresses a situation where companies redomiciling to Russia could see an artificially high proportion of foreign expenses due to their previous overseas securities holdings.

The amendments will apply retrospectively as of 1 January 2025.

Other CIT developments

The amendments clarify that the funds received by developers from escrow accounts will retain their status as special-purpose financing even where other real estate units specified in the same off-plan construction agreement remain uncommissioned.

Compensation for property expropriation for public use will be treated as non-taxable except for amounts covering losses already deducted in prior tax periods. The expenses or losses covered by this compensation will be non-deductible.

For companies in the radio-electronics industry, revenue from the design and/or development of manufacturing equipment for electronic components (electronic modules) and electronic/radio-electronic products will also be classified as core income.

Withholding Tax

Passive incomes

[In accordance with](#) the Russian Tax Code, income generated by a foreign entity from work / services performed (i.e. active income) is not subject to withholding tax (WHT) [except for](#) income received

from intragroup services.

The amendments aim to generalize the wording: WHT will not apply to active income unless it falls under a [specifically listed category](#).

Apparently, the changes are intended to dispel any doubt that income of foreign companies from international shipping is considered taxable. In a prior case (No. A45-36916/2023), a taxpayer successfully contended that international shipping was a service, and, therefore, the income derived from it by a foreign company was not subject to Russian WHT. However, subsequently, the Russian Ministry of Finance published clarifications and made it clear that international shipping fees must be subject to WHT in Russia.

Extension of measures introduced after suspension of tax treaties

Initially suspended income tax benefits were supposed to be effective until 31 December 2025. These benefits include exemption [\(Article 310 \(2\) \(11\)\)](#) of the Russian Tax Code) or a preferential rate [\(Article 310 \(3.1\)\)](#) of

the Russian Tax Code) and apply with respect to specific types of income paid to an independent party contingent upon the submission of a certificate of residence and confirmation of beneficial ownership status.

Some of the benefits will be extended.

Income	Benefits extended/amended
Interest paid to foreign export credit agencies and foreign banks under agreements signed before 8 August 2023	Extended until the end of 2035
Income from aircraft lease (including auxiliary power units and/or aircraft engines) under aircraft lease agreements signed before 5 March 2022, for aircraft registered or to be registered in the Russian State Register of Civil Aircraft.	Extended until the end of 2028
Income from the use and/or licensing of rights to audiovisual works and other intellectual property (royalties) on TV channels	Extended until the end of 2028, but only for broadcasting rights to certain sporting events, as well as rights to use international and foreign sports content.
Income from the use or licensing of a copyrighted work and/or related rights, including software.	Not extended.

Income	Benefits extended/amended
Income from the use of a patent, design, model, plan, secret formula, process, or industrial, commercial, or scientific know-how.	Extended until the end of 2028, with the exception of income from the use of commercial know-how.
Income from the sale of ships registered in the Russian Maritime Register of Shipping and based in Russia	Not extended.
Income from international shipping services under contracts signed with foreign organizations before 8 August 2023	Extended until the end of 2028, but only with respect to marine shipping.
Income from leasing or subleasing ships under contracts with foreign lessors/ charterers signed before 8 August 2023	Extended until the end of 2028.

Furthermore, the 0% [preferential rate](#) is extended until the end of 2028 for income received by foreign entities under insurance and/or claims settlement agreements. These agreements must arise from aircraft leasing

contracts signed with foreign lessors before 5 March 2022 for aircraft registered or to be registered in the Russian State Register of Civil Aircraft.

Russian Counterpart of Pillar 2

The amendments do not adapt the "original" Pillar 2 rules, but introduce a straightforward mechanism: each member of a multinational enterprise (MNE) group must calculate its effective corporate income tax rate and pay a top-up tax if it falls below 15%.

The change will affect MNE group entities* (as defined

by the country-by-country reporting rules) that meet the following criteria:

- the ultimate parent entity of the MNE group is a tax resident of a foreign state as of 31 December of the relevant tax period for which the tax base is determined;

Consequently, the new rules resolve the "tax leakage" issue solely for groups with foreign holdings. In contrast, the potential obligation to pay a top-up tax overseas could also impact groups with Russian ultimate parent entities, provided the group structure includes subsidiaries in jurisdictions that have enacted UTPR.

- the ultimate parent entity and/or any intermediate holding companies of the MNE group are tax residents—as of 31 December of the year for which the tax base is calculated—of countries that have implemented the OECD Model Rules for a global minimum tax via the Income Inclusion Rule (IIR); or, if at least one MNE group member is a tax resident of a country whose laws incorporate extraterritorial taxation mechanism in accordance with the OECD Model Undertaxed Payments Rule (UTPR). The Russian Ministry of Finance will approve the definitive lists of such countries.
- the MNE group's total revenue under consolidated financial statements for each of the two financial years immediately preceding the tax period for which the tax base is determined, exceeds or may exceed the equivalent of EUR 750 million (if the group's ultimate parent entity does not prepare or

file consolidated financial statements with the tax authorities for transfer pricing controls, the data from the local statutory financial statements of its individual members will be used).

A tax rate of 15% will apply where the tax burden ratio is a positive value below 0.15.

The tax burden will be calculated as total tax accrued by the entity for the tax period under the existing rules (excluding dividends) divided by its total tax bases (excluding dividends and adjusted for loss carry-forwards).

The corresponding taxable bases will exclude income and expenses from the sale or other disposal of shares/interests in Russian or foreign organizations in which the taxpayer directly held more than 10%. To calculate the tax burden ratio, the total tax amount (numerator) will be reduced by a notional tax amount attributable to the tax base of these transactions.

* Except for MNE group foreign entities that generate income from Russian sources without a permanent establishment



Natalia Kuznetsova

Partner

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“The proposal calls for testing the effective tax rate (ETR) for each member of the MNE group separately, rather than for all Russian entities of the group on an aggregate basis.

This is a fundamental difference from the "original" Pillar 2 rules.

Therefore, even if ETR for the entire Russian perimeter exceeds 15%, any individual member with an ETR below 15% would be required to increase its tax rate up to 15%”.

A MNE group entity meeting the criteria above will need to pay tax at 15%, with 5% payable to the federal budget and 10% to the regional budget.

Advance CIT tax payments made under the standard rules during the tax period will be credited against this final liability.

All grandfather clauses available for participants of

special investment contracts, residents of territories of advanced development, Free Port of Vladivostok, special economic zones, investment protection and encouragement agreements and multinational holding companies will not apply to the new taxation rules for MNE entities, including entities that had secured the preferential status before.

Social Security Contributions

IT and electronics companies

With effect from 2026, new social security contribution rates will apply to IT and electronics companies.

In-scope companies	Reduced rate for 2025	Reduced rate for 2026
Electronics companies	7.6% (regardless of total fees)	7.6% within the maximum base and 0% above the maximum base
IT company	7.6% (regardless of total fees)	15% within the maximum base and 7.6% above the maximum base.

If the government participation interest decreases, companies will be able to apply the social security contribution incentive starting from the first day of the month in which such interest falls below 50% (if the government’s share increases, the right to the incentive will be lost from the first day of a month in which such share exceeds 50%).

Residents of Skolkovo and Innovative Scientific and Technological Centers (INTs) will not be eligible for the standard IT company incentive. Instead, they apply their own preferential regime (30% on income up to 1.5 times the minimum wage and 15% above that threshold)."



Emil Baburov

Partner

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“Payroll is one of the major cost items for most software developers. Therefore, higher contribution rates will be very sensitive for them.

An increased tax burden may cause software developers to review their short-term growth plans and their pricing strategies.

A further unwelcome change is that Skolkovo residents will no longer be permitted to use preferential social security contribution rates available to IT companies. This restriction will apply for the entire duration of their Skolkovo residency.

This marks a shift from the current rules when Skolkovo IT residents can choose between the benefits. This option will no longer be available starting from 2026.

The amendments also formalize that once an organization meets the revenue threshold requirement, the preferential rate will be applied retroactively from the first day of the month in which it received IT accreditation or was included to the register for the radio-electronics industry. Since tax authorities are already implementing the approach, the amendment is largely technical.

SMEs

The existing provisions of the Russian Tax Code establish the following preferential social security contribution rates for SMEs:

- a standard benefit for all SMEs: 30% on payments within 1.5 times the minimum wage and 15% on payments exceeding this amount;
- a benefit for SMEs in the manufacturing sector: 30% on payments within 1.5 times the minimum wage

and 7.6% on payments exceeding this amount;

- a benefit for SMEs in the food service industry with an average headcount exceeding 250 people: 30% on payments within 1.5 times the minimum wage and 15% on payments exceeding this amount subject to [additional requirements](#).

The amendments propose significant restrictions to the standard social security contribution benefit for SMEs.

Eligibility will now be contingent upon meeting the following two conditions:

- the principal activity of a company or individual entrepreneur (as per its EGRUL/EGRIP registration) must be on a government-approved list. This list is expected to exclude sectors like trade and construction;
- over 70% of revenue must come from such principal activity.

“Introduced amidst the COVID-19 restrictions, preferential social security contribution rates were primarily intended to secure jobs.

Employment challenges have been addressed, and small businesses, in the Government’s opinion, have firmly gotten back on their feet. Consequently, a decision was made to support only priority sectors which are yet to be determined by the Russian Government.

However, the removal of the benefit is a significant blow to SMEs that provide a large number of jobs. Personnel costs for SMEs will increase substantially, which may impact their hiring policies and ability to raise wages.”

Personal Income Tax

Tax exemption for sale of shares and interests

A new law aims to create a single set of rules for tax exemption on income from selling equity interests. This exemption applies to gains of up to RUB 50 and can be claimed by Russian tax residents who have held the investment for a minimum of five years.

According to the existing rules, exemption can be claimed on the participation interest in Russian entities as well as shares of Russian and foreign organizations provided they are not on the Russian Ministry of Finance’s list of offshore jurisdictions and its assets are more than 50% Russian real estate.

With the amendments in place:

- tax exemption will be available for income from the sale of and interest in Russian entities, but will no longer apply to the sale of foreign shares;
- the 50% Russian real estate asset threshold will apply both to the sale of shares and participation interest;
- exemption will not apply to proceeds from exit from the company which no longer be classified as “sale” of shares/equity interest subject to exemption.

Therefore, starting from 2026, the disposal of any foreign shares by a Russian tax resident will be subject to PIT and must be declared.

Gifts of securities and financial derivatives

The Russian Tax Code provides that income received by an individual in the form of a gift is exempt from PIT.

However, exemption does not apply to gifts of shares, interests, or certain other property. Such gifts are taxable unless the donor and donee are relatives.

Under the amendments, this rule will apply to gifts of stocks and derivatives. These gifts will be taxable, unless given by close relatives.

Tax exemption of compensations for lost property

The list of tax-exempt income will also include reimbursements from a liable party for lost property.

Criteria for applying the “three-year” investment relief

The law clarifies prerequisites for a so-called three-year investment relief.

The [current](#) tax provisions grant a relief on capital gain from the sale of securities issued by Russian or EAEU companies listed on an organized securities market.

According to the amendments, such investment deduction will apply to income from selling securities that are publicly traded at the time of sale, regardless of their previous status.

It would also extend to the sale of investment units in open-end mutual funds managed by Russian companies.

Furthermore, the law provides for the "inheritance" of the holding period for shares of/interest in ESI acquired under Federal Law No. 470-FZ, similar to the general [corporate income tax rules](#).

PIT on gambling/lottery winnings

Individuals will no longer be required to calculate or pay PIT on gambling and lottery winnings of up to RUB 15,000.

For these winnings, the tax will be entirely calculated and withheld at source by the tax withholding agent (the gambling operator).

Criteria for calculating the standard tax deduction

The amendments propose that the standard child tax credit be calculated on income included in the main tax base only.

Currently, it is charged on the total income less dividends.

Sale of property received as repayment of obligations

The amendments formalize the taxpayers' right to reduce the sales income from such property by the amount that was already taxed when the property was acquired.

Stricter tax regime for "foreign agents"

Special tax conditions will be established for individuals classified as foreign agents under Russian law.

Based on the amendments, such foreign agents, regardless of their tax status, would not be entitled to:

- tax exemption for income from the sale of property (including securities) held during the minimum period of ownership established by the Russian Tax Code;
- tax exemption for income inherited from, or donated by, individuals, including gifts between close relatives;
- tax relief available for investments and long-term savings.

Furthermore, all income of foreign agents (Russian tax residents and non-residents) would be subject to a common rate of 30%.

These tax consequences will apply to individuals that have had a foreign agent status for at least one day over the tax period.

FIFO method for the sale of financial derivatives

Expenses incurred to sell financial derivatives will be recognized using the FIFO method.

Currently, the Russian Tax Code provides that only securities qualify for the FIFO method, but does not offer similar provisions for financial derivatives, an omission that generates some uncertainty.

With the amendments, the approach will be unified.

Northern residents deductions

The current provisions of the Russian Tax Code

stipulate that special PIT scale applies to the so-called "northern payments" (the portion of payroll attributable to regional coefficients and percentage bonuses established by Russian law) as follows:

- 13% for payments up to RUB 5 million;
- 15% for the portion exceeding RUB 5 million.

The amendments clarify that this special PIT scale will also apply to payments calculated based on average earnings, to the extent they correspond to these regional coefficients and percentage bonuses.

Company formation or capital increase through contribution of shares/equity interest

[The existing](#) Russian Tax Code provisions establish specific rules for calculating the tax base when shares or participation interests are used as payment for newly issued shares.

Consequently, if the shares or stakes contributed as payment qualify [for the "five-year" relief](#), the taxable gain is calculated as the difference between the market value of the shares received over the market value of the shares contributed as at the transfer date.

The amendments propose extending the similar rules to the situations where shares/equity interest are contributed to the charter capital upon establishment of a Russian legal entity or the increase of its charter capital.

Determining acquisition expenses for interest in ESI where shares/equity interest in a foreign entity was gifted or inherited

Special provisions of the Russian Tax Code establish specific rules for determining the acquisition cost of ESI shares/equity interest that were received through the special procedure outlined in Federal Law No. 470-FZ ([Article 214.1 \(10.1\)](#), and [Article 220 \(2.7\)\(2\)](#) of the Russian Tax Code).

Such expenses are determined based on the actual documented costs incurred to acquire the interest in the company through which the indirect participation in ESI is held.

The amendments clarify how the cost base shall be determined if the shares of / interest in the company through which the participation in ESI is held as a gift or through inheritance:

- if no tax was paid upon the receipt of these shares/equity interest under the Russian Tax Code, the documented acquisition costs incurred by the donor/decedent will be recognized as the cost base;
- if tax was paid upon receipt of these shares/equity interest, the cost base would be the amount of such taxed income.

The amendment will be applied retroactively as of 1 January 2025.

PIT rate for EAEU citizens

The amendments propose applying the PIT scale established for Russian tax residents to employment income received by EAEU citizens in Russia regardless of their tax residency.

Consequently, even if these individuals are considered non-residents of Russia, their Russian-sourced employment income will be taxable at the standard rates of 13%, 15%, 18%, 20%, or 22%.

Tax monitoring

Broader scope of control measures applied as part of the tax monitoring

The amendments authorize inspections as part of the tax monitoring regime.

At present, inspections are limited to returns that reclaim VAT or where specific discrepancies are found in submitted VAT returns.

The amendments seek to broaden the scope for initiating an inspection where tax authorities:

- uncover data discrepancies in the documents (information) filed or inconsistencies between a

company's records and those held by the tax authority;

- identify incorrect or late payments of taxes, social security contributions or other dues;
- review as part of the tax monitoring the expenses claimed under agreements for protection and encouragement of investment (APEI) for government support.

A previously proposed measure to allow document seizures was excluded from the bill after the second reading.



Yulia Orlova

Partner

Tax & Legal

“The revised draft amendments for the second reading feature two major revisions.

First, the entry criteria for the monitoring regime will not change.

The current requirement for taxpayers to simultaneously satisfy three financial thresholds (pertaining to taxes paid, revenue, and assets) will be maintained.

The previous proposal to relax this requirement, allowing compliance with just one of the three criteria, was rescinded. This reversal appears to stem from the tax authorities' assessment that their systems are not yet sufficiently ready for a substantial increase in the number of participants.

Second, the updated draft removed a proposed amendment to permit document seizures as part of monitoring. This procedure, intended for cases where evidence is at risk, was considered unnecessary given that the monitoring program is designed for reputable large businesses and is built on a foundation of transparent cooperation. Its exclusion was then a logical step.”

Tax monitoring in case of succession

The Russian Tax Code currently provides that the state registration of an entity's termination as part of reorganization constitutes grounds for the early termination of the tax monitoring.

The amendments introduce a mechanism for a legal successor to assume and continue the monitoring process. Under the new rules:

- the monitoring period will not be reset or interrupted if the legal successor joins the tax monitoring;
- the successor entity is exempt from meeting the standard financial thresholds for participation;
- the legal successor must update any information inherited from the reorganized entity that is no longer accurate within one month of the reorganization. Failure to do so, if discovered by the tax authority, will result in the early termination of the monitoring.

Tax monitoring of the parties APEI

Participation in tax monitoring is mandated for all parties to APEI.

As part of tax monitoring for APEI participants, tax authorities will review not only the accuracy of taxes, social security contributions and other dues, but also the actual expenses qualifying for state support.

To facilitate this, a APEI participant must grant access to the relevant documents within the first year of monitoring.

The amendments would extend this look-back period to begin from the earliest of the following:

- the date when the capital expenditure budget was approved;
- the date the decision to implement the investment project was adopted.

Early termination of tax monitoring

The amendments propose expanding the list of grounds for early termination of the tax monitoring. Accordingly, tax monitoring will be terminated prematurely under the following circumstances:

- outdated information about a participant's legal successor;

- the protocols for information exchange, information systems, or internal controls fail to comply with the requirements established by the Russian Federal Tax Service;
- recurrent (twice and more over the reporting period) failure to provide system access according to the approved schedule and rules.

Tax Administration

Prior-year errors

If a tax rate increases in a current period, the taxpayer will not be able to correct prior-year errors. In other words, the taxpayer will have to submit an amended

tax return rather than deducting prior-year costs in a current period.

The amendment will apply as of 1 January 2026.

“Although the new regulation is not yet adopted and does not cover 2025, it is already applied by tax authorities. Several clarifications have been issued in this regard stating that tax-deduction in the current period of expenses attributable to a prior tax period which had a lower income tax rate constitutes a misstatement of tax obligations. Therefore, according to the Russian Ministry of Finance, the use of this tax base adjustment method by the taxpayer is prohibited.

Extenuating circumstances

According to amendments even with the extenuating circumstances in place, fines cannot be reduced by more than tenfold.

Extraterritorial principle of in-house audits

In-house audits will be conducted on an extraterritorial basis.

This means they can be carried out not only by the tax inspectorate the taxpayer is registered with, but also by other inspectorates authorized by the Russian Federal Tax Service.

Preferential late payment interest

Special calculation of late payment interest (1/300 of the key rate for the first 30 days of delay, 1/150 of the key rate from the 31st to the 90th day of delay, and 1/300 from the 91st day of delay) is extended until the end of 2026.

Tax deferrals, investment tax credits and installment plans

The proposal calls for an overhaul of the tax deferral mechanism. The key changes include:

- expanded eligibility for deferrals and installment plans: the scope will be extended to include taxpayers engaged in seasonal activities; taxpayers experiencing a decline in business activity of over 50% due to adverse climatic conditions or a drop in market demand;
- the maximum term for investment tax credits will be increased from five to ten years.

Simultaneously, a new ground for refusal is being introduced - a deferral or installment plan will be denied if the applicant is under review for a tax offense and the amount of the arrears or penalty exceeds either 10% of the requested amount or RUB 100,000.

Simplified Tax System, Single Agricultural Tax and Patent Tax Regime

The amendments restrict the regions powers to establish preferential rates under the Simplified Tax System (STS). Based on the amendments, the Russian regions will be able to offer reduced rates only to taxpayers engaged in businesses listed by and meeting the criteria established by the Russian Government.

International companies will not be eligible for STS.

The list of deductible expenses for taxpayers under the "income minus expenses"-based STS will become open-ended to include other expenses meeting the criteria of Chapter 25 of the Russian Tax Code.

Upon transition from STS to the general taxation regime, taxpayers will be able to deduct expenses to purchase goods or rights the cost of purchased goods/titles incurred, but not deducted prior to the transition. This provision applies to expenses paid within the three-year period preceding the transition to the general taxation regime.

Similar provisions for the transition to the general taxation regime will apply to the single agricultural tax (SAT).

Patent system eligibility thresholds will be tightened, leading to a loss of the right to apply it:

- in 2026: if income for 2025 or during 2026 exceeds RUB 20 million;
- in 2027: if income for 2026 or during 2027 exceeds RUB 15 million;
- from 2028 onward: if income for the previous year or during the current year exceeds RUB 10 million.

Excise taxes, Mineral Extraction Tax, and Additional Income Tax

Excise tax rates will be indexed.

Also the amendments:

- change the way excise tax deductions are calculated for specific sectors, including wine sales, grape usage, and oil refining.
- clarify execution procedures for investment agreements in viticulture and winemaking;
- introduce an excise tax deduction multiplier for polyester production, subject to specific conditions;
- clarify the deduction multiplier provisions for oil refineries, including the option to enter into new investment agreements;
- abolish excise tax prepayments for producers of alcoholic and excisable alcohol-based products;
- revise the excise tax procedure for ethyl alcohol used in manufacturing automotive gasoline;
- implement a reverse excise tax mechanism for the processing of tolled oil abroad;
- clarify the approach to calculating the Additional Income Tax (AIT) upon the adjustment of tax-deductible expenses and extend the limitation on tax loss carry-forwards until the end of 2030;
- introduce the mineral extraction tax (MET) deduction for iron ore extraction within the Olenegorsk municipal district of Murmansk region;
- change the MET mechanism for natural gas production by implementing a new supplementary coefficient designed to capture a portion of gas price indexation gains;
- introduce a special deduction for owner companies of the Unified Gas Supply System to reduce their MET liability;
- revise the basis for determining oil prices. The oil price benchmark for MET, AIT, excise, PSAs, export duty) will be technically reconsidered to rely on domestic Russian data.

Technology Levy

The amendments to the law on industrial policy introduce a technology levy.

A new technology levy will apply to the import and production of government-listed electronic components (modules) and related industrial products.

The obligation to pay the levy falls on importing or manufacturing legal entities and individual entrepreneurs.

The levy will be charged per unit of product.

The Russian Government will set the rate, which must not exceed RUB 5,000 per unit, and establish the calculation procedure and payment deadlines.

The proceeds from the collection will be used to finance activities in the electronic and radio-electronic industries.

The new rules take effect as of 1 September 2026.

The amendments are high-level, leaving the levy's specifics to be defined by secondary legislation anticipated in early 2026. Media reports indicate a phased implementation, starting with finished products. Support measures for manufacturers that comply with localization rules are also being discussed.

Other Amendments

The taxation rules for gambling businesses will change.

Certain state duties will be raised, including those related to the production and trade of alcoholic beverages.

Effective 1 January 2027, corporate property taxes—specifically the transport tax, property tax on assets taxed at cadastral value, and land tax—will be

calculated by tax authorities. Taxes will be due by 28 March of the following year based on a tax notice (a shift from the current deadline of 28 February). The deadline for advance tax payments will shift to the 28th of the second month following the reporting period (from the current deadline of the 28th of the following month).

Businesses and individual entrepreneurs will have right to pre-file estimated PIT and social security contributions, e.g. in the form of a single annual notification for the full year ahead.
Tax debt collection procedures will be updated.

For property tax purposes, a single real estate complex will be classified as an administrative/office/ or shopping center—and thus taxed at cadastral value—if it contains at least one non-residential building that fits the corresponding legal definition.

Please feel free to reach out if you have any questions about the proposed amendments and their interpretations.

*Sincerely,
BST team*

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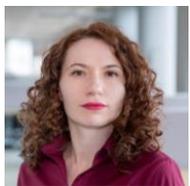
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