

In Focus

Breaking down key legislative developments

Tax & Legal Department



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Taxes 3.0: Tax Amendments Package in Autumn

A new 210-page long [bill](#) proposing multiple tax initiatives has entered the Russian State Duma.

While some initiatives were unveiled before, others became quite a surprise.

The key amendments include:

- Higher VAT rate
- Reduced IT incentives
- Higher social security contribution rates for SMEs
- Lower income threshold triggering VAT for the Simplified Tax System (STS) users
- Broader access to the tax monitoring regime and many more

Most amendments are scheduled to take effect immediately at the start of the next year.

Let us have a closer look at the changes in the pipeline.

VAT

Higher VAT rate

The amendments increase the general VAT rate from 20% to 22% while keeping VAT at 10% for essential products such as foods, medicines, children's items, etc.

For certain transactions (electronic services and the sale of an enterprise as a property complex), a chargeable VAT rate will increase from 16.67% to 18.03%.



Sergey Shchelkalin
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"This move by the Russian Ministry of Finance is obviously driven by the budget deficit reaching almost five trillion Rubles. Businesses have been actively discussing the news about the potential increase of VAT. This comes amidst the recent statements by the government saying that the tax system will continue unchanged for at least three years without any significant changes in the near future. A higher VAT rate will have an impact on selling prices and inflation rates. This is due to the fact that an increase in VAT can be either absorbed into end-consumer prices, driving inflation, or it can be the seller having initially to shoulder a portion of that increase, with a direct effect on costs and profit margins, which can only continue for a limited time. As businesses adapt to higher VAT rates, they will need to make decisions, including risks involving lower demand. We recommend that companies analyze their existing contracts to identify whether they need to review or update clauses related to VAT payments."

The bill comes without transitional provisions. As a result, taxpayers may need to deal with certain practical VAT assessment issues requiring regulatory clarifications, including aspects such as

- Applying VAT to contracts involving advance payments
- Determining a VAT rate to be withheld by the tax agent for work or services when purchased in Russia from foreign persons (this applies to payments, as well as to other ways to perform obligations)
- Recognizing an additional payment representing a VAT difference of 2% to be repaid by the buyer, as agreed with the seller
- Applying VAT where the goods sold before the rise in tax rate are returned or where the price of such goods has changed

Simplified Tax System: Lower income threshold for the purpose of VAT

With effect from 1 January 2025, the VAT exemption is no longer available for taxpayers applying the Simplified Tax System (STS).

However, organizations and individual entrepreneurs applying the STS may qualify for the VAT exemption where their income does not exceed RUB 60 million.

While the government promised to wait with cuts to the 60-million threshold until 2028, the bill proposes a decrease from RUB 60 million to RUB 10 million.

The press release issued by the Russian Ministry of Finance points out that "lowering the VAT threshold to RUB 10 million is designed to provide more efficiency to combat business split-ups while also enabling growing businesses to have a smoother transition to the general taxation system."

The right to the reduced rates of 5% and 7% will continue.

With effect from 1 January 2026, taxpayers applying the STS will have to pay VAT where their income exceeds RUB 10 million. In doing so, they will have the following options:

- Paying VAT at the standard rates (0%, 10% or 22%) along with the right to reclaim input VAT; or
- Applying reduced tax rates depending on the amount of income (5% for income less than RUB 250 million or 7% for income between RUB 250 million and RUB 450 million), but without tax deductions

Companies applying the STS should already be preparing for the changes because those changes will involve an increase in tax burden and administrative costs. Businesses will need to set up VAT accounting, as well as gain an understanding of VAT reporting and build necessary processes.

Discontinuation of VAT exemption for registered software

Currently, the Russian Tax Code [provides](#) for VAT exemption with respect to selling exclusive rights to, and licensing use rights to, registered software and databases.

The bill proposes to exclude the related provision.

As a result, transactions involving the sale of rights to registered software and databases will be subject to VAT with effect from 1 January 2026.

This amendment comes as an unannounced surprise.

With the ambitious goals for software import substitution under way, this change does not seem quite reasonable because repealing the exemption would increase the cost of licenses for Russian software.

The repeal of the VAT exemption will affect IT companies working with clients such as banks that may not deduct input VAT. This would have a direct impact on profitability, with the transacting parties having to decide how to share the resulting VAT.

In addition, IT companies having long-term contracts with a fixed value may face difficulties meaning that they would have to sacrifice some of their profits generated from projects.

This situation may also hit IT companies working with individuals who may churn when faced with prices increased by VAT.

Discontinuation of the exemption for certain banking transactions

The bill proposes to repeal the VAT exemption for bank card services.

It also provides for cancelling the exemption for transactions serviced by providers offering the information and technology support for settlements between parties, including services for collecting, processing and providing such parties with information on transactions involving bank cards (acquiring).

VAT on ore sales

As regards taxpayers engaged in the extraction of precious metals, as well as refineries that have the right to refine precious metals, the bill envisages a zero-rate VAT for such taxpayers when selling ore, concentrates and other industrial products containing precious metals.

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

- Contract for the sale of ore, concentrates and other industrial products containing precious metals intended for further refining
- Documents or copies thereof supporting the transaction whereby ore, concentrates and other industrial products containing precious metals are transferred to refineries for the purpose of refining

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

That this VAT benefit is partially included in the zero-rate tax category will enable taxpayers engaged in the extraction of precious metals to claim the input VAT deduction.

Crypto mining infrastructure

Where a Russian taxpayer leases out crypto mining infrastructure or real-time computation capabilities for mining to foreign persons, such leases will be subject to VAT payable in Russia.

Digital platforms and digital rights

The bill offers the VAT exemption for the following services:

- Services (other than advisory services and software licensing services) by investment platform providers

working to attract investments based on service agreements for fund raising and investment assistance, including services that enable purchasing utility tokens or recognizing such utility tokens for accounting purposes

- Other services by investment platform providers where such services are directly linked to activities aimed at attracting investments.

In addition, the bill further clarifies the procedure for determining the tax base for transactions involving utility tokens.

VAT benefits for tour operators

The amendments extend the duration of the VAT exemption for tour operators selling tour products related to domestic and/or international tourism.

This exemption will continue until the end of 2030 (previously, the end of 2027).

Income tax

Loss carry-forward limitation

The Russian Tax Code [provides for](#) the loss carry-forward limitation whereby losses from previous periods may be deducted up to 50% of the tax base for the current period.

The amendments extend the availability of the loss carry-forward limitation until the end of 2030.

IT benefits

The amendments provide that Skolkovo residents will not be entitled to the reduced income tax rate for IT organizations.

According to the previous clarifications from the Russian Ministry of Finance (Russian Ministry Of Finance Letter No. 03-03-06/1/117506 of 25 November 2024), there was no restriction on Skolkovo residents to access the reduced income tax rate available to IT companies.

Based on the amendments, even where Skolkovo residents meet the applicable requirements (i.e. maintaining the IT accreditation status and a share of 70% of income coming from core IT activities), they may not apply the reduced income tax rate for IT companies until they lose their status as Skolkovo residents.

Reduced tax rate for personal trusts

The Russian Tax Code offers a reduced tax rate of 15% for personal trusts that meet the applicable requirements whereby a share of passive income must exceed 90%.

Based on the amendments, the reduced tax rate will not be available to taxpayers (i) that have the foreign agent status at a reporting date or (ii) that involve the participation from persons qualifying as foreign agents at that reporting date provided that such cumulative participation is at least 10%.

In this regard, the bill provisions do not reflect the legal nature of personal trusts. Personal trusts as such do not involve participation from persons with an interest in a personal trust. Personal trusts are established by individuals. Rather, the bill seems to imply that the reduced tax rate would not apply where the settlor of a personal trust has the foreign agent status. As a result, the wording of the bill may require further refinement.

The amendments further provide that income generated by managing assets in a mutual fund will be taken into account when determining the existence of 90% of passive income.

Availability of reduced rates for persons with the foreign agent status

Based on the amendments, almost all reduced income tax rates will become unavailable for income received by a taxpayer (i) that has the foreign agent status at a reporting date or (ii) that involves cumulative participation, whether direct or indirect, of at least 10% from persons having the foreign agent status at a reporting date.

Federal Investment Allowance and Regional Investment Allowance

The Regional Investment Allowance (RIA) will become available to [taxpayers](#) taxed at a rate of 40% applicable to natural monopolists (and their subsidiaries) engaged in transmitting oil or oil products via trunk pipelines.

The right to the Federal Investment Allowance (FIA) may be transferred within a group to entities that are not holders of a principal OKVED qualifying for the FIA. In other words, it is only the transferor that must be the holder of a qualifying principal OKVED.

The FIA will not be applicable to the historical cost of property, plant and equipment where such historical cost has been financed with subsidies.

Determining income when transferring goods to settle obligations

Based on the amendments, when transferring goods/titles or performing work/services to settle monetary obligations arising outside the related contractual arrangements, income on such transfers will be determined as the value of a related obligation while also taking into account the transfer pricing rules.

The amendments answer the question of whether sale income arises out of assets being transferred as a payment of dividends or as a payment of the effective value of an ownership interest when a shareholder exits a company.

If the amendments are adopted, such transfer of assets may be qualified as sale.

The wording of the amendment with reference to Article 105.3 of the Russian Tax Code allows for interpretation whereby income on the transfer may be determined as a market value of assets / titles being transferred rather than as an amount of obligations which are to be settled by transferring such assets.

For example, when transferring property as a payment of dividends, the income arising on sale of the property may be recognized by the transferor at a market value, which effectively results in tax on capital gains.

Free-of-charge receipt of assets from a person with the foreign agent status

The Russian Tax Code provides tax exemption for income received in the form of assets/titles 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%.

According to the amendments, the tax exemption **will not apply** where the transferee is an entity (i) that has

the foreign agent status at the assets/property receipt date or (ii) whose charter capital involves more than 10% participation, either direct or indirect, from persons having the foreign agent status.

Multiplier applied when recognizing license payments for registered software

The Russian Tax Code [provides](#) that costs related to the purchase of use rights to registered software/databases/hardware systems may be recognized by applying a multiplier of 2.

However, the amendments provide that the multiplier will not apply where the license agreement includes the sublicensing option.

In other words, the multiplier will only be available to organizations that expect to use the rights to software/databases/hardware systems for their own activities rather than for resale.

Doubtful debt

In [accordance](#) with the Russian Tax Code, doubtful debt is defined as unsecured receivables arising out of goods sold, work performed or services provided by the taxpayer where such receivables have not been repaid within the period established by the contract.

The amendments provide that doubtful debt also includes receivables supported by a court decision that are payable to the taxpayer in the form of contractually defined fines, interest or other sanctions.

Bad debt

The [existing provisions](#) of the Russian Tax Code allow for loan receivables purchased by banks to be recognized as bad debt where liabilities related to such receivables qualify as uncollectible in accordance with the criteria established by the Russian Tax Code.

The amendments also make this option available to debt collection agencies entered into the official register.

Similar to banks, such agencies may also deduct costs incurred to acquire receivables where they have exhausted all options to collect such receivables.

However, deducting such costs still remains an open issue for other taxpayers (e.g. where the limitation period for such receivables has expired).

Filing a tax return

Starting from 2027, there will be no need for branches to file a tax return with their local tax authorities.

Withholding Tax (WHT)

[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 the WHT [except for](#) income received from intragroup services.

The amendments propose making the wording more general. That is, the WHT will not apply to active income **except for income** [expressly specified](#) as taxable.

The intention behind the amendments may aim at making it as clear as possible that income derived by foreign entities from international shipping services is taxable.

Previously, a taxpayer was able to successfully defend its position (Case No. [A45-36916/2023](#)), arguing that international shipping is a service, and, therefore, income received by an international company from such service is not subject to the Russian WHT.

However, as a follow-up, the Russian Ministry of Finance issued Letter No. 03-08-13/74645 of 1 August 2025, explicitly clarifying that international shipping is subject to the Russian WHT.

Russian counterpart of Pillar 2

The amendments include the provisions from another bill that was published with the federal draft legislation portal this summer.

The provisions proposed do not implement any adaptation of the original Pillar 2 rules.

The proposition is clear: each entity in an MNE group

must calculate its own effective income tax rate to pay a top-up tax where the resulting Effective Tax Rate is below 15%.

The change will affect MNE group entities* (as defined by the country-by-country reporting rules) that meet the following criteria:

* Except for MNE group entities that are foreign entities generating income in Russia without a local permanent establishment

- As at 31 December of a taxable period for which a tax base is determined, the MNE parent is a foreign country resident

Therefore, the new rules only address tax leakages related to groups with foreign holding companies. At the same time, topping up tax in a foreign country may affect groups having Russian companies as their parents where such groups have subsidiaries in countries that have implemented the UTPR.

- As at 31 December of a year for which a tax base is determined, the parent company and/or intermediate holding companies in the MNE are residents in a country with the legislation establishing the rules for the effective minimum tax rate based on the OECD model and setting out the Global Minimum Tax for MNEs (it is our understanding that the IIR rule is meant), or at least one MNE entity is a tax resident in a country with the legislation establishing the extraterritorial taxation rules based on the OECD model and setting out the Global Minimum Tax for MNEs (it is our understanding that the UTPR is meant here) — In both cases, such countries are to be determined by the Russian Ministry of Finance
- Based on the consolidated financial statements for each of the two financial years preceding a current tax period, income (revenue) of the MNE exceeds or may exceed an amount equivalent to EUR 750 million (where the parent company does not prepare consolidated financial statements or does not file such consolidated financial statements with tax authorities [as part of the transfer pricing controls](#), separate financial statements prepared by

MNE group entities under local accounting standards are used as information sources).

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

The tax burden ratio is determined as the ratio of (i) the total tax amounts calculated by an MNE group entity for a given tax period without applying the new rules (except for dividend tax), to (ii) the total taxable bases (less dividends) while also taking into account the carryforward of losses from previous years.

The corresponding taxable bases exclude income and expenses from the sale or other disposal of shares/interests in Russian or foreign organizations in which the taxpayer directly holds more than 10% on the date of sale or other disposal.

When calculating the tax burden ratio, the tax will also be adjusted by the theoretical tax amount that relates to the tax base for transactions with such shares/interests (it will be subtracted from the numerator representing the amount of the tax calculated).



Natalia Kuznetsova

Partner

Tax & Legal

“The test for the effective tax rate is proposed to be applied to each MNE entity rather than to all MNE group entities based in Russia.

This is the key difference from the original Pillar 2 rules.

Where the efficient tax rate is above 15% across all MNE entities in Russia (that is, no top-up tax applies) and where — at the same time — a certain MNE Russian entity has an efficient tax rate below 15%, such MNE entity will have to ratchet up its tax to make it 15%.”

An 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.

A final tax amount to be paid will be adjusted for advance income tax payments made at a standard rate during the period.

The grandfathering clauses available for SPIC¹, ADT², FPV³, SEZ⁴, APEI⁵ and MHC⁶ will **have no effect** on the new taxation rules for MNE entities, including entities that obtained this status before.

Social security contributions

Companies in the IT and radio/electronics industry

With effect from 2026, new social security contribution rates will apply to IT companies, as well as to organizations operating in the radio and electronics industry.

In-scope companies	Reduced rate for 2025	Reduced rate for 2026
Companies operating in the radio and electronics industry	7.6% applies regardless of the amount of employee benefits	7.6% applies to employee benefits not exceeding the chargeable social contributions base cap and 0% to employee benefits exceeding the chargeable social contributions base cap.
IT companies	7.6% applies regardless of the amount of employee benefits	15% applies to employee benefits not exceeding the chargeable social contributions base cap and 7.6% to employee benefits exceeding the chargeable social contributions base cap.

Where the government reduces its stake in a company, the company will be able to apply a reduced social security contribution rate starting from the first day of a month in which the government stake falls below 50%.

Skolkovo residents will no be able not apply a reduced

social contributions rate available to IT companies until they lose their status as Skolkovo residents. It should be noted that there are other reduced rates available for Skolkovo residents: a rate of 30% applies where employee benefits are within 1.5 minimum wages and 15% for employee benefits exceeding 1.5 minimum wages.



Emil Baburov

Partner

Tax & Legal

“Payroll is one of the major cost items for most software development companies. As a result, they may be quite sensitive to higher contribution rates.

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

That Skolkovo residents will not able to apply the rates available to IT companies until they lose their Skolkovo status may come as another unpleasant surprise.

Currently, Skolkovo residents meeting the eligibility criteria for IT benefits may decide for themselves which reduced rate for social security contributions to choose.

This option will no longer be available starting from 2026.”

In addition, the amendment sets forth the provision whereby if income from core activities meets the 70% minimum threshold, the reduced rate applies from the first day of the month in which the organization received IT accreditation or in which it was entered

into the register of organizations operating in the radio and electronics industry. With tax authorities continuing to prefer this approach, the amendment is mainly for technical reasons.

¹ SPIC – a Special Investment Contract

² ADT – an Advanced Development Territory

³ FPV – the Free Port of Vladivostok

⁴ SEZ – a Special Economic Zone

⁵ APEI – the Agreement for Protection and Encouragement of Investment

⁶ MHC – a Multinational Holding Company

SMEs

Currently, the Russian Tax Code offers the following preferential social contribution rates for SMEs:

- The basic preferential rate for all SMEs is 30% for employee benefits within 1.5 minimal wages and 15% for employee benefits exceeding 1.5 minimal wages
- For SMEs in the manufacturing industry, the preferential rate is 30% for employee benefits within 1.5 minimal wages and 7.6% for employee benefits exceeding 1.5 minimal wages

The amendments significantly restrict the access to the basic preferential rate for SMEs. That is, the eligibility applies where the following criteria are met:

- The primary business activity as per the Unified Register of Legal Entities/Individual Entrepreneurs is included in the list of eligible industries, with the list to be approved by the Russian government. According to media reports, the trade and building industries will be excluded
- The primary business activity must generate over 70% of income

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

The issue of jobs has been dealt with; the government believes that small businesses are firmly back on their feet.

As a result, the decision was made to support only priority sectors, with eligibility to be determined by the Russian government.

However, the cancellation of the preferential rates comes as a massive blow to SMEs as they provide a significant number of jobs.

SME personnel costs will increase significantly, which may affect their hiring strategy and salary review policies.

Personal income tax (PIT)

Tax exemption for the sale of shares and interests

The bill proposes common tax exemption criteria for income received from the sale of shares and interests in the authorized charter capital of companies owned by the taxpayer (a Russian tax resident) over at least five years.

Currently, the Russian Tax Code exempts income from the sale of interest in the authorized capital of Russian organizations, as well as income from the sale of shares in both Russian and foreign organizations. This is, however, provided that (i) an organization is not included in the [offshore list](#) of the Russian Ministry of Finance and (ii) a share of Russia-based immovable property in the organization's assets does not exceed 50%.

With the amendments in place:

- The tax exemption will be available for income from the sale of shares in Russian companies and interest in the authorized capital of Russian companies. However, it will no longer apply to the sale of shares in foreign companies

- The 50% cap on Russia-based immovable property in the organization's assets will also apply to the sale of interest rather than only to the sale of shares
- The tax exemption will not apply to payments received upon exiting the company (such exit will no longer be recognized as a "sale" of shares/interests eligible for the exemption)

Therefore, the sale of any foreign shares by a Russian tax resident will be subject to taxation from 2026 and as such must be declared.

Gifts of securities and financial derivatives

The Russian Tax Code provides that income received by an individual as a result of a gift is exempt from PIT.

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

The bill proposes to expand this list of taxable gifts to include any securities or financial derivatives, which would therefore be subject to PIT unless given between close relatives.

Tax exemption of compensations for lost property

Tax exemption is proposed for income received as a compensation for lost property paid by the guilty party to the taxpayer.

Criteria for applying the “three-year” investment deduction

The bill introduces clarifications governing the criteria for applying the investment deduction available for the sale of securities held for at least three years.

Currently, the Russian Tax Code provides that taxpayers are eligible for an investment deduction in the amount equal to the positive financial result from the sale of securities in Russian companies and companies in EAEU member states. The deduction is available subject to those securities being traded in an organized market.

The bill proposes to expand the application of the investment deduction. It will apply to income derived from the sale of securities that are tradable at the time of their sale, even if they were not tradable before.

Personal income tax on winnings from gambling and lotteries

The bill eliminates the obligation for individuals to calculate and pay personal income tax on amounts up to RUB 15,000 for income received from gambling or lottery winnings.

The tax on such income will be calculated and paid in full by the gambling operator acting as the tax agent.

Criteria for calculating the standard tax deduction

The amendments propose that calculating the standard tax deduction for children would only include income that falls within the main tax base.

Currently, the calculation includes all income except for dividends.

Sale of property provided to settle obligations

When selling property (other than securities) received as a settlement of obligations, the taxpayer will have the right to reduce the selling income by the value of such property that was included as income into the tax base for the tax period in which such property was received by the taxpayer, and from which the tax was calculated and paid by the taxpayer upon receipt of such property.

Stricter tax regime for individuals with the foreign agent status

The bill proposes certain changes introducing special taxation conditions for individuals recognized as foreign agents in accordance with the Russian laws.

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 deductions available for investments and long-term savings

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

These tax consequences will apply where an individual has had the 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 are eligible for the FIFO method. It does not offer similar provisions to govern financial derivatives, which creates some uncertainty.

The amendments establish the FIFO method as a common approach.

Tax monitoring

Entrance ticket

Currently, joining the tax monitoring requires a taxpayer meet **all** of the following criteria:

- Taxes paid over a previous year total at least RUB 80 million
- Income reported in the financial statements for a previous year is at least RUB 800 million
- As of December 31 of a previous year, assets have a total value of at least RUB 800 million

The bill proposes that meeting **at least one** of the above criteria shall qualify a taxpayer to apply for the tax monitoring.

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

The amendments propose that the tax monitoring include certain control measures that are more similar to traditional audits:

- Seizure of documents and objects
- Inspection — Currently, inspection may take place as part of the monitoring when reviewing the VAT return in which tax reimbursement is declared, as well as when some inconsistencies have been identified in the VAT return. The amendments propose a broader inspection scope where:
 - There are contradictions in the documents or information submitted, or inconsistencies between the information provided by the organization and the documents available to tax authorities
 - Tax authorities have established facts indicating inappropriate calculation/withholding of taxes, duties, or social security contributions, or incomplete/late payments thereof
 - Tax monitoring involves reviewing costs actually incurred by a party to the APEI (the agreement for protection and encouragement of investment) where such costs are eligible for government incentives

Tax monitoring in case of succession

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

The amendments enable the legal successor to continue participating in the tax monitoring. That is:

- If the legal successor joins the tax monitoring, the tax monitoring period will continue without interruption during the reorganization
- The legal successor to the previous tax monitoring participant will not be required to comply with the amount thresholds
- If the information previously provided by the entity reorganized is no longer relevant for the legal successor, such information must be updated within one month from the reorganization date. Otherwise, the tax monitoring will be terminated early where tax authorities have found that the information provided previously is no longer relevant for the legal successor

Tax monitoring of the parties to the agreement for protection and encouragement of investment (APEI)

Joining the tax monitoring is the requirement for the parties to the APEI.

As part of the APEI, tax authorities review not only whether taxes, fees and social security contribution have been calculated appropriately, but also the costs actually incurred that are eligible for government incentives.

For this purpose, during the first year of the tax monitoring, an APEI party must provide access to relevant documents covering the period starting from the date of the APEI.

The amendments propose expanding the period for which documents must be submitted such that the period would start from the earliest of the following dates:

- The date of the decision to approve the capital expenditure budget; or
- The date of the decision to implement the investment project

Early termination of tax monitoring

The amendments propose expanding the list of grounds for early termination of the tax monitoring.

Thus, early termination will apply where:

- Tax authorities have identified that information on the legal successor to the previous tax monitoring participant is not relevant
- The rules for information exchange, information systems or internal controls fail to meet the

requirements of the Russian Federal Tax Service

- There has been recurrent failure to comply (i.e. at least twice over the tax monitoring period) with the information system access procedures and timeframes established by the Russian Federal Tax Service



Yulia Orlova

Partner

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If adopted, the amendments would significantly expand the reach of tax monitoring to include medium-sized businesses looking to reduce administrative burden arising from control measures by tax authorities. It is well known that recently, in addition to increased tax audits and field audits, the 'average audit bill' has also increased in terms of resulting additional tax assessments".

Tax administration

Tax due date

If a tax due date falls on a non-business day, it will be shifted to the preceding business day. Under the current rules, such a date is moved to the next business day.

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

The amendment will apply retrospectively on or after 1 January 2025.

Although this amendment has not yet been adopted, tax authorities are already applying it in practice.

Several clarifications have been issued in this regard, stating that a misstatement of tax obligations occurs if the taxpayer reduces the current-year tax base by deducting expenses attributable to a prior tax period which had a lower income tax rate.

Therefore, the Russian Ministry of Finance believes that the taxpayer has no grounds to adjust the tax base using this method.

Tax deferrals, investment tax credits and installed tax payments

It is proposed to further improve the mechanisms available for moving tax payment deadlines, including:

- Expanding the deferral and installment eligibility available to seasonal workers to include taxpayers whose work activity decreases by more than 50% due to natural climatic changes or lower demand
- Increasing the maximum period available for investment tax credits from five to ten years

In addition, there is also a new basis proposed whereby a taxpayer may be refused access to tax deferral or

installment options. That is, there a pending decision (or act) by tax authorities that has not yet been brought for appeal before higher-level authorities, with the tax arrears specified therein exceeding 10% of the amount requested for deferral/installment, or more than RUB 100,000.

Extenuating circumstances

Where extenuating circumstances exist, a fine may not be reduced to an amount that is less than one-tenth of the original amount.

Simplified Tax System, Single Agricultural Tax and Patent Tax Regime

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

Upon transition from the STS to the general taxation regime, an organization will be able to deduct the cost of purchased goods/titles that was paid for before the transition but not recognized as an expense under the STS. This procedure will apply only to expenses paid for during the three years preceding the year of transition. Similar provisions for the transition to the general

regime will apply to the single agricultural tax (SAT).

For the purposes of the patent tax regime (PTR), retail trade will include the sale of goods through non-stationary retail outlets. The PTR will not be available where a stationary facility exists (e.g. a store, a pavilion, a sales floor, etc.).

The PTR will also not be applicable to freight transportation services.

The right to apply the PTR will terminate if the taxpayer's sales revenue for either the previous calendar year or the period from the beginning of the current calendar year has exceeded RUB 10 million. Currently, the termination threshold is RUB 60 million.

Other issues

The taxation rules for gambling businesses will change. A state fee will be introduced for entering information on the turnover of goods subject to mandatory labeling into the unified information monitoring system, with the amount of the fee to be determined by the Government of the Russian Federation.

There will be changes in the approach used to determine the price of oil for the purposes of calculating the mineral extraction tax, the tax on additional income from hydrocarbon extraction, excise duty, production sharing agreements and export duties. The changes are for technical reasons and come as part of the initiative to transition to determining prices based on domestic data.

There will also be indexation of excise duty rates, as well as changes to the approach to calculating excise duty deductions for certain transactions (wine sales, oil refining and the use of grape). In addition, advance payments of excise duty will be cancelled for producers of alcoholic and/or excisable alcohol-containing products.

The approach to calculating the tax on additional income from hydrocarbon extraction will be clarified to

address the situation where deductible costs have changed.

A mineral extraction tax deduction will become available for taxpayers mining iron ore within the boundaries of the Olenegorsk municipal district in the Murmansk region.

With effect from 2027, tax authorities will become responsible for calculating property taxes for organizations (transport tax; property tax based on the cadastral value of property; land tax). Subject to a notification from tax authorities, such property taxes must be paid by March 28 of the next year (currently, the deadline is February 28), and advance payments must be made within 28 days of the second month following the expired reporting period (currently, the deadline is within 28 days of the following month).

Organizations and individual entrepreneurs will be able to submit advance notifications with estimated payments of personal income tax and social security contributions. For example, an organization or an individual entrepreneur may submit a single notification covering the entire year.

The bill has now been introduced to the Russian State Duma.

Therefore, updates are likely before the bill enters the second reading.

We are tracking these developments and will keep you informed.

Should you have any questions on the proposed changes or their interpretation, our team is ready to assist.

Kind regards,

BST team

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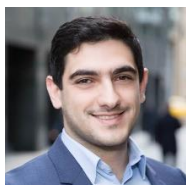
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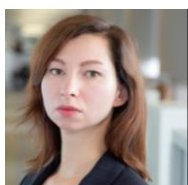
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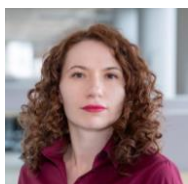
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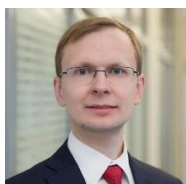
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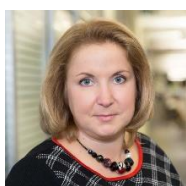
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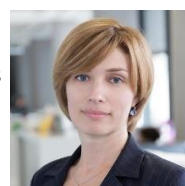
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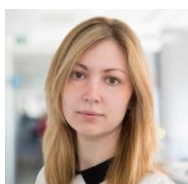
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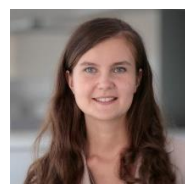
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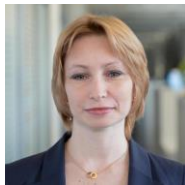
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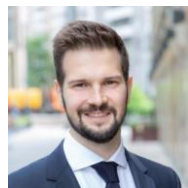
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