



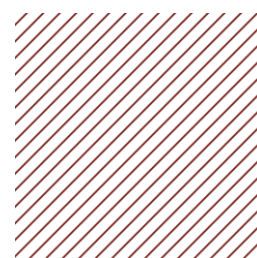
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Legal Overview

# Tax Law Changes Overview

07 April '20



# § I. Shift of tax filing deadlines

The non-working period has been extended to April 30 (by the President Order of April 02, 2020, No. 239). The Order does not however apply to the business sectors specified in the Order or resolutions issued by local supreme executive authorities of constituents of the Russian Federation.

Earlier, amendments were made to the Tax Code (Section 6.1) to introduce the definition of “non-working day” and to shift the filing deadline to the next working day where the filing deadline falls on a non-working day. Thus, generally, the deadline for filings which should have otherwise been made during the period starting from the “non-working month” will be May 6, 2020.

Apart from that, for all taxpayers the Government extends the tax filing deadlines:

- Until May 15 – for VAT and insurance premium payments for the 1<sup>st</sup> quarter of 2020;
- For three months – for all other taxes.

However, the shift of filing deadlines does not entail any extension of the deadlines for tax payments, except where specifically provided.

# § II. Tax measures to support small and medium businesses

- The Federal Tax Service (FTS) has announced the suspension of collection of tax arrears until May 30, 2020 for some of taxpayers, in particular organizations recorded in the register of small businesses (FTS Letter of March 25, 2020, No. ЕД-20-8/32@) and

companies on the list of sectors most suffering in the worsening situation (<https://www.nalog.ru/rn77/taxation/debt/ncov/>).

- Measures to collect tax arrears and injunctive measures will be suspended until April 30, 2020 for all taxpayers. Any deviation from this regulation will only be possible upon approval by the FTS local office in a constituent of the Russian Federation (FTS Letter of March 25, 2020, No. ЕД-20-8/32@). Also, a moratorium against suspension of transactions on accounts due to failed tax filings will be in effect and apply to all taxpayers until June 1, 2020.
- Effective as of April 1, insurance premium rates are reduced to 10%. Since the year 2020 the 22% insurance premium rate applies to wages below the minimum monthly wage (Federal Law of April 01, 2020, No. 102-ФЗ).



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- The Government has taken measures, according to which small and medium businesses from the list of sectors most suffering from the epidemic situation are granted tax deferral with respect to:
  - profit tax, single agricultural tax, simplified system tax for the year 2019 and advanced payments and taxes for the 1<sup>st</sup> quarter of 2020 - for 6 months;

- taxes and advanced payments for the 1<sup>st</sup> half-year of 2020 - for 4 months;
- advanced payments of transport tax, land tax, property tax for the 1<sup>st</sup> quarter of 2020 – until October 30, 2020, for the 2<sup>nd</sup> quarter – until December 30, 2020;
- Tax on professional income (tax on income from self-employment) can be introduced by laws of all the constituents of the Russian Federation, not only those covered by the pilot project. This tax regime allows individuals engaged in certain activities, who do not hire other people for work, to be eligible for tax rate that may vary from 4 % to 6% of the income earned.

## § III. Grandfather clause for investors

According to the recently introduced provision, taxpayers who are parties to a bilateral investment agreement will be exempt from further changes to the tax legislation, other than tax benefits (Federal Law of April 1, 2020, No. 70-Φ3). This means that taxpayers are given guarantees that their tax situation will not worsen in the course of activities related to performance of their agreement.

# §IV • Strengthening tax burden since 2021

## Rate increase for tax at source on payments of interest, dividends or royalty in jurisdictions recognized as transit jurisdictions

The RF Government is preparing changes to its existing double taxation treaties with a number of jurisdictions which the RF Ministry of Finance regards as jurisdictions used for transit withdrawal of funds. According to the information available, such changes should include increase of the rate for tax at source on dividends, royalty and interest to 15%, regardless of whether or not the recipient of income is its beneficial owner. Cyprus, being traditionally in the focus of attention of Russian tax authorities, is the first jurisdiction which has received Russia's proposal to revise the tax rates. The Government plans to prepare by April 25 proposals on further measures to increase tax burden on outgoing cash flows from the country.

## Individual income tax on interest income

Effective as of 2021, the individual income tax will be levied on bank deposit interest where the yield rate exceeds 1% per annum. The permitted tax-exempt minimum will be equal to income calculated as follows: Central Bank's interest rate at the tax period start multiplied by RUB 1 million. The tax rate will be 13%. The 35% rate for interest income exceeding the Central Bank's refinancing rate will no longer apply.

Also, the exemption from individual income tax on coupon yield derived from government or municipal bonds will no longer be in effect.

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