



August 2017

## Russian Legislation Update

### ACCOUNTING

### Due circumspection: Organizations will find it easier to exercise due circumspection

Unclassified information on taxpayers will be published on the Federal Tax Authority website from July 25, 2017.

Data on tax violations will be published in the first place, viz. decisions on the imposition on taxpayers of sanctions for the commission of tax offences, which come into effect from June 2, 2016 to June 30, 2017. Information on paid insurance contributions will be published in February next year.

The following information will be updated on a monthly basis:

- arrears and unpaid penalty fees and fines,
- tax offenses and liabilities for tax offenses,
- special tax regimes, and
- participation in a consolidated group of taxpayers..

Information on the average number of employees, receipts and expenditures as per accounting reports, paid taxes and fees will be published once a year.

Note that tax information in the public domain has not considered secret tax information since June 1, 2016.

Source: publication <https://www.nalog.ru>

## Additional regulations of the Tax Code of the Russian Federation, under which tax benefits could be proven

According to the new regulations (the RF Tax Code, Article 54.1 “Limits on the Exercise of Rights of Calculation of the Tax Base Amount and/or the Amounts of Tax, Fees, and Insurance Contributions”), the tax base or the amount of tax can be reduced if all of the following conditions are met:

- Tax accounting and accounting reports or tax accounts do not contain false information on facts of business activities and subjects of taxation;
- No transaction/deal is made for the purposes of evading paying taxes, paying less than the full amount of tax due or tax offset/refund;
- A counterparty or individual assumed the obligations under a transaction/deal and fulfilled them.

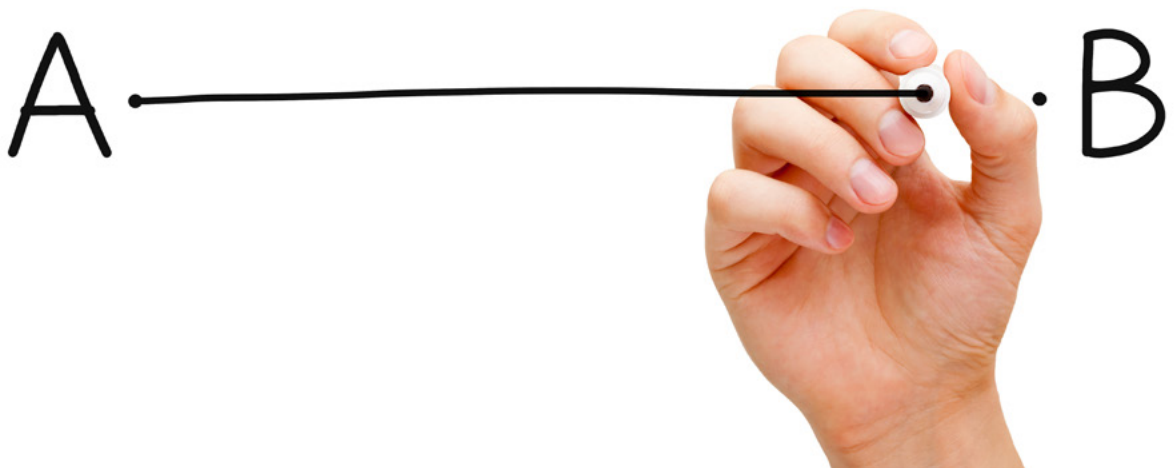
In that case, there will be no claims against the taxpayer, even if the primary documents were signed by a non-responsible person, the counterparty violated the tax and fee legislation or another legal transaction could have been made producing the same result. Under such circumstances, there is no ground for recognizing the tax benefit as unjustified.

The law is based on a 2006 Act of the Plenum of the Supreme Arbitration Court of the Russian Federation. The judicial act describes in more detail situations where tax benefits can be recognized as unfounded, so the act is still relevant today.

The new regulations apply to taxpayers, payers of fees and insurance contributions, and tax agents.

Mentioned regulations will take effect after August 19, 2017.

Source: Federal Law no. 163-FZ dated July 18, 2017 (effective August 19, 2017)



## **PAYROLL ACCOUNTING AND HR RECORDS MANAGEMENT**

### Ratio of indices: The Federal Tax Authority updates ratios for indices used to control the correctness of insurance contributions calculation reporting form

According to the Federal Tax Authority, now the following indices must necessarily have the same value:

- the index in column 1 of line 250 of Section 3 of the insurance contributions calculation form; it reflects the amount of payments to an individual for the last three months of the reporting (accounting) period;
- the index in column 2 of line 030 for all values of field 001 of Subsection 1.1 of Annex 1 to Section 1 of the insurance contributions calculation form.

Note that if these indices are not equal, the tax authority will ask the contribution payer to give clarifications and/or make corrections within five working days.

The document of the Federal Tax Authority does not include the monitored ratios determined by the Social Insurance Fund in June. Therefore, auditors should use the letters of two departments.

Source: The RF Federal Tax Service Letter N BS-4-11/12678 dated June 30, 2017@

## **LABOR AND MIGRATION LEGISLATION**

### The Federal Labor and Employment Service (“Rostrud”) proposes checklists for scheduled inspections of companies

Rostrud has put forward draft checklists for scheduled inspections of employers. The checklists are expected to be used by state labor inspectors from the middle of 2018. However, “Electronic Inspector”, an online service of Rostrud, is already available.

Federal Law No. 294-FZ dated December 26, 2008 “On the Protection of the Rights of Legal Entities and Individual Entrepreneurs Subject to State and Municipal Inspection and Supervision” and Government Decision No. 177 of February 13, 2017 “On Approval of General Requirements for Development and Approval of Checklists” serve as the basis for drafting an order on checklists.

Source: Draft Order of Rostrud “On Approval of Checklists for the Exercise of Federal Supervision over Compliance with Labor Law and Other Labor and Employment Regulatory Documents.”

## State inspection and supervision on a regular basis: Lists of employers who can be inspected by the Labor Inspectorate are available on the website of Rostrud

Rostrud has published lists of employers who can be inspected by state inspection and supervisory authorities. All employers subject to state inspection and supervision are conditionally divided into the following groups:

- employers of the high risk category can be inspected every 2 years;
- employers of the considerable risk category can be inspected every 3 years.

Other employers are assigned the medium risk category or lower. More detailed information is available on the official website of the Federal Labor and Employment Service.

Source: The RF Government Regulation N 197 dated February 16, 2017 “On Amendment to Some Acts of the Government of the Russian Federation”

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