



February 2018

Russian Legislation Update

ACCOUNTING

The Russian Ministry of Finance has repeatedly confirmed that claiming of incoming VAT set out in a cash receipt at retail purchase is not allowed

Despite several court decisions confirming the right to claim a VAT, the Ministry of Finance issued an official letter specifying that the only document confirming the right to deduct VAT in such a situation is the VAT Invoice.

Source: The RF Ministry of Finance Letter No. 03-07-09/634 dated January 12, 2018

Federal Tax Inspection has updated the list of codes for VAT invoices, specified in the VAT declaration and in a purchase and sale books

The update of the list concerns export, re-export and international transportation. Prior to the official approval of the new code list, the Tax Inspection will send information via electronic communication channels.

Source: Letter The RF Federal Tax Service Letter No.СД-4-3/532 dated January 16, 2018@

PAYROLL ACCOUNTING AND STAFF RECORDS MANAGEMENT

Child allowance adjustment from February 1, 2018

Child allowance in 2018 is subject to indexation in accordance with the previous year inflation rate.

Child allowance shall be adjusted by 1.025 since February 1, 2018 (draft decision of the RF Government).

| Allowance | Before February 1 2018 | Since February 1 2018 |
|--|-----------------------------------|----------------------------------|
| Registration in the early stages of pregnancy | RUB 613.14 | RUB 628.46 |
| At birth (adoption) of a child | RUB 16350.33 | RUB 16759.08 |
| Childcare of a kid under 1.5 y.o. | Minimum amount: | |
| | First child allowance | |
| | RUB 3065.69 | RUB 3142.33 |
| | Second child allowance | |
| | RUB 6131.37 | RUB 6284.65 |

Source: Draft Order of the RF Government "On adjustment of payments, benefits and compensations amount in 2018"

New annual report to the Pension Fund – SZV-STAGE (C3B-CTAK)

Only one of the parents of a child under the age of 14 or a disabled child under the age of 18 years is entitled to work shorter working hours. Therefore the Ministry of Labor has allowed the Employer to request a certificate from the second parent place of work.

Source: The RF Ministry of Labor letter No 14-2/B-1012 dated November 17, 2017@

The Federal minimum wage increase

Since 2018, the amount of the minimum wage has increased from RUB 7.800 to RUB 9.489.

The minimum wage will be adjusted annually, comparing its amount with the federal living wage for the working-age population actual in the second quarter of the previous year. If the living wage decreases, the minimum wage will remain unchanged.

LABOR AND MIGRATION LEGISLATION

Since January 11, 2018 amendments to the Labor Code have come into force and it has extended the list of reasons for unscheduled inspections

Now for the labor inspection it is enough that any person informs that the employer:

- evades the execution of an employment contract;
- concludes service agreement instead of employment contract;
- formalizes the employment contract improperly.

Such inspection will be carried out without any agreement with the prosecutor's office and without prior notification of the employer.

Source: Federal Law No. 502-FZ "On Amending Article 360 of the Labor Code of the Russian Federation dated December 21, 2017 (effective from January 11, 2018)

The dismissal of a part-time employee for non-attendance will be deemed illegal if there is no work schedule

The Novosibirsk Regional Court deemed illegal the dismissal of a part-time employee for non-attendance, since his absence from a part-time work was caused by a valid reason, he worked at the main place of work.

The employer of the part-time worker has not carried out a work schedule, while the employee complied with the standard monthly working time.

Source: Appeal decision of the Novosibirsk Regional Court of November 7, 2017 in case No. 33-10828 / 2017

The data of the digital entry system will serve as proof that the employee has violated of the working schedule

The employee attempted to appeal a reprimand on late entry and early exits from work, referring that information from the digital entry system relates to the personal data. In addition, the employee believed that the main proof of the time spent at work is the time sheet.

However, the court refused to satisfy the appeal, pointing out that the data from the digital entry system is not confidential and can be considered a proper proof of violation of the working schedule.

Source: Appeal decision of the Supreme Court of the Republic of Sakha (Yakutia) of November 15, 2017 in case No. 33-4401/2017

The risk-oriented approach on migration control has been specified

Legal entities and individual entrepreneurs employing foreigners or stateless persons and acting as an accepting or inviting party will be assigned to one of five risk categories, which cause the frequency of scheduled inspections:

- 1) Low – less frequently that once in 10 years;
- 2) Moderate – less frequently that once in 5 years;
- 3) Considerable – less frequently that once in 3 years;
- 4) High – less frequently that once in 2 years;
- 5) Extreme – less frequently that once in a year.

Employers can find out the assigned risk category if they apply to the local territorial body of the Ministry of Internal Affairs. If there is no decision on a particular employer, then the category will be considered low by default.

The employers who will be assigned to the three highest risk categories will be able to find the data on their company on the website of the Ministry of Internal Affairs.

Another amendment will be a checklist containing a list of questions that the inspectors can ask, but sample of such list has not been yet approved.

Source: Decree of the RF Government No. 1668 dated December 27, 2017 (entered into force on January 5, 2018)