



November 2018

## Russian Legislation Update

### ACCOUNTING AND TAX

#### The Ministry of Finance comments the new regulations of the VAT return on-site audit

Since September 4, 2018, the tax authorities review the submitted VAT returns during two months instead of three. If the authority suspects that a taxpayer has violated the law, the term is extended by one month.

The Ministry of Finance adds that tax inspectors are not obliged to notify the taxpayer about the audit extension.

Source: The RF Ministry of Finance Letter N 03-02-07/1/70615 dated October 2, 2018

#### The Federal Tax Service has explained how to apply the new 20% VAT rate

Since January 1, 2019, the VAT rate is increasing from 18% to 20%, and the Federal Tax Authority has issued the explanations regarding application of the new rate.

So, if a prepayment is received before January 1, 2019, VAT is calculated at rate 18/118%. When shipping against this prepayment has occurred after January 1, 2019, the 20% rate is applied. The advanced VAT is recovered at the rate valid at the time of prepayment. The letter of the Russian Federal Tax Service N SD-4-3/20667 dated October 23, 2018 also explains how to act if a buyer has paid the additional VAT after January 1, 2019 but before the shipment.

It also explains how to proceed if the goods shipped before January 1, 2019 have been returned. In this case, the supplier is recommended to issue an adjustment invoice with the rate valid at the time of shipment (18%). Based on this document, the buyer recovers the amount of VAT.

On the tax agents specified in the Russian Tax Code, Article 161, it is said that if a foreign organization has received the advance payment before January 1, 2019 on the deliveries shipped after January 1, 2019, the VAT is calculated on the date of the advance payment at rate of 18/118 percent. VAT is not charged at the time of shipment. If the payment for goods (works, services) is received before January 1, 2019, rate 18/118% is applied.

Source: The Russian Federal Tax Service Letter N CD-4-3/20667 dated October 23, 2018

## PAYROLL

### Penalty for late payment of personal income tax is eliminated for bona fide tax agents

The tax agent will not be held liable in case of late payment of personal income tax if the following conditions are met:

- Timely submission of the 6-PIT report;
- Accuracy of the data presented in the 6-PIT report;
- The company has paid penalties and arrears independently, before the decision of the tax authorities or desk audit.

Source: Draft Federal Law N 527676-7, passed in the first reading on October 18, 2018

### Employees with many children get annual vacation at a convenient time

The employees who have three or more children under age of 12 have got the right to choose the vacation dates at their discretion.

Source: Federal Law N 360-FZ, dated October 11, 2018 (enters into force on October 22, 2018)

## The 2019 schedule for substitute weekends has been approved

Taking into account the holidays substitute, there are five long weekends in the 2019 calendar:

Start date	End date (inclusive)	Number of calendar days	Public holidays (The Russian Labour Code, Article 112)
30.12.2018	08.01.2019	10 days	New Year Holidays
08.03.2019	10.03.2019	3 days	International Women's Day
01.05.2019	05.05.2019	5 days	Holiday of spring and labour
09.05.2019	12.05.2019	4 days	Victory Day
02.11.2019	04.11.2019	3 days	National Unity Day

Additionally, the following holidays and weekends shift in 2019: June 12, Russia day — 1 day; February 23, Fatherland Defender Day, falls on Saturday, so February 23 and February 24 will be the days-off. Monday, February 25 is the working day, since day-off on Saturday, February 23 was put forward to Friday, May 10.

We remind you that the working time on the eve of non-working holidays is reduced by one hour (the Russian Labor Code, Article 95).

Source: Resolution by the Russian Government N 1163, dated October 1, 2018

### LABOR LEGISLATION

## The Russian Ministry of Labor is framing the law “On electronic employment record and electronic HR documents”

According to the draft law, the employers will be able to send the data on the employees' work activities to the Russian Pension Fund in electronic form. The HR documents that the employer will be able to keep in electronic form will include: the employment contracts, documents on labor protection, employment records, documents regarding vacation and business trip registration, and time-sheet data.

For employees, this law provides for the right to receive relevant information and any related changes in electronic form, as well as to provide the electronic data to the employer.

The Russian Ministry of Labor specially stressed that these changes will help to simplify the employment procedure, including for the people working remotely.

Source: Information by the Russian Ministry of Labor of October 19, 2018. Comments by the Ministry of Labor on introduction of electronic employment records and electronic HR documents

## MIGRATION LEGISLATION

### The Russian Ministry of Internal Affairs has developed a checklist on compliance with the migration legislation

It is planned to use the checklist during routine inspections, which will be limited to the items covered by the checklist.

The inspections based on the checklist will be carried out in the following cases:

- Hiring foreign nationals arrived on the territory of the Russian Federation in a manner not requiring visa obtaining;
- Hiring foreign nationals or stateless persons arrived on the territory of the Russian Federation in a manner requiring visa obtaining;
- Hiring foreign nationals, citizens of the state, member of the Eurasian Economic Union;
- Inspecting educational organizations invited a foreign citizen to the territory of the Russian Federation for training purposes, as well as inspecting medical, social service and hospitality organizations.

Source: Draft Order by the Russian Ministry of Internal Affairs "On Approval of the Checklist Used for the Federal State Control (Supervision) in the Field of Migration"

### The Ministry of Internal Affairs has approved guidelines on registration of foreign citizens and stateless persons (including those studying in educational institutions) at the place of stay

The guidelines say that the territorial body of the Russian Ministry of Internal Affairs will extend an ordinary study visa to a foreigner entered the Russian territory for study in an educational organization at the place of registration. It is the educational organization that shall submit all documents for the extension of temporary stay of the foreign citizen.

After the territorial body of the Ministry of Internal Affairs decides to extend the period of stay, the foreign citizen can be registered at the place of stay till the end of the study in the specified educational organization where he/she studies on-site or by correspondence.

Also, the Recommendations provide the list of persons exempted from the need to get registered at the place of stay within the specified time limits. In particular, the following categories may be registered within the longer time frame:

- Citizens of Tajikistan — within 15 days from the date of crossing the state border of the Russian Federation;
- Citizens of Armenia, Kyrgyzstan and Kazakhstan — within 30 days from the date of crossing the state border of the Russian Federation;
- Citizens of Ukraine and Belarus — within 90 days from the date of crossing the state border of the Russian Federation;
- Citizens of the state, member of the Eurasian Economic Union, and their family members entered Russia for work — within 30 days from the date of crossing the state border of the Russian Federation.

Source: “Guidelines on registration of foreign citizens and stateless persons (including those studying in educational institutions) at the place of stay” (approved by the Russian Ministry of Internal Affairs)

## Criminal liability for fictitious registration of a foreign citizen or stateless person have been amended

The State Duma adopted in the final reading the amendments to Article 322.3 of the Russian Criminal Code.

Previously, registration of migrants at the place of stay in a housing in the Russian Federation provided for the fine in amount from 100,000 to 500,000 rubles, or in amount of the salary or other income of the convicted person for the period of up to three years; or the guilty could be condemned to compulsory labor for up to three years with the further deprivation of the right to occupy certain positions or be engaged in certain activities for up to three years or without it; or imprisonment for up to three years with deprivation of the right to hold certain positions or be engaged in certain activities for up to three years or without it.

The latest wording of the article excludes an indication of ‘housing’, thus, criminal liability now appears after illegal registration as in residential so in non-residential premises.

The Federal Law “On Registration of Foreign Citizens and Stateless Persons in the Russian Federation”, Article 2 and Article 23 have been amended accordingly.

Source: Draft Federal Law N 286371-7 “On Amendments to Article 322.3 of the Russian Criminal Code, Federal Law N 366-FZ “On Amendments to Articles 2 and Article 23 of Federal Law “On Registration of Foreign Citizens and Stateless Persons in the Russian Federation” dated October 11, 2018

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