



July 2019

Russian Legislation Update

ACCOUNTING AND TAX

Ministry of Finance has revised Federal Standard plans

Order No.83n of June 5, 2019 has approved the new program of development of the Federal Accounting Standards. The last year's order approved the program for 2018–2019 is no longer valid.

The new order reschedules the effective date of the following accounting standards to the later periods:

- Standard 'Stocks' is planned to accept in 2021. Previously it was supposed to take effect in 2019.
- Standards 'Intangible assets', 'Fixed assets', 'Capital investments in progress', 'Accounting documents and document flow' are also planned to accept in 2021. Earlier it was projected to approve these standards in 2020.
- Adoption of standard 'Participation in affiliates and joint activities' switches from 2021 to 2022.
- Standard 'Expenses' is to be adopted in 2013 instead 2022.
- Standard 'Debt Costs' is also included in the program and is scheduled to take effect in 2022.

Source: FR Ministry of Finance Order N 83n, dated June 5 2019

Foreign entities are VAT exempted in accordance with general procedure

The Ministry of Finance explained that if a foreign entity provides electronic services included in the list of non-taxable transactions, it does not have to pay VAT.

Such transactions include the transfer of exclusive rights to inventions, utility models, industrial samples, software, databases, IC layout designs, know-how, and the transfer of the right to use data of intellectual activity on the basis of a license agreement.

Source: FR Ministry of Finance Letter N 03-07-08/44653 dated June 19, 2019

On-site tax audit may affect reporting periods of the current year

The Federal Tax Service has clarified that the Tax Code does not restrain checking the reporting periods of the year in which the decision on the on-site tax audit was made. Thus, inspectors are entitled to review the current year reporting.

In support of their position, the tax authorities refer to the court practice that is in line with this procedure.

Source: RF Tax Service letter N ED-4-2/7305 dated April 17, 2019

PAYROLL

Payments to be considered when calculating the average earning

To calculate the average earning, all payments provided for by the wage policy are taken into account, regardless of their source. Social and other payments not related to wage cannot be included in the calculation of average earning.

Payments that could be taken into account when calculating the average earning:

- **Surcharge of the difference between the salary amount and average earning** for the period of a business trip can be taken into account at calculating the average earning if:
 - The payment policy provides for the surcharge (the clause is in the employment contract);

- The surcharge is included into payroll budget;
- The surcharge is considered when determining the amount of insurance premium.
- **Payment founded with grants** if such payment is made in accordance with the employment contract.
- **Bonus on anniversary and commemorative date** if it is defined in the wage (bonus) policy.

Payments that could not be taken into account when calculating the average earning:

- **Surcharge of the difference between the average wage and temporary disability allowance**, as it is a social payment.
- **Payment founded with grants** if such payment is made under the civil law contract.
- **Bonus on anniversary and commemorative date** if it is paid beyond the payroll system.
- **Social payment** that is not stimulating, does not depend on the worker qualification, complexity, quality, quantity, conditions of the work itself, does not relate to the wage.

Key rate reduced to 7.5% per annum

The Central Bank of Russia has put down the key rate to 7.5% per annum due to the lower inflation.

Source: Information by the Central Bank of Russia dated June 14, 2019

Last year non-deducted PIT can be withheld in the current year

It was revealed that, in the past year, the personal income tax was not withheld from the employee's payment and this employee still works in the company. In this situation, the tax should be withheld when paying income in the current year. There is no need to report on non-deducted tax of the last year. It will also be necessary to review 6 PIT-form and adjust 2 PIT-form.

Source: RF Tax Service letter N BS-3-11/4119 dated April 24, 2019

LABOR LEGISLATION

Improved guarantees on payments to employees dismissed due to company liquidation

The resolution of the Ministry of Health changing the frequency of health screening has A draft federal law has been submitted to the State Duma of the Russian Federation that establishes the right of the employer to pay severance pay to employees dismissed due to the company liquidation in the amount of twice the average wage and the employer is obliged to preserve for such workers the average monthly wage for the second month after dismissal on the period of employment.

In addition, it is expected to amend appropriately Federal Law “On State Registration of Legal Entities and Individual Entrepreneurs”. In particular, it is stated that an application for liquidation submitted to the registering authority will confirm that all payments to the employees dismissed due to liquidation of the company provided for by the Russian labor legislation were made.

Source: Draft Federal Law N 736450-7 ‘On amendments to the Russian Labor Code in terms of providing secured payment of severance pay and the average monthly salary to an employee dismissed due to liquidation of entities or staff reduction, including the entities located in the Far North and similar areas’

MIGRATION LEGISLATION

Procedure on entry and stay in Russia is simplified to certain groups of foreign citizens

The permission to hire and use foreign workers, as well as the work permit or patent for citizens staying in the Russian Federation for less than 30 days is not needed if they are:

- invited by and in the interests of state institutions of culture and art for creative, educational, research or educational activities;
- entering for free touring activities.

The provisions of this law will also apply to foreign citizens invited to the Russian Federation for business or humanitarian purposes, or invited to engage in research activities on higher educational programs in scientific organizations and universities (other than religious).

Source: Federal Law N 144-FZ "On Amendments to Article 25.6 of Federal Law On Procedure for Exiting the Russian Federation and Entering the Russian Federation' and Article 13 of Federal Law On the Legal Status of Foreign Citizens in the Russian Federation" dated June 17, 2019

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