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Russian Legislation Update

ACCOUNTING AND TAX

Federal Tax Service has approved a new form of income tax return

Since reporting 2019 organizations shall submit income tax return in a new format. The main innovations are technical - barcodes have been changed, cell 'Company's OKVED number' has been excluded from the title page. (OKVED - Russian Classification of Economic Activities).

More significant changes will affect the organizations that apply the reduced rates of taxes paid to the regional budget. Such organizations shall add the reference to the regional law that sets the tax rate to the tax return.

Content-related amendment refer to the companies that use an investment deduction on income tax, members of tax consolidated groups, and members of investment partnerships.

Source: RF Federal Tax Service order N MMB-7-3/475 date September 23, 2019

Ministry of Finance plans to introduce new procedure of inventory accounting

The Russian Ministry of Finance has drafted the accounting standard FSBU 5/2019 'Inventories' that will replace PBU 5/01, Guidelines on Accounting of special tools and workwear, and Guidelines on Accounting of inventories. The standard is planned to be compulsory since reporting 2021.

The new standard changes the list of costs that form the value of inventories, and introduces some other changes to the inventory accounting. For example, a self-cost will include the value of the estimated liability for upcoming stocks dismantling, their disposal and environmental remediation.

It should be noted that the standard is not applicable if a company uses simplified accounting, is a micro-enterprise or its activity does not involve significant inventory balances. Also, the standard does not apply to the inventories acquired for management purposes, if their value is allocated to the expenses of the period when they were acquired, and this is included in the financial statements.

Probably the new accounting procedure will be applied both prospectively and retrospectively. The selected method shall be indicated in financial statements for the first period when the standard is applied.

Source: RF Ministry of Finance draft order, ID 04/15/10-19/00096133

Company representative participated in on-site tax audit can sign complaints to the Federal Tax Service

The company submitted a complaint on the results of the on-site tax audit. The company representative signed it against the same power of attorney that authorized him to represent the company's interests during the audit. However, FTS dismissed the complaint as decided that the representative was not properly authorized to sign such a document.

This approach was challenged in court, and it is noted that the complaint procedure is a part of a tax audit, therefore the power of attorney may not contain a special indication of the right to submit complaints: the representative has the right to sign any document related to the audit.

Source: Resolution of the Moscow Arbitrary Court under case N A40-235009/2018 dated September 16, 2019

How to recover VAT if the company has not stored an invoice

If a company starts using some goods or fixed assets in the activities that are not subject to VAT, it will need to restore VAT on these objects, which was previously accepted for deduction. In this case, an invoice that was previously accepted for deduction is recorded in the sales ledger.

The Ministry of Finance explained what to do if the storage period for the invoice has already expired. In such a situation, in the sales ledger, it is necessary to register the accountant's certificate which indicates the amount of VAT to be restored.

Source: RF Ministry of Finance letter N 03-07-09/73784 dated September 25, 2019

PAYROLL

Insurance premium, updated calculation template

The Federal Tax Service has approved a new template of insurance premium calculation, its filling procedure and electronic submission. The report for Q1, 2020 shall be submitted in the new format.

Source: RF Federal Tax Service order N MMB-7-11/470 dated September 18, 2019

Updated notification format on a foreigner arrival to the residency

From October 28, 2019 it is necessary to report a foreigner arrival in the new format. The format has been amended as follows:

- There is no need to indicate the departure date on the detachable section;
- The space for the employer name and information about legal representatives has increased;
- The name of line 'Actual address' is changed to 'Company address'.

Reference: the notification shall be submitted to the migration registration authority. For failure to report the arrival of a foreign employee, an administrative fine shall be imposed, from 40,000 to 50,000 rubles on officials, and from 400,000 to 500,000 rubles on legal entities.

Source: RF Ministry of Internal Affairs order N 514 dated July 30, 2019

Key rate

Since October 28, 2019, key rate will be 6.5% per annum.

Source: RF Central Bank information dated October 25, 2019

LABOR LEGISLATION

Ministry of Labor proposes to reduce the minimum wage

According to the draft order by the Russian Ministry of Labor and Social Protection, the minimum wage in the third quarter 2019 will reduce compared to the second quarter by:

- 73 rubles per person, and will amount to 11,012 rubles;
- 188 rubles for working-age population, and will amount to 11,942 rubles;

- 146 rubles for retired people, and will amount to 9,090 rubles;
- 166 rubles for children, and will amount to 11,004 rubles.

Source: RF Ministry of Labor draft order “On establishing the minimum wage for the main socio-demographic groups of the Russian Federation as of Q3, 2019”

Administrative Procedure on labor legislation compliance by the Ministry of Labor (Rostrud)

According to the text of the Administrative procedure, the Federal Service for Labor and Employment will supervise the labor legislation compliance. Upon the procedure, the authorized officials will get the right to:

- Investigate industrial accidents;
- Inquire and receive free of charge the documents, explanations and information necessary for the supervision;
- Take out for analysis samples of used or processed materials and substances, having notified the employer;
- Provide the employers with mandatory enforcement instructions;
- Send claims on companies liquidation to the court, if they violate safety requirements;
- Issue prescriptions to remove from work the persons who have not received training on safety at work, instruction in labor protection, internships at workplaces and have not been tested on the labor protection requirements;
- Ban using the equipment for personal and collective protection, if they do not meet the mandatory requirements;
- Draw up minutes and review cases of administrative offenses, prepare and send other materials on bringing the perpetrators to justice to the legislation bodies and courts;
- Visit employers to conduct inspections without any restriction, and at any time.

The duration of these inspections is limited:

- 50 hours annually for small enterprises;
- 15 hours annually for micro businesses;
- 20 hours annually for other organisations.

Source: RF Ministry of Labor (Rostrud) order N 160 “On approval of Administrative Procedure on supervision of compliance of labor legislation and other legal acts containing labor standards by the Federal Service for Labor and Employment” dated June 13, 2019 (Registered in the RF Ministry of Justice on October 10, 2019, N 56195)



MIGRATION LEGISLATION

Migration registration of foreign citizens and stateless persons will be amended

A draft Federal Law on Amendments to Federal Law “On Migration Registration of Foreign Citizens and Stateless Persons in the Russian Federation” has been submitted to the State Duma.

This draft proposes to extend the current right of highly qualified foreigners who are owners of housing in Russia and may host and provide housing for the residence of their family members to all foreign citizens who own housing.

Additionally the draft says, that it will be possible to act as a receiving party remotely – through a representative who has a notarized power of attorney, or mentioned in the contract on the premises provision.

There is also a possibility to submit a notice on the arrival of a foreign citizen at the place of stay electronically through the Public Services Portal.

Source: RF Draft Federal Law N 818933-7 “On Amending Federal Law “On Migration Registration of Foreign Citizens and Stateless Persons in the Russian Federation” (Draft Law number: 818933-7)

Permissible quotas of foreign workers involved in certain economic activity in the Russian Federation in 2020

Compared to the permissible quotas established for 2019, significant changes refer only to construction and growing vegetables.

So, from 2020, the permissible quota in construction in amount of 80% will not apply to the territory Buryatia, Amur Region and Moscow, and will reduce to 50% in Dagestan.

A limit of 50% of foreign workers involved in growing vegetables will now be established throughout the whole territory of the Russian Federation.

Source: RF Government Decree N 1271 “On establishing the permissible quotas of foreign workers used by business entities engaged in certain types of economic activity in 2010 on the territory of the Russian Federation” dated September 30, 2019