



December 2019

Russian Legislation Update

ACCOUNTING AND TAX

Accounting standard 18/02, the procedure for income tax accounting is changing since 2020

The accounting under standard (PBU) 18/02 “Profit Tax Accounting”, as amended on November 20, 2018, becomes mandatory in reporting for 2020.

The updated version repeals concepts of ‘permanent tax liability’ and ‘permanent tax asset’. Instead, it introduces the concepts of ‘permanent tax expense’ and ‘permanent tax income’.

In addition, the standard is supplemented by concept of ‘temporary differences’. It means the operation results not included in the accounting profit, but those that form the basis for the income tax in another reporting period. Besides, the list of situations that leads to temporary differences has been extended.

The standard also changed the list of information to be disclosed in the Profit and Loss statement and notes to the Balance sheet.

Profit and Loss statement will contain the data on the income tax expense including the split between deferred and current tax.

The notes shall contain the data on the deferred income tax, amounts explaining the relationship between the income tax expense and profit before tax, and other information that the user needs to understand figures related to the corporate income tax.

Source: RF Ministry of Finance resolution N 236n dated November 20, 2018

Updated notification on controlled transactions

The new form for notification of controlled transactions entered into force on November 26, 2019. It should be used to report on transactions effected after January 1, 2019. The changes are technical in nature and associated with reviewed criteria applied to the controlled transactions. These criteria are reflected in section 1A, field 3.3.

It is important that characteristic codes have been redistributed and may differ from to the current notification form.

Source: RF Federal Tax Service resolution N MMV-7-13/380 dated July 26, 2019 @

Clarified procedure for canceling electronic documents

The Federal Tax Service has pointed out that the procedure for canceling primary documents and tax invoices issued incorrectly is not legally established. The only fixed procedure concerns tax invoice correction includes issuing an amended document.

At the same time, in a letter regarding electronic document correction, the Federal Tax Service indicates that the parties may agree that the documents incorrectly generated do not have any consequences, and establish a detailed procedure on the matter.

Source: RF Federal Tax Service letter N ED-4-15/20928 dated October 11, 2019 @

Liability for the lack of tax invoices does not depend on the number of missed documents

According to tax law, the absence of tax invoices is a serious violation of the tax accounting.

The Ministry of Finance has explained that if documents are not available within a tax period and even their absence does not lead to underestimation of the tax base, the company liability does not depend on the number of missed tax invoices. The penalty for such a violation is 10,000 rubles.

Source: RF Ministry of Finance letter N 03-02-07/1/79228 dated October 14, 2019

PAYROLL

Limit base for insurance premiums for 2020

Since January 1, 2020, the Russian Government has established the following bases for insurance premium:

- 912,000 RUB – for disability and maternity contributions;
- 1,292,000 RUB – for retirement contributions.

Source: RF Government resolution N1407 dated November 6, 2019

Childcare allowance in amount of 50 rubles is call off

Since 2020, the employers should no longer accrue and pay 50-ruble compensation for the care of children under three years of age.

After January 1, 2020, this allowance will be paid only to those employees who previously got it, and to those whose children were born before 2020.

Source: RF President Order N 570 dated November 25, 2019

Annual vacation schedule for 2020

When the schedule should be adopted?

- Not later than 2 weeks before the next year starts, i.e. before December 17, 2019 inclusive.

Scheduling regulations

- Ask the employees, when they would prefer to have vacations (in any form: verbally, by email, etc.)
- Prepare a schedule according to standard form T-7 or in internal corporate form.

NB! One part of the annual vacation must be at least 14 calendar days. All other days can be taken as desired.

Aspects to consider when scheduling

- Check whether there are employees in the company, whose vacation preferences are mandatory for the Employer, including, but not limited, to the employees with three or more children under 12 years of age.
- To take vacation only on weekends is not recommended, as, according to the Ministry of Labour (Mitrud) opinion, this contradicts the law and may result to a warning or fines on officials in amount between one and five thousand rubles; or fines on legal entities – from thirty to fifty thousand rubles.

LABOR LEGISLATION

Amendments to the Labor Code on compulsory wage collection have passed the second reading

According to the draft Federal Law, labor inspectors will be authorized to decide on the enforcement of the employer's obligation to pay arrears on unpaid wages. The decision of the labor inspector will be recognized as an executive document.

Such a decision is sending to the employer within three working days after adoption, by registered mail with acknowledgment of receipt, or as an electronic document signed by an enhanced qualified electronic signature.

Source: Draft Federal law N 755304-7 (<https://sozd.duma.gov.ru/bill/755304-7>)

Working hours for women working in rural areas reduced by four hours

The Labor Code has introduced a new Article 263.1, which provides additional guarantees for women working in rural areas. In particular, these employees are entitled to:

- Get one additional unpaid day off per month upon a written request;
- Take advantage of reduced working time, that is less than 36 hours a week, while receiving the same wage;
- Get an increased wage, if the working day divides into parts.

Source: Federal Law N 372-FZ "On Amendments to the Labor Code of the Russian Federation regarding guarantees for women working in rural areas" dated November 12, 2019

Employers may be required to notify the employee in writing on electronic data about his/her labour activity

According to the draft law, employers will have to notify each employee in writing on the changes in the labor legislation, related to generation of the electronic data on his/her labour activity, as well as about the employee's right to choose between continuing to keep a paper employment-record book, or to get the information in electronic form. The Russian Labor Code is proposed to amend with Article 66.1.

Source: Draft Federal Law N 748684-7 "On amendments to the Labor Code of the Russian Federation regarding generation of data on labor activity in electronic form" (<https://sozd.duma.gov.ru/bill/748684-7>)

MIGRATION LEGISLATION

Criminal liability for organizing illegal entry of foreign citizens or stateless persons into the territory of the Russian Federation using official position

The Russian Criminal Code, Article 322.1, part 2 is amended with a new qualifying attribute, in particular, organization of illegal migration using an official position.

The specified crime prescribes imprisonment of up to 7 years and fine of up to 500,000 rubles, or equals to the amount of wage, or other income that a convicted person received for a period of up to three years, or without it, and a personal restraint for up to two years, or without it. This crime is considered tantamount to organizing illegal migration by a group of persons by prior conspiracy, and organizing illegal migration in order to commit a crime in the territory of the Russian Federation.

Source: RF Federal Law N 354-FZ “On amendments to the Criminal Code of the Russian Federation, Article 322.1 and the Criminal Procedure Code of the Russian Federation, Article 151”

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