



7th of September 2020

Russian Legislation Update

ACCOUNTING AND TAX

Cyprus and Malta have agreed on amendments to avoid double taxation

The Ministry of Finance announced that Cyprus agreed to increase up to 15% the tax on dividends transferred from Russia to the Cypriot companies. The protocol is signing in September this year and it shall entry into force on January 1, 2021.

The previously announced procedure re. Cyprus withdrawal from the double taxation treaty has ceased.

On August 13, 2020, Russia and Malta agreed on the similar changes.

Source: Information by the RF Ministry of Finance dated August 10, 2020 (https://minfin.gov.ru/ru/press-center/?id_4=37146-v_minfine_rossii_proshli_peregovory_mezhdu_rossiei_i_kiprom_ob_izmenenii_nalogovogo_soglasheniya), Information by the RF Ministry of Finance dated August 14, 2020 (https://minfin.gov.ru/ru/press-center/?id_4=37153-informatsionnoe_sobshchenie_o_soglasovanii_proekta_protokola_o_vnesenii_izmenenii_v_nalogovoe_soglashenie_mezhdu_rossiiskoi_federatsiei_i_maltoj)

Ministry of Finance explains the procedure to account the costs charged to the contracts with self-employed persons

The Ministry of Finance has clarified that the payments under a civil contract with an individual paying professional income tax shall be entered in Other costs associated with production and sales specified by the Russian Tax Code, Article 264, Paragraph 49, Item 1.

It should be also stated that such expenses are recognized as mentioned above, if a civil contract is concluded with a full-time employee of the company. If an individual is not on the staff of the company, these costs shall be accounted as labor costs according to the Russian Tax Code, Article 255, Paragraph 21.

Source: RF Ministry of Finance Letter #03-03-06/1/63730 dated July 22, 2020

Tax authorities' explanation how to use cash registers in case of gifts to customers or goods to employees

The Federal Tax Service issued a letter presenting two situations of the use of cash registers.

The first case concerns the transfer of gifts to customers. Here the use of cash register equipment depends on the cross obligation. If some conditions shall be met to receive a gift, for example, it is required to purchase goods for a certain amount, than such a gift cannot be considered the gift. In this situation, a sales slip shall support the transfer of goods.

The second case relates the procedure how to apply cash register equipment when an employee gets the goods and their cost is withheld from wages. The cash register is required if an employment or collective agreement does not provide for such a transfer. If the contract has a provision on an in-kind form of the wage, the cash register is not applied.

Source: RF Tax Service Letter #AB-4-20/11542 dated July 16, 2020

PAYROLL

Updated statistical templates for reporting wages

Federal Service of State Statistics (Rosstat) has updated a number of statistical monitoring reports related to the staff number, labor conditions and wages, the company need

of workers by professional groups. Totally 14 forms were updated. They include among others:

- Report #P-4 'Staff Number and Wages of Employees'
- Report #3-F 'Overdue Wage Arrears'
- Report #1-T 'Staff Number and Wages of Employees'.

The authorities have updated the procedures for filling out the forms as well. Most of the updated templates will enter into force in 2021.

In report #P-4 'Staff Number and Wages of Employees', the explanation related to the letter sent to the territorial authority if there is no information was removed. The new procedure requires sending a blank report. In addition, the report does not include the information on standalone units that operate outside the Russian Federation.

Source: RF Service of State Statistics (Rosstat) Order #412 dated July 24, 2020
ees in connection with the death of a family member;

Preferential zero rate of insurance premium from payment to individuals for 2020, Q2 does not apply to insurance premium for additional social security

The reduced rate of insurance premium in amount of 0% for April, May and June 2020 is provided for by Federal Law #172-FZ, Article 3 dated June 8, 2020.

The legal entities and individuals operating in the most affected sectors of the economy including small and medium-sized businesses, non-profit organizations, socially oriented non-profit organizations – the recipients of subsidies and grants, and religious organizations may apply the preferential rate.

At the same time, the decreased insurance premium of additional social security can violate the right to early retirement of the persons working in hard and dangerous conditions. Therefore, zero rate of insurance premium for 2020, Q2 is not applied to the insurance premium, established in accordance with the Russian Tax Code, Articles 428 and 429.

Source: RF Tax Service Letter #SD-4-11/13463 "On the letter by the Russian Ministry of Finance"

Reduced rate for small and medium-sized businesses does not depend on the type of activity

Reduced rates of the payments exceeding the minimum wage are established to support business in connection with coronavirus, and their application does not depend on the policyholder activity. The main requirement is to enter the information about the payer of contributions into the Register of Small and Medium Enterprises.

From April 2020, small and medium-sized businesses can use the reduced rates of contributions related to the payments exceeding the minimum wage: 10% for pension contributions, 0% for social insurance contributions and 5% for medical contributions.

Source: RF Tax Service letter #SD-4-3/12972 dated August 12, 2020

Employment of foreign students without patents and work permits

According to the new Federal Law #16-FZ ("On Amendments to Federal Law "On the Legal Status of Foreign Citizens in the Russian Federation") of 06.02.2020, foreign citizens, studying full-time in the Russian professional educational organizations and institutions of higher education with the state accreditation, can legally work in their free time without obtaining additional permits, such as work patent or work permit.

This law is valid since August 5, 2020.

If the student graduates or terminates studying, the employment contract with him is cancelling.

Source: Federal Law #16-FZ dated February 6, 2020

No shift of working December 31 to the previous weekend

The Russian Ministry of Labor has clarified that an employee has the right to uninterrupted rest every week for at least 42 hours. The rest is calculated from the end of work before the weekend until the beginning of the working day the next week.

If the working day of December 31 carries over to the previous day off, the employee's right to uninterrupted rest is violated.

Source: RF Ministry of Labor Letter #14-2/10/P-7979 dated August 12, 2020

Public discussion of draft federal law on abolition of paper sick leave certificates ends on August 28, 2020

The draft Federal Law provides for the possibility of issuing sick leave certificates only in electronic form.

Now sick leave certificate may be issued in any form, paper or electronic.

Source: RF Draft Federal Law

New safety regulations related work in special climatic conditions

The Ministry of Labor has prepared draft regulations compulsory for work in low and high ambient temperature, humidity, air velocity and hazardous hydro meteorological phenomena (thunderstorm, ice, gusty wind, fog, etc.), as well as physical overload.

The regulations require the employer to take measures to exclude harmful and (or) hazardous production factors, or reduce them to the safe for the employees level, and to assess the professional risks associated with the damage to the health and life of the employee in the course of his work.

The draft order of the Ministry of Labor is undergoing public discussion.

Source: RF Ministry of Labor draft order

LABOR LEGISLATION

Ministry of Transport has drafted an order regulating working and rest hours of drivers

The order concerns working conditions of the car drivers for whom driving is the labor duty, or who are self-employed. The order does not apply to the following categories: drivers of firefighting and rescue vehicles, including medical emergency cars, drivers of vehicles involved in emergency elimination or prevention, drivers of police and military service vehicles. The order shall replace the Regulations on the Working and Rest Hours of the Drivers, approved by the Russian Ministry of Transport Order #15 dated August 20, 2004.

One of the most significant changes concerns splitting of the driver's working time into three periods:

- Working hours not related to driving a car
- The time of special breaks for rest from driving during the day (special breaks for rest should be at least 45 minutes every 4.5 hours)
- The time of driving.

Driving time, in accordance with the text of the order, should not exceed 9 hours during a day. The driving time cannot not exceed 56 hours during a calendar week, and 90 hours during two weeks in a row.

Source: RF Ministry of Transport Draft Order “On special aspects of working and rest time, and working conditions of the drivers”

Ministry of Labor draft order setting the subsistence minimum in 2020, Q2

In accordance with the draft order the subsistence minimum on the territory of the Russian Federation for the specified period will be:

- 12,392 rubles for working population (11,731 rubles in 2020, Q1);
- 9,422 rubles for retired persons (8,944 rubles in 2020, Q1);
- 11,731 rubles for children (10,721 rubles in 2020, Q1).

Source: RF Ministry of Labor Draft Order “On establishing the subsistence minimum for main socio-demographic groups of population in the Russian Federation for 2020, Q2”

Amendments to the Russian Labor Code and Federal Law “On State Registration of Legal Entities and Individual Entrepreneurs” regarding payments to employees after liquidation of a legal entity came into force on August 13, 2020

Under the new procedure, the employer registering the liquidation of a legal entity has to submit to the registering authority an application confirming complete settlements with the employees.

In particular, an employee dismissed due to the liquidation of the company shall get severance payment equal to the average monthly earnings. If the period of subsequent employment exceeds one month, the employer has to pay the employee the average monthly earnings for the second month from the date of his dismissal (as well as for the third one if there is an appropriate decision of the State Employment Authorities).

At the same time, the employer may choose how to effect these payments:

- Pay the average wage to the employee in a lump sum for the second and third months of employment
- Gradually pay the employee the average wage of the employment period (but just for three months from the date of dismissal).

Source: RF Federal Law #203-FZ “On Amendments to Article 21 of Federal Law “On State Registration of Legal Entities and Individual Entrepreneurs” dated July 13, 2020

MIGRATION LEGISLATION

Ministry of Internal Affairs has approved new application templates

The following templates have been approved: application on a work permit for a foreign citizen or stateless person, application on extending the issued permits, applications on issue of a duplicate thereof and on amendment of the information contained in the permit.

Clause 2 of the List of Amendments to the normative legal acts of the Ministry of Internal Affairs of Russia (Annex to Order #388 by the Ministry of Internal Affairs of Russia dated June 01, 2020) shall be considered as null and void.

Source: RF Ministry of Internal Affairs Order #533 "On approval of the application forms related to the issue of work permits for foreign citizens or stateless persons, extension of these permits, issue of duplicates thereof or amending the information contained in a work permit for a foreign citizen or stateless person" dated July 30, 2020 (Registered in the Russian Ministry of Justice on August 28, 2020 #59555)

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