

RUSSIAN FEDERATION

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0- SYNOPTIC TABLE: TAXATION OF RESIDENTS AND NON-RESIDENTS

	RESIDENTS	NON-RESIDENTS
CORPORATE INCOME TAX	20%	10-20% only on Russian source income
REGIONAL TAXES Corporate property tax	Max 2.2%	
TAX ON CAPITAL GAINS	Taxed as ordinary income	
LOCAL TAXES Land tax	It can vary; max 1.5%	
Tax on personal real estate	0.1% - 2%	
WITHHOLDING TAXES Dividends	13%	15% (reducible in case of treaty)
Interest	Taxed as income	20% (reducible in case of treaty)
Royalties	Taxed as income	20% (reducible in case of treaty)
PERSONAL INCOME TAX	13%	30%
OTHER TAXES Import and export taxes	3 types of duties calculated based on the value of the goods	
Excise taxes	Variable on some categories of goods	
Tax on mining activities	0% - 1% - 30%	
VAT	0% - 10% - 20%	
LOSSES Carried forward	Unlimited	
Carried back	Not applied	
DEPRECIATION	Linear and non-linear method on 10 depreciation groups	

1- AN OUTLINE OF COMPANY LAW

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Corporation</i>	<p>They are of two types:</p> <ul style="list-style-type: none"> • Open: with unlimited number of shareholders, minimum capital not less than RUB 100,000. It can issue bonds and other securities. The financial statements must be certified by auditors. • Closed: with a number of shareholders not exceeding 50, minimum capital not less than RUB 10,000. The shares are distributed among the shareholders or other predetermined figures. If the balance sheet reaches RUB 400 million it must be certified by an auditor. 	<p>State registration is mandatory and is done through the local federal tax service by submitting the following documents:</p> <ul style="list-style-type: none"> • Application for registration • Decision to establish a new legal person • Statute • Document confirming the payment of the state tax (which amounts to RUB 4,000) • Extract from the register of foreign legal entities in the case of foreign companies. 	<p>The application must be submitted together with the statutes and other documents required by the federal registration law and the tax authorities.</p>
<i>Branch of a foreign company, subsidiary or associated company (subsidiary), branch and representative office</i>	<p>A foreign company can conduct business in the territory of the Russian Federation through several legal entities. A branch or subsidiary created to conduct the same business as the foreign company can operate on Russian territory only with the accreditation of the State Chamber of Registration, an organ of the Ministry of Justice.</p>		<p>A foreign legal entity must register with the tax authorities if it plans to carry out business in Russian territory for more than 30 days a year.</p>
<i>General partnership and limited partnership</i>	<p>They are taxed exactly like all other legal entities. Tax is applied directly to the company and not to its shareholders.</p>		
<i>Production cooperatives</i>	<p>It is a voluntary association of citizens created for production or for other economic objectives, in which the citizens themselves collaborate with work and other kinds of contributions. The cooperative is also subject to tax.</p>		
<i>Sole proprietors</i>	<p>They are natural persons or farm entrepreneurs who carry out their business as a partnership. The balance sheet must be audited if the turnover exceeds RUB 800 million or if the assets exceed RUB 400 million.</p>		

2- WHEN RUSSIAN COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT?

All companies registered according to Russian legislation (including those which are entirely foreign-owned) are residents of the Russian Federation. Thus, they are required to pay all applicable Russian taxes based on their worldwide income.

Any entity whose effective management is in Russia is also considered to be resident in Russia. This is deemed to be the case if all 3 of the following criteria are met:

- the majority of the meetings of the board of directors or another executive group are held in Russia

- the executive body regularly carries out organisational activities in Russia, and
- senior executive officers carry out their responsibilities in Russia.

However, if these 3 criteria are also met in relation to at least one other country, the following criteria are also considered: whether accounting or management records are maintained in Russia, where other organisational and administrative documents are held, and where employee and recruitment management takes place.

Foreign legal entities with a permanent establishment (PE) in Russia are required to pay taxes on the income related to the PE. Such entities may be subject to withholding taxes.

3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHASING OFFICES, ETC.)

The Russian Federation has no specific taxation scheme for these types of offices.

4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN THE RUSSIAN FEDERATION: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?

A foreign legal entity can carry out business in the Russian Federation through branches, permanent establishments and other entities. A branch can operate in the Federation only after registration with the State Registry of the Ministry of Justice.

A foreign legal entity must register with the tax authorities in order to conduct business on Russian territory for more than 30 calendar days in the course of a year.

Foreign companies are subject to Russian income tax if they carry out business in Russia through a PE or a permanent representative.

A permanent representative is an agency or office used for the development of natural resources (mines), for the production, construction or assembly of equipment.

In order to conduct business in the Russian Federation, a foreign company can set up a subsidiary (with legal personality), a branch (without legal personality) or a representative office.

A subsidiary is a legal person separate from the parent company. The activities of the subsidiary are therefore subject to the legislation of the Russian Federation: therefore, while the profits of the parent company are exempt from Russian taxation, those of the subsidiary are taxed. In addition, transfers of profits from the subsidiary or related company to the parent company are subject to a withholding tax of 20%.

A branch without legal personality is not resident in the Russian Federation and is therefore subject to the legislation of the mother country. However, if the branch conducts business on Russian territory, the profits that the foreign company receives from that business are subject to tax.

The representative office cannot conduct business activities in the territory of the Federation and therefore is not taxed. However, this structure can be used to increase cooperation in the trade, finance, tourism sectors, to promote exports or to assist in commercial transactions.

5- CALCULATING TAXABLE INCOME

The income of Russian and foreign entities is subject to Russian corporate income tax. Resident and non-resident companies income is subject to corporation tax.

An entity's taxable income is calculated in accordance with its financial statements as the difference between revenue received (VAT not included) and expenses incurred.

Income of foreign entities derived from the business activity of a PE situated in the Russian Federation is taxed at the same rates as income of Russian entities. Income of foreign entities operating in the Russian Federation without a PE is taxed at different rates, depending on the type of activity. The income tax of these entities is withheld and paid by their Russian counterparts.

International tax treaties can significantly reduce or eliminate tax on profits earned by foreign legal entities operating in the Russian Federation without a PE. A foreign entity must provide a Russian withholding agent with confirmation that it is a resident of a treaty country. Provided it submits relevant documents, a foreign entity is entitled to claim a refund of tax within 3 years after the withholding date.

Interest received from bonds and securities and income derived from participation in other companies, including dividend income, is deducted from gross income for income tax purposes. Interest income is taxed at the rate of 20% and is recognised as trading profit.

Dividends are taxed at different rates but can be also exempt from tax if they satisfy some prerequisites.

Among the non-deductible expenses there are: dividends and distributions of other income amounts after taxation, fines, fees and other penalties, capital contributions, payments of tax, expenses of acquisition of depreciating property, completion, reconstruction, modernization, contributions to voluntary insurance and to non-state pension funds.

The deductible expenses are, among others, the cost of labor, incentive payments, expenses for the purchase of official uniforms, food and accommodation provided to employees, the payment of mandatory and voluntary insurance agreements.

6- TREATMENT OF LOSSES

Companies can offset the losses with the profits of the current fiscal year or carry them forward indefinitely and offset them with half of each year's taxable income. Carry-over to previous years is not allowed.

7- IS INTEREST DEDUCTIBLE?

Taxpayers may generally deduct loan interest from their Russian tax liability on an accrual basis, unless the transaction is considered to be a controlled transaction — in which case deductibility may be calculated under the transfer pricing rules or at the actual rate, provided it is between certain lower and upper thresholds.

8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?

In the Russian Federation, a business entity may depreciate any asset that it beneficially owns and that has a useful life exceeding 12 months, is used for deriving profits, and has a cost exceeding RUB100,000.

Intangible assets include assets acquired and created as result of intellectual activity and other intellectual property objects (rights) used in production and for management of an entity for more than 12 months.

Depreciable assets (tangible and intangible) are divided into 10 depreciation groups, according to their useful life. The taxpayer can choose between linear and non-linear depreciation methods.

9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?

Under the general tax scheme of the Federation, resident companies and permanent establishments are subject to a 20% income tax, including capital gains. This tax is for 3% for the federal government and 17% for regional governments (which can reduce this percentage).

Companies located in certain areas and those engaged in medical and educational activities may be exempt from tax on profits. Thanks to regional tax incentives aimed at encouraging local investments in priority sectors, it is possible to reduce the regional rate from 17% to 12.5%, thus bringing the total corporate tax to 15.5%. Dividends received by residents and arising from any source are taxed at 13%, but are exempt when paid to a shareholder who holds at least 50% of the shares in the paying company.

Capital gains from listed or unlisted shares in technology or innovative companies are exempt.

10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FISCAL PURPOSES?

Consolidation of group activities from a Russian tax perspective is permitted only to a very small number of Russian companies, thanks to the rules in effect from 1st January 2012. To benefit from this opportunity, companies must have the following characteristics:

- the members must be Russian legal entities
- the association must exist for at least 5 years
- one entity must own, directly or indirectly, at least 90% of the other entities
- total taxes (excluding tax withheld at source and certain customs duties) paid by all entities in the previous year must be at least RUB10 billion
- total sales and operating income for all entities in the previous year must be at least RUB100 billion
- the total value of assets for all entities at the end of the previous year must be at least RUB300 billion.

Certain types of company (both cross-border and domestic) are excluded from forming consolidated groups. These include:

- banks and financial companies
- companies with a zero tax rate
- companies that are already members of another group, and
- companies resident in special economic zones or that are subject to special tax regimes.

The parent company in charge of creating the consolidated group is responsible for calculating and paying tax on aggregate income, including intra-group transactions, and maintaining consolidated tax records.

Otherwise, joint activity by a group of enterprises without formation of a legal entity is conducted on the basis of agreements between the enterprises or through creation of a partnership. An agreement on joint activity obliges the participants to act jointly by means of pooling property and efforts in pursuit of a common economic goal.

Property and funds of a group of enterprises are transferred to a separate balance sheet of the participant legally responsible for preparing the accounts of the venture. Each participant pays property tax according to their share of the joint property. The participant responsible for the accounting is obliged to inform other participants of the joint property's value. For tax purposes, the amount of appreciation of joint property is divided between the participants in accordance with their share as defined in the agreement.

Profits can be distributed among the participants before taxation in accordance with agreements between them.

The participant carrying out the accounting for the joint activities must accumulate in separate accounts all income that the participants have received from the joint activity and all expenses that were incurred in producing this income.

For tax purposes, expenses for the joint activity can be deducted only from the income from that activity and not from income from other activities.

The participant carrying out the accounting calculates the financial result from the joint activity (profit or loss) and, before taxation, distributes it among the rest of the participants. The profit received by each participant that is a legal entity is included in gross profit and is subject to taxation at the same rate as income generated by the enterprise's main activities. Losses generated by the joint activity cannot be deducted for the purpose of taxation from the participant's income realised from other types of activity.

11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?

A branch is a foreign legal person subject to the law of the country of origin and the profits accrued are taxed only if the branch carries out its business in the Federation.

Accredited representative offices may be opened for purposes such as facilitating the implementation of agreements on cooperation in trade, economics, finance, science and technology, transport or tourism, as well as assisting in the performance of commercial transactions and promoting Russian exports. They are not subject to profits tax if they do not conduct business activities in the Russian Federation.

Foreign companies that conduct business activity in the Federation through a permanent establishment are subject to the same tax regime as for resident companies (20%) on income and capital gains deriving from Russian sources, but only if the foreign company has a permanent establishment in the Federation. Failing this, income and capital gains are subject to withholding tax.

Income from Russian sources accrued by foreign companies without a permanent establishment through the use, possession or rental of ships, aircraft, cruise ships, trailers and other means of transport is instead taxed at 10%.

Foreign company dividend income is taxed at 15%.

All the above rates can be reduced in the presence of an AFB.

12- ARE CAPITAL GAINS TAXED?

Capital gains are recognised as income and are taxed at the ordinary income tax rates.

13- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?

According to Russian law, an enterprise may liquidate at its founders' discretion. Voluntary liquidation is a non-judicial procedure carried out by agreement between an enterprise's owners and its creditors. Compulsory liquidation requires a decision by an arbitration court following proceedings on a creditor-enterprise's insolvency initiated by a creditor or procurator.

14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?

Under rules concerning reduction of capital as of January 1996, entities can make independent decisions on capital reduction. At their general meeting, shareholders may decide whether to reduce charter capital in one of the following ways: depreciation of the nominal value of shares, or cancellation of a part of the shares or a repurchase of shares by a joint stock company.

A Russian joint stock company can repurchase its shares under conditions set by the Federal law on joint-stock companies (FZAO) as of 26th December 1995.

15- WHAT OTHER TAXES ARE APPLIED IN THE RUSSIAN FEDERATION?

VAT

The following transactions are subject to VAT:

- the sale of goods, work, services in the Russian Federation, work delivered and services rendered, including the transfer of title to goods (results of work and services) on a free-of-charge basis, on agreement to provide a break-off fee or a novation
- import of goods into the territory of the Russian Federation
- performance of building and construction work for personal consumption, including repair work, scientific and research, design and experimental, technological and other work.
- assignment of property rights.

VAT is levied at the rate of 20%, to increase to 10% on the sale of certain food and children's goods and to 0% on goods exported outside Russia and on services related to the transport of passengers and goods outside Russia. From 1 January 2005, the sale of plots of land is no longer subject to VAT.

Some examples of VAT exemptions:

- sales of shares and securities;
- financial services related to the granting of intercompany loans;
- banking transactions conducted by banks
- social services for the elderly, disabled and minors;
- the import of equipment and spare parts as a contribution to the capital of Russian companies;
- goods, labor and services exempt under production sharing agreements.

Import and export tariffs

Most of the export and import duties are established at fixed rates expressed in euros.

There are 3 types of customs tariffs: fixed rates, ad valorem (percentage) tax rates, and mixed rates.

Goods imported from countries enjoying the most favoured nation regime (MFN) in trade with Russia are taxed at the standard tariff rates. Products not originating from countries that enjoy MFN status are subject to twice the standard tariff rates. Products originating in developing countries are taxed at 75% of the standard rates. Imports from less developed countries are duty-free.

Lists enumerating the countries enjoying the MFN regime, or qualifying as developing and less developed are issued by the Russian Customs Committee based on the international agreements concluded by the Russian Federation and implemented by government legislative acts.

Items imported as capital contributions by foreign investors in Russian enterprises and items imported for personal use by foreign employees of enterprises with foreign investment are entitled to certain exemptions from customs duties.

Customs duties are charged at 75% of the normal rate if declarations are made electronically.

Excise tariffs

Excise tariffs apply to alcohol-containing and alcohol products, beer, tobacco goods, automobiles and motorcycles, gasoline, fuel and motor oil as well as a number of other goods. The calculation of the excise duty is based on the rate applied to each specific product and can be fixed, ad valorem (as a percentage of the rates) and mixed. The excise amount payable for import of goods into the customs area of the Russian Federation is to be paid not later than 15 days after the day when the goods are presented at customs.

Employment taxes

All employers must pay mandatory insurance fees to the pension fund, social insurance fund (FFOMS) and medical insurance fund (TFOMS) and a further insurance fee in respect of accidents at work and occupational diseases (FSS). In 2023 these generally total 30% or 20% of the wage bill. Reduced rates (10% and 5%) apply to small and medium company.

Extraction tax

Extraction tax is levied on entities and individual entrepreneurs considered users of subsurface resources. The tax base is determined as the cost of extracted minerals and range from 1% to 30%. A 0% tax rate applies to oil extraction companies working in certain locations up to a certain tonnage.

Regional taxes

The Tax Code (NK) and the laws of the Russian Federation constituting entities set regional taxes, and taxpayers must pay these taxes to the territory of the respective Russian Federation constituting entities. Currently regional taxes include:

- Tax on the assets of organisations (corporate property tax): all Russian entities and PEs of foreign entities pay Russian corporate property tax. Land plots and other similar facilities are not taxable. Applicable tax rates are specified by the law of the Russian Federation and cannot exceed the limit set in the NK of 2.2%. For 2018 only, movable property registered as fixed assets on or after 1 January 2013 was subject to corporate property tax at the rate of 1.1%. For other tax years, movable property registered as fixed assets is exempt from corporate property tax.
- Tax on gambling business: the tax rate to be paid is established separately for each taxable item. Organisers of lotteries, games and other games based on risk (including those that use automatic gaming devices) are obliged to provide information to tax authorities on prizes paid to citizens.
- Transport tax: Entities and individuals that have transport vehicles are subject to transport tax. Taxable vehicles include automobiles, motorcycles, scooters, buses and other water and air transport means. The following transport vehicles are not taxable: tractors and similar special vehicles, airplanes and helicopters of ambulance and medical services, boats propelled by oars, registered vessels, large tonnage vehicles and stolen vehicles.

Local taxes

The Russian Tax Code does not provide for local income taxes, while there is a unified federal tax.

Local taxes include:

- the tax on the wealth of natural persons: it is levied on houses, apartments, garages and other buildings owned by natural persons based on the book value. The rate varies from 0.1% to 2%, according to the value;
- land tax: it cannot exceed 0.3% for land for agricultural and residential use, and 1.5% for all others;
- the tax on non-residential property owned by administrative and commercial organizations or by foreign organizations: has been applied since 2014 at rates not exceeding 2.2%;
- the commercial activity tax is applied by the municipalities of Moscow, St. Petersburg and Sevastopol to natural and legal persons carrying out commercial activities, including online sales, sales by delivery of goods from a warehouse, retail activities.

Special tax treatment regimes

Currently there are 4 special tax treatment regimes in the Russian Federation including:

- the uniform agricultural tax (UAT)
- the simplified taxation system (STS)
- the taxation system of the unified tax on imputed income for certain types of activities (UTII), and
- the taxation system used when implementing products' sharing agreements

16- DIVIDENDS, INTEREST AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?

Dividends received from other companies are excluded from the calculation of Russian taxable income. They are included in revenues from non-sales and are taxed separately. Dividends paid by Russian companies to Russian shareholders (individual and corporate) are subject to 13% withholding tax. A Russian entity is not taxable on dividends received if the entity owns 50% or more of the shares in the share capital of the paying company during the entire year. Dividends paid to foreign corporate and individual shareholders are subject to 15% withholding tax. Applicable tax treaties may reduce dividend withholding tax rates. Dividends paid to non-residents are taxed at 15%.

Other types of Russian source income not related to activities of a PE are subject to a 20% withholding tax. Types of income of foreign legal entities subject to this tax include rental payments, interest (except interest on certain tradeable bonds and Russian state securities), copyright, royalties, capital gains, management fees, consultancy fees and commission from the sale of goods. Withholding tax is subject to reduction by applicable tax treaties

17- HOW ARE CALCULATED STOCKS OR INVENTORIES?

Raw material, other materials, production-in-progress and finished products are valued at cost, including all costs of acquisition.

An entity may use one of the following methods to estimate the value of inventory: Unit value, Average value and FIFO. The LIFO method is not allowed to be used for estimating the value of inventory for tax purposes or for financial accounting purposes.

18- HOW ARE RESIDENT INDIVIDUALS TAXED?

Individuals are considered resident if they spend more than 183 days in Russia in a calendar year. Resident individuals are liable to tax on their worldwide income on most types of income (including dividends, interest and royalties) at the following rates for 2021 to 2023:

- up to RUB 5m: 13%
- over RUB 5m: RUB 650,000 plus 15% on the amount exceeding RUB 5m.

Some income is exempt from tax, including: relocation expenses from an employer, redundancy payments, travel expenses, welfare benefits, grants and scholarships, alimony, and compensation payments.

Individuals are allowed to deduct child allowances of RUB 16,800 for each of the first 2 children and RUB 36,000 for subsequent children.

Other deductions relating to education and health may be made subject to certain conditions.

Dividends received by resident individuals from any source are subject to the standard 13% and 15% tax rates.

Capital gains on property held for at least 5 years are exempt from tax.

From 1 January 2020, capital gains on sales of residential property held for less than 5 years but at least 3 years are also exempt from tax.

Capital gains on other property held for less than 5 years but at least 3 years are exempt from tax if the property was gifted by or inherited from an individual, a family member or a close relative, or received as the result of privatisation.

Capital gains made by individuals in respect of non-entrepreneurial activities are not taxable if they do not exceed RUB 1 million for real estate, and RUB 250,000 for other property. Any excess is taxed at 13%.

Capital gains on certain unquoted shares and quoted shares in technological or innovative enterprises are exempt from tax.

Gifts from individuals are exempt from tax, unless in the form of shares, immovable property or vehicles (which are only exempt if donated by near relatives). Gifts from businesses (including entrepreneurs) are exempt from tax on the first RUB 4,000. Any excess is taxed at 13%.

Inherited property is exempt from tax.

The following income is taxed at 35%: prizes and awards, and interest savings on non-interest bearing loans or loans with an interest rate less than two-thirds of the Central Bank's refinancing rate for roubles, or 9% if lower for foreign currency (except for mortgage loans).

Interest received on bank deposits in excess of the application of the Central Bank's key interest rate to RUB1 million is subject to tax at the standard rates of 13% on the first RUB5 million and 15% on the excess. Dividends paid by Russian entities to Russian companies or individuals are generally subject to withholding tax at 13%.

Under certain circumstances dividends paid to a resident shareholder owning at least 50% of the shares in the paying company are exempt

Interest and royalties paid by a Russian company to a Russian company or individual are not subject to withholding tax, but are taxed as income.

19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?

Individuals are considered resident if they spend more than 183 days in Russia in a calendar year.

Non-resident individuals are generally liable to tax on their Russian source income at a rate of 30%. However, non-resident individuals from Kazakhstan, Belarus and Georgia are subject to the 13% and 15% rates applicable to resident individuals on Russian employment income.

Dividends received by non-resident individuals from a Russian entity are subject to 15% withholding tax.

In the absence of specific tax treaty provision, dividends paid by Russian entities to non-resident companies (without a PE) or individuals are subject to withholding tax at 15%.

In the absence of specific tax treaty provision, other income (including interest and royalties) paid to foreign entities is subject to a withholding tax at source of 20% (30% when paid to non-resident individuals). Interest on certain tradeable bonds and Russian state securities is exempt from withholding tax.

20- TERMS FOR PAYMENTS: THE FISCAL YEAR IN THE RUSSIAN FEDERATION

The standard required reporting (tax) year in the Russian Federation is the calendar year from 1 January to 31 December.

All entities are obliged to pay quarterly or monthly advance payments.

Reporting periods for corporate income tax purposes are generally the first quarter, second quarter and third quarter, although some taxpayers choose to report on a monthly basis. Taxpayers must submit tax returns no later than 28 days after the end of the relevant reporting period. The term for submitting a tax return can be prolonged. Payment of tax is made no later than on the date established for submitting the return.

For delay or failure to file a tax return a penalty is set in the amount of 5% to 30% of the outstanding tax amount for each month of delay.

21- WHAT TAX INSPECTIONS ARE MADE?

Russian legislation provides, for certain legal persons, the obligation of certification by Russian auditors. The stricter rules apply to investment institutions, banks and insurance companies.

Tax authorities can carry out checks on the 3 years preceding the one in which the verification takes place, regardless of whether the tax return has been filed.

22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?

Administrative advance rulings are not officially available under current Russian tax law; however, they are sometimes informally available. Russian tax authorities may also informally clarify any doubts about the meaning of a particular tax provision.

23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?

Russian authorities may deny permission to prospective foreign investors to invest only if the foreign investors fail to present the required documentation or when the documents presented do not comply with Russian law. A foreign investor may lodge an appeal to an arbitration court when permission is denied. Companies operating in financial and insurance industries and other regulated areas must obtain a licence before conducting business. Permission of the Anti-Monopoly Committee is required for mergers, acquisitions and transfers of control or substantial assets in Russian companies.

Representative offices and branches of foreign companies can open rouble bank accounts and foreign currency bank accounts. Non-resident companies may transfer abroad hard currency earnings from their Russian PE's hard currency bank accounts and amounts previously transferred into Russia without any restrictions. Submission of special statements is not required for foreign currency transactions. Such transactions must be properly reflected in accounts for tax purposes. The Central Bank is authorised to investigate the foreign exchange activities of Russian residents. All of a Russian resident's foreign currency transactions must be accounted for using the Central Bank's official exchange rate for the date of a given transaction. Non-residents must use the same official rate for the purpose of calculating their Russian office's annual tax return.

24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE RUSSIAN FEDERATION?

Tax incentives for some sectors

Businesses engaged in certain medical and educational activities are exempt from Russian profits tax, subject to certain conditions which include 90% of the activities of the business must be in approved medical or educational sectors and the business must have at least 15 employees.

In order to encourage foreign investment in innovative projects involving the use of nanotechnology, RUSNANO (a government-owned corporation established specifically to develop and commercialise nanotechnology), can provide financial and other assistance to businesses where the project involves the development of nanotechnology and the investment is between US\$50 million and US\$100 million. RUSNANO will normally contribute up to 50% of the investment costs on a joint venture or equity participation basis.

Tax rate reductions

In Moscow a reduced tax rate of 0% applies for entities producing passenger cars, non-commercial organisations of physically challenged people and entities engaging the labour of such persons, oil companies which meet minimum criteria regarding regional profits tax payable and sales income from oil profits from priority investment projects in Moscow and profits from activities carried out in industrial parks and technology parks.

The effective rate is 3% (made up of the 3% federal element)

From 1 January 2013, a reduced tax rate of 13.5% is available for between 4 and 8 years for entities that generate at least 70% of their gross income from certain specified agricultural, production and manufacturing sectors and have met the minimum investment requirements for a period of up to 3 years commencing on or after 1 January 2012.

Incentives for entities resident in special economic zones (SEZs)

For entities resident in certain SEZs, laws of constituents can establish a reduced tax rate on income from activities carried out in the SEZ on condition that the entity keeps separate accounting for income or expenses received or incurred in such a territory. The tax rate cannot be lower than 12.5%.

Such SEZs have been created in various regions in Russia, including Moscow, the Moscow region, St Petersburg, Tomsk, the Magadansky region and the Pskov region.

Kaliningradsky region

The following tax rates have been established for residents of the Kaliningradsky region for investment projects in this territory:

- 0–6 years (from the day of registering the legal entity as a resident): the rate of 0%
- 7–12 years: half the general rate (ie 10%), and
- 13 and more years: the general rate of 20%.

Alternative tax regimes

In the event that an entity fulfils certain requirements, it can apply alternative tax regimes such as the simplified taxation system (STS), unified tax on imputed income (UTII), or uniform agricultural tax (UAT).

Arctic oil projects

From 1 January 2016, new oil projects in the Arctic may benefit from Russian tax incentives for between 5 and 15 years, including exemption from VAT and excise duty and a lower tax rate on the extraction of minerals.

Tax incentives for information technology

From 2 March 2022, Russian companies in the information technology sector may benefit from a 0% corporate income tax rate until 31 December 2024.

From 1 January 2021, Russian companies in the information technology sector may benefit from a reduced corporate income tax rate of 3%, subject to certain conditions, and reduced social security contributions.

25- HAS THE RUSSIAN FEDERATION SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

The Russian Federation has agreed to respect the international obligations of the former USSR and therefore still adheres to tax treaties concluded by the USSR prior to 1991. However, Russia carries out active treaty negotiations with an aim of gradually replacing the USSR treaties with new treaties that are based on the OECD Model Convention.

The following rates of Russian withholding tax apply to non-resident entities:

	<i>Dividends</i> %	<i>Interests</i> %	<i>Royalties</i> %
<i>Non-treaty countries</i>	15	0/20	20
<i>Treaty countries</i>			
Albania	10	10	10
Algeria	5/15	0/15	15
Argentina	10/15	0/15	15
Armenia	5/10	10	0
Australia	5/15	10	10
Austria	5/15	0	0
Azerbaijan	10	0/10	10
Belarus	15	0/10	10
Belgium	10	0/10	0
Botswana	5/10	0/10	10
Brazil	10/15	0/15	15
Bulgaria	15	0/15	15
Canada	10/15	0/10	0/10
Chile	5/10	15	5/10
China	5/10	0	6
Croatia	5/10	10	10
Cuba	5/15	10	0/5
Cyprus	5/15	0/15	0
Czech Republic	10	0	10
Denmark	10	0	0
Ecuador	5/10	0/10	10/15
Egypt	10	0/15	15
Finland	5/12	0	0
France	5/10/15	0	0
Germany	5/15	0	0
Greece	5/10	7	7

Hong Kong	0/5/10	0	3
Hungary	10	0	0
Iceland	5/15	0	0
India	10	0/10	10
Indonesia	15	0/15	15
Iran	5/10	7,5	5
Ireland	10	0	0
Israel	10	0/10	10
Italy	5/10	10	0
Japan	0/5/10/15	0	0
Kazakhstan	10	0/10	10
Korea	5/10	0	5
Kuwait	0/5	0	10
Kyrgyzstan	10	0/10	10
Latvia	5/10	0/5/10	5
Lebanon	10	0/5	5
Lithuania	5/10	0/10	5/10
Luxembourg	5/15	0	0
Macedonia	10	10	10
Malaysia	15	0/15	10/15
Mali	10/15	0/15	0
Malta	5/15	5/15	5
Mexico	10	0/10	10
Moldova	10	0	10
Mongolia	10	0/10	20
Montenegro	5/15	10	10
Morocco	5/10	0/10	10
Namibia	5/10	0/10	5
New Zealand	15	10	10
North Korea	10	0	0
Norway	10	0/10	0
Philippines	15	0/15	15
Poland	10	0/10	10
Portugal	10/15	0/10	10
Qatar	5	0/5	0
Romania	15	0/15	10
Saudi Arabia	0/5	0/5	10
Serbia	5/15	10	10
Singapore	0/5/10	0	5
Slovakia	10	0	10
Slovenia	10	10	10
South Africa	10/15	0/10	0
Spain	5/10/15	0/5	5
Sri Lanka	10/15	0/10	10
Sweden	5/15	0	0
Switzerland	0/5/15	0	0
Syria	15	0/10	4,5/13,5/18
Tajikistan	5/10	0/10	0
Thailand	15	0/10/20	15
Turkey	10	0/10	10
Turkmenistan	10	5	5
United Kingdom	10	0	0
United States	5/10	0	0
Uzbekistan	10	0/10	0
Venezuela	10/15	0/5/10	10/15
Vietnam	10/15	10	15

Denmark: the Danish Government has proposed terminating Denmark's tax treaty with Russia with effect from 1 January 2024.

Latvia: Latvia has suspended the application of its tax treaty with Russia with effect from 16 May 2022. The suspension will end once Russia terminates its violations of international law with respect to Ukraine.

Russia has suspended the application of its tax treaty with Latvia with effect from 26 September 2022. The suspension will end once Latvia eliminates the violations of its obligations under the tax treaty or when the tax treaty is terminated.

Russia has announced that its tax treaty with Latvia will be terminated as of 1 January 2024.

Netherlands: Russia's tax treaty with the Netherlands has terminated as of 1 January 2022.

Ukraine: Russia's tax treaty with Ukraine has terminated as of 1 January 2023.

Russia has suspended its tax treaties with the following countries with effect from 8 August 2023:

- Albania
- Australia
- Austria
- Belgium
- Bulgaria
- Canada
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Japan
- Lithuania
- Luxembourg
- Macedonia
- Malta
- Montenegro
- New Zealand
- Norway
- Poland
- Portugal
- Romania
- Singapore
- Slovakia
- Slovenia
- South Korea
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States.

The Russian President has decreed that the suspension will apply until the foreign states "eliminate violations of the legitimate economic and other interests of the Russian Federation, the rights of its citizens and legal entities" or the tax treaties are terminated.

Russia has not entered into any TIEAs. Information exchange provisions are generally found in Russia's tax treaties.