# TAX CARD RUSSIA 20/21

RUFIL RUSSIA CONSULTING OOO
MOSCOW, RUSSIA
UPDATED NOVEMBER 2021

## OVERVIEW

The Russian tax system is based on the first and second part of the Russian Tax Code. Here, the taxation principles, procedures, and types of tax are standardized for the Russian Federation as a whole.

The Russian tax system has three levels: the first federal level, second federal level, and regional level. On the first federal level, a consistent tax rate is applied to the whole of Russia. One such instance is VAT. Second-level federal tax rates are also determined centrally by the federal fiscal code, but local municipalities are entitled to reduce this by a local part. An example is corporate income tax.

Regional or local-level taxes include wealth and property tax.

**OVERVIEW OF THE MOST IMPORTANT TAX RATES IN RUSSIA:**

- Corporate income tax: **20%**
- Value-added tax (VAT): **20% (reduced rate 10%)**
- Personal income tax: **13% (30% for non-residents)**
- Wealth tax: **up to 2.2%**
- Dividend tax (withholding tax): **9% (15% for non-residents) (with double tax agreements, potentially 5%)**

## CORPORATE INCOME TAX | 20%

Russian corporate income tax is a federal tax, payable by all domestic and foreign enterprises at a rate of 20%.

2% go into the federal budget, 18% into the relevant regional budget. Local authorities can reduce the tax rate from 18% down to 13.5% of the upper limit of assessment.

In special economic zones intended to develop selected industries, the regional portion of the corporate income tax rate applied to eligible companies may not exceed 13.5 %.

The taxable profit equals total revenue minus deductible expenses. Expenses are deductible if they are economically justified, duly documented, and facilitate the generation of future income.

Essentially, the following expenses are recognized as deductible:

- Provisions for general maintenance costs
- Provisions for unclaimed holiday entitlements
- Reserve for warranties
- Provisions for bad debts, dependent on maturity (100% if over 90 days, 45 percent for more than 45 days and 0 percent for up to 45 days)
- Tax accrual
- R&D spend

The following expenses are partially taxable:

- Employer contributions to corporate life insurance or pension schemes (up to 12% of the total salary)
- Contributions to employee health insurance, paid by the employer (up to 6% of the total salary costs)
- Various marketing and promotional expenses
- Entertainment expenses (up to 4% of the total salary)

Losses in a given financial year offset profits in the current year. Tax loss carry forwards are possible for a ten-year period; they reduce taxable income in high-earning years by fully incorporating the earlier loss.

It must be noted that tax accounting can differ from financial accounting. The following examples demonstrate this:

- Interest on payables, import duties paid, and transport costs are included in current-period expenses under fiscal law, but in the purchase price under commercial law.
- Under Russian tax law, most types of fixed assets can be written down by 10% or 30% upon purchase. Writedowns occur monthly and begin in the first month of operation.
- Travelling expenses are only eligible in part. For instance, in contrast to financial accounting rules, daily spend exceeding legal or employer limits is excluded for tax purposes. Within Russia, the law accepts subsistence costs of up to 700 roubles (c. €10). Travelling and hotel costs are approved based on receipts. Travel by taxi or local public transport within the city in which the company is based, is not tax-deductible.

Further examples of expenses that do not reduce taxable income (or claims that are difficult to assert) are:

- Rental cars expenses
- Private-vehicle parking expenses
- Private-vehicle fuel expenses
- Expenses for food, business lunches, cafés, restaurants
- Gifts to customers
- Corporate social events
- School and university fees
- Gym memberships and other social benefits

- Housing
- Other, comparable non-cash benefits that can be construed as constituting part of employee income

The items listed above are not only subject to personal income tax and social contributions, but also fail to reduce taxable income. In other words, in addition to the c. 43% of incidental wage costs, 20% corporate tax is due. Thus, the tax burden on the listed expenses rises to over 60percent (!). Considering that no VAT returns are possible, we eventually get to 80%.

We recommend that international companies secure the services of a professional tax consultant.

Businesses must transfer funds to the fiscal authorities by the 28th calendar day of each month to go towards their quarterly tax liabilities. The quarterly tax return must be submitted by the 28thday after the end of the quarter, the annual tax return by the 28th of March of the following year. If quarterly turnover does not exceed 10 million roubles (about €145,000), it is sufficient to pay income tax each quarter.

Representative offices and branches of foreign companies are only required to engage in tax accounting and are exempt from financial accounting requirements.

**VALUE ADDED TAX| 20%**

In Russia, all revenue generated through the purchase or import of goods or services is subject to VAT. The destination principle applies; generally, the taxation principles used correspond to those of the EU. The current basic tax rate is 20%, the reduced tax rate for specific goods, for example staple foods, is 10%. For exported goods international transportation and freight-forwarding services no VAT must be paid. Value-added tax has been calculated quarterly and paid monthly (one third of the quarterly amount) since 1st of January 2008. VAT must be paid before the 25th of each month.

Below are some peculiarities of Russian VAT:

- VAT can only be claimed as an input tax if the faktura invoice (see the chapter "Russian accounting documents") is presented to the fiscal authorities.
- Import tax can also be subtracted as input VAT, but only if the goods were received after clearing customs.
- Equally, VAT can be deducted as prepaid tax from purchased fixed assets or assets under construction. However, this is only possible once the asset has been commissioned.

## CORPORATE WEALTH TAX | UP TO 2,2%

Corporate wealth tax is a regional tax payable by all Russian and foreign businesses that own assets in Russia. The tax rate depends on the type of business activity and does not exceed 2.2 % The net fixed assets are only taxed if they are being used. There is no offsetting of assets against liabilities, as it is common in other countries. Only depreciation is deduced from gross values. The tax return must be submitted quarterly to the tax authorities by the 30th of the following month and the tax must be paid five days after it is submitted. Where end-of-year accounts must be submitted, this period is ten days.

## PERSONAL WEALTH TAX | FROM 0,1% TO 2,0%

Personal wealth tax is a regional tax. Accordingly, the tax rate varies; it also depends on the location and intended use.

Consider the table below as a simplified example:

| Cadastral value | Personal wealth tax rate |
| --- | --- |
| ■ Up to 300,000 rubles<br>■ 300,000 to 500,000 rubles<br>■ Over 500,000 rubles | ■ Up to and including 0.1%<br>■ 0.1 to 0.3%<br>■ 0.3 to 2.0% |

Properties with a value up to 300,000 rubles are taxed at a rate up to and including 0.1 %. For values between 300,000 and 500,000 rubles, the tax rate varies between 0.1% and 0.3%. Estates with a cadastral value over 500,000 rubles are taxed at a rate between 0.3% and 2.0 %.

## PERSONAL INCOME TAX | 13% AND 30%

All-natural persons that generate income in the Russian Federation are subject to personal income tax. A distinction is made between residents and non-residents. Natural persons that demonstrably spend at least 183 days per year inside the country qualify as tax residents. The basic personal income tax rate is 13%; however, non-residents are taxed at 30%

Companies must calculate income tax for their employees and transfer it to the tax office on payday. Relevant information must be communicated to the authorities on a regular basis, and a standard form cataloguing all taxes deducted for all employees must be submitted annually.

Individuals who derive their income from abroad or work independently are themselves responsible for the calculation and payment of personal income tax.

## OUR EXPERTS

**Your point of contacts in Russia:**

**Philipp Rowe**

Founder
Managing Director

**Arsen Azatkhanyan**

Jurist

**Larisa Galetskaya**

Financial Controller
Head of Department

You can contact us via phone, email or directly at our office in Moscow:

**Russia:** + 7 (495) 118 38 65

**Germany:** +49 (0) 30 120 84 958

**E-mail:** info@rufil-consulting.com

**Web:** www.rufil-consulting.com

**Adress:** Marksististskaya Street 16, 7th floor, office 2
109147 Moscow, Russia
International Business Center: Mosalarko Plaza

rufil russia consulting
LEGAL, TAX & ACCOUNTING


“The satisfaction of our customers is our main priority!” Philipp Rowe/ Managing Director (center) and the Moscow team of Rufil Russia Consulting.

## FOLLOW US:

FACEBOOK INSTAGRAM LINKEDIN YOUTUBE TWITTER

## WE ARE MEMBERS OF:

AEB Association of European Businesses

DEUTSCH-RUSSISCHES FORUM E.V.
ГЕРМАНО-РОССИЙСКИЙ ФОРУМ

BWA BUNDESVERBAND FÜR WIRTSCHAFTSFÖRDERUNG UND AUSSENWIRTSCHAFT

---