

# Country Tax Guide





# Russia

## International Tax Contacts

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Facts and figures as presented are correct as at 1 January 2015.

## Corporate Income Taxes

Russian organisations, foreign organisations that carry out activity in Russia through a permanent establishment, and foreign organisations that receive income from sources in Russia, are subject to tax, subject to the terms of any relevant tax treaty. From 2015, the profits of certain controlled foreign companies (as defined) are also subject to tax in Russia, subject to exemptions.

The standard corporate income tax is 20%, comprising of a federal tax of 2% and a regional tax of 18%. Regional authorities may reduce the 18% rate in certain circumstances and within set limits. Foreign organisations that carry out activity in Russia through a permanent establishment are generally subject to tax at the rate of 20%. Foreign organisations that receive income from sources in Russia are generally subject to withholding tax (see “Withholding Taxes on Payments Abroad”), subject to the terms of any relevant tax treaty. Certain categories of taxpayer benefit from a 0% corporate income tax rate.

Capital gains are generally included in taxable income and taxed accordingly. Capital gains from the disposal of certain shares acquired in a Russian company after 31 December 2010 and held continuously for a period of at least five years are taxed at a rate of 0%.

Dividends received by resident companies are generally subject to tax at the rate of 13%. Dividends received by Russian companies are taxed at a rate of 0% if the receiving company has held for a continuous period of 365 days (i) at least 50% of the paying company’s authorised share capital, or (ii) at least 50% of the paying company’s depository receipts which entitle the receiving company to at least 50% of the paying company’s dividends.

Unutilised losses may generally be carried forward for relief against future profits for up to 10 years. However, losses may not be carried forward in certain circumstances, such as where profits are subject to a 0% tax rate. Capital losses may generally only be offset against the same category of capital gain. Losses cannot be carried back.

Group tax consolidation is available in Russia; consequently losses can be offset against the profits of another company in the same group.

The tax year is the calendar year. Periodic tax returns must generally be filed for each tax reporting period: (i) first quarter, six months and nine months, or (ii) monthly during the calendar year. Periodic tax returns are due for filing within 28 days following the end of the reporting period. The final corporate tax return is generally due for filing by 28 March of the following year. Regardless of which tax reporting period is used, companies are generally required to make monthly advance payments of corporate income tax. Certain companies may make advance payments on a quarterly basis. Advance payments and the final balancing payment (if required) are due by the same deadlines for submitting the relevant tax return.

## Personal Taxes

### Resident individuals

Resident individuals are generally subject to income tax on their worldwide income at the rate of 13% (subject to exemptions and deductions).

Capital gains that are not tax exempt are subject to income tax at the rate of 13%. The following gains are tax exempt:

- Gains from sales of immovable property and other property held for at least three years (excluding securities and property used for business purposes)
- The first RUB1m of gains from sales of immovable property held for less than three years (excluding immovable property used for business purposes) per tax year
- The first RUB250,000 of gains from sales of other property held for less than three years (excluding securities and property used for business purposes) per tax year, and
- Gains from the disposal of shares in Russian companies held continuously for a period of at least five years (for shares acquired from 1 January 2011).

Dividends received by resident individuals are generally subject to tax at the rate of 13%.

A 35% tax rate applies to interest received in respect of (i) ruble currency bank deposits on any amount which exceeds the Central Bank's refinancing rate for rubles plus 5%, and (ii) foreign currency bank deposits on any amount which exceeds a rate of interest of 9%. Interest received in respect of bank deposits that does not exceed these limits is not subject to tax.

There is no separate inheritance or gift tax in Russia; however, income from certain gifts received from non-qualifying family members is generally subject to income tax. Income from gifts received from organisations and individual entrepreneurs, and prizes from competitions etc, in excess of set limits is taxed at the rate of 35%.

There is no wealth tax in Russia.

### Non-resident individuals

Non-resident individuals are generally subject to income tax on their Russian source income, subject to the terms of any relevant double tax treaty, at the rate of 30%.

Non-resident individuals with the status of "highly qualified professional", and non-resident individuals hired by resident individuals under an employment or civil contract for works (services) for personal, household and other similar purposes not connected with business activities are subject to tax at the rate of 13% on their employment income.

Dividends received by non-resident individuals from a Russian company are subject to tax at the rate of 15%.

## Employment Related Costs and Taxes

### Fringe benefits tax

There is no separate fringe benefits tax. Unless specifically exempt, taxable benefits-in-kind form part of the taxable income of individuals and are subject to personal income tax.

### Social security costs

Employers are generally required to make social security contributions in respect of pension, social, and medical insurance funds at the rate of 30% of employees' pay up to RUB624,000, and 10% of employees' pay exceeding RUB624,000. Lower rates may apply in certain circumstances.

In addition, employers are generally required to make contributions in respect insurance for occupational accidents and diseases at a rate of between 0.2% and 8.5%, depending on the business sector.

Employees are not required to make social security contributions.

## Withholding Taxes on Payments Abroad

The rates of withholding tax on the following payments made abroad by companies are generally:

	%
Dividends	15
Interest	20 for companies (lower rates may apply to certain types of interest); 30 for individuals; exempt in certain circumstances
Royalties	20 for companies; 30 for individuals

For payments made to recipients in countries with which Russia has a double tax treaty, the rates of withholding tax may be reduced by the terms of the treaty.

## Value Added Tax (VAT)

VAT is levied on the supply of goods, works, services, and property services in Russia, and on the importation of goods.

The standard VAT rate is 18%. A reduced rate of 10% applies to certain supplies, including basic foodstuffs, certain goods for children, and certain medicines. A reduced 0% rate applies to certain supplies, including exports, and services relating to the international carriage of goods. Some supplies are VAT exempt, including certain medical goods and devices, insurance services, and certain financial and banking services.

There is no separate registration procedure for VAT purposes. Companies and individual entrepreneurs whose revenue in the previous three consecutive calendar months does not exceed RUB2m may be excluded from the VAT regime for a period of 12 months, subject to exceptions.

Registered traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

## Other Taxes

### Corporate property tax

A corporate property tax is generally imposed on certain assets recorded on a Russian company's balance sheet as fixed assets. For non-resident companies operating through a permanent establishment in Russia, the tax is imposed on qualifying fixed assets. For non-resident companies without a permanent establishment in Russia, the tax is imposed on owned immovable property located in Russia. The maximum tax rate is 2.2%, which may be reduced in certain circumstances. The tax base for certain classes of real property is based on the cadastral value.

### Excise taxes

Excise taxes are levied on certain products, including oil and gasoline, tobacco products, alcohol, and alcoholic beverages.

### Land tax

Municipalities impose a land tax on the cadastral value of land (as defined) owned by individuals and companies as at 1 January each year, subject to exemptions. The tax rates are established by municipalities. The maximum tax rate is 1.5% (0.3% for certain land, such as agricultural land).



## Extraction tax

An extraction tax applies to the extraction of minerals at varying rates.

## Tax Incentives for Businesses

### Research and development (R&D)

R&D expenditure can generally be deducted from taxable income. Expenditure in relation to certain R&D activities may be deducted at the rate of 150% (ratio 1.5).

### Special economic zones (SEZ)

Companies operating in a SEZ benefit from various possible tax incentives, including accelerated depreciation, reduced social security contribution rates, corporate property tax exemptions, land tax exemptions, corporate income tax reductions and exemptions, VAT exemptions, and customs duty exemptions.

### Far Eastern region incentives

Tax incentives are available for qualifying investments in new industries and high technology projects in the Far Eastern region of Russia. To qualify, an investment of at least RUB50m must be made within three years, or an investment of at least RUB500m within five years. The incentives include a corporate income tax exemption in relation to the percentage paid to the federal government for the first 10 years of operation, and a corporate income tax rate reduction in relation to the percentage paid to regional governments for the first 10 years of operation.

### Special tax regimes

There are various special tax regimes, including:

- Unified agricultural tax – available to agricultural producers
- Simplified tax system – available to certain organisations and individual entrepreneurs whose income in the first nine months of the year does not exceed RUB45m
- Single tax on imputed income for certain types of activities
- Taxation system for the performance of qualifying production sharing agreements, and
- Patent system of taxation.

Country Tax Guides are designed to provide a summary of the taxes which apply to business and individuals, and are for information purposes only. Whilst every effort has been made to ensure accuracy, information contained in these guides may not be comprehensive and is subject to frequent change. Recipients should not act upon it without seeking professional advice. Contacts details for independent members of Baker Tilly International can be found at [www.bakertillyinternational.com](http://www.bakertillyinternational.com).

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