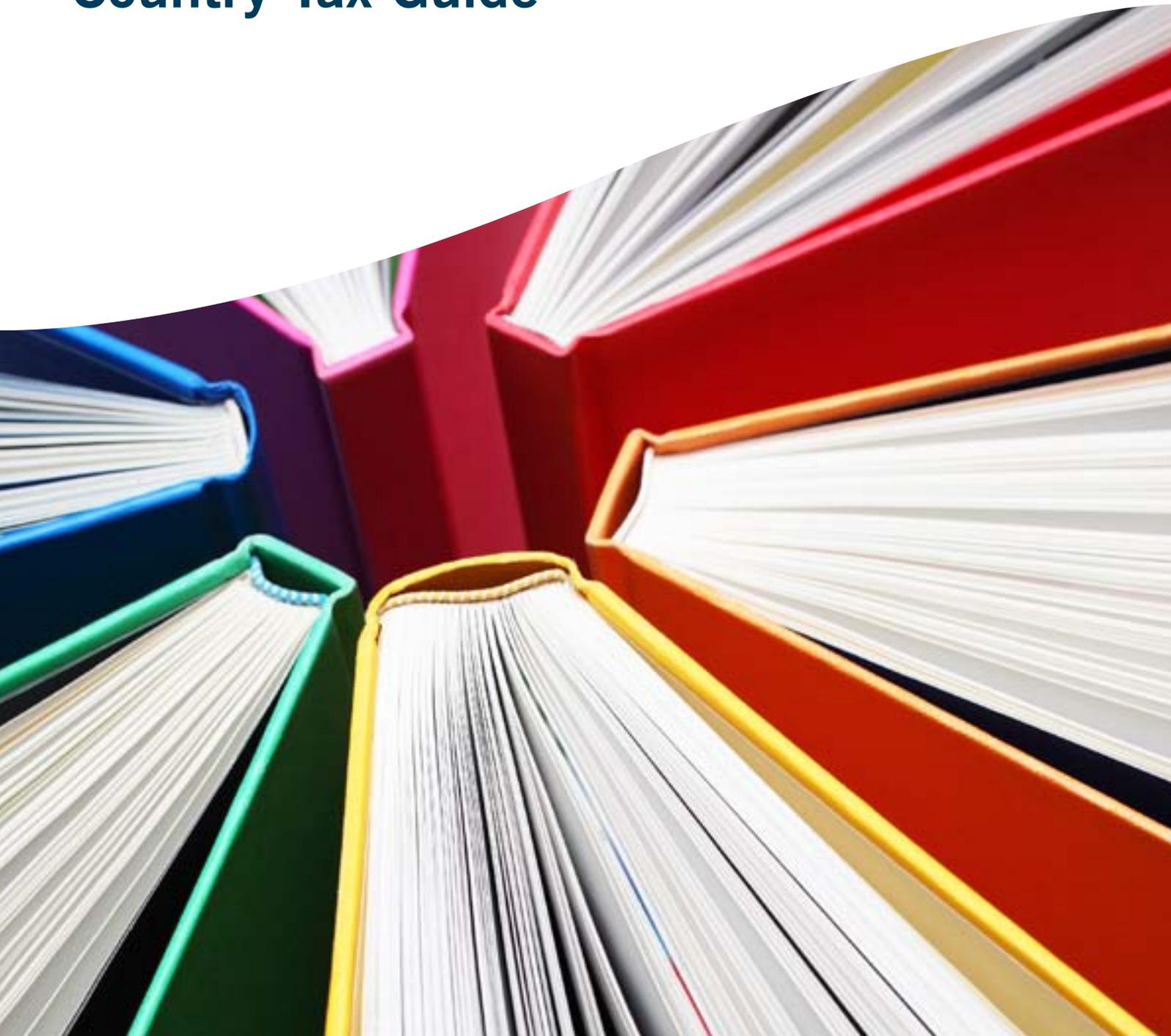


Country Tax Guide





Russia

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Corporate Income Taxes

Resident companies, defined as those which are incorporated under Russian law, are subject to corporate income tax on their worldwide income.

Other companies are taxed on their income from sources in Russia, subject to the terms of any relevant double tax treaties.

The rate of corporate income tax is generally 20%, comprising a federal tax of 2% and a regional tax of 18%. The regions have discretion to reduce their rate to 13.5% for some types of company.

Capital gains are taxed at the same rates as other profits. However, the 0% tax rate shall be applied to the tax base which is determined to be income from operations involving the sale or other disposal (including redemption) of shares in Russian entities (participating interests in the charter capital of Russian entities) provided that, as at the date of sale or other disposal (including redemption) of the shares (participating interests in the charter capital of entities), they have continuously belonged to the taxpayer on the basis of ownership or another right in rem for more than five years, provided that the shares in Russian entities comply with one of several conditions stipulated by the Russian Civil code.

Losses may be carried forward for relief against future profits for up to ten years.

A tax consolidation facility for groups of companies which meet prescribed criteria was introduced in 2012.

Companies must file annual tax returns by reference to the calendar year. They are required also to file simplified returns for each calendar quarter on a cumulative basis. At their option they may choose to file cumulative monthly returns instead of cumulative quarterly returns. Annual returns are due by 28 March following the end of the year. Cumulative quarterly returns are due by the 28th of the month following the end of the quarter. Cumulative monthly returns are due by the 28th of the following month.

Companies must calculate and pay their corporate income tax liabilities on a cumulative quarterly or monthly basis, in accordance with the periods for which they file their periodic returns. Companies which file cumulative quarterly returns are required to make monthly payments on account of their quarterly liability, with each payment calculated as one-third of the tax liability for the previous quarter. For the first quarter of the year the calculation is based on the liability for the final quarter of the previous year. State financed companies, companies with an average quarterly sales turnover in each of the preceding four quarters of not more than RUB3m, and some other types of company, are not required to make monthly payments on account.

Foreign companies operating in Russia through a permanent establishment must comply with the quarterly filing and payment requirements but do not have to make monthly payments on account.

Personal Taxes

Resident individuals are subject to income tax on their worldwide income.

Other individuals are taxed on their income from sources in Russia, subject to the terms of any relevant double tax treaty.

The general rate of income tax is 13%. Dividends received are taxed at 9%. Interest received on local currency bank deposits is taxed at 35% to the extent that the rate of interest exceeds a prescribed rate. Interest received on foreign currency bank deposits is taxed at 35% to the extent that the rate of interest exceeds 9%. Interest received on local and foreign currency bank deposits is otherwise exempt from income tax.

In most cases an individual's tax liability is settled by withholding at source by the payer. A tax return is required only from those carrying on a business, or in circumstances where tax due was not withheld at source. Taxpayers wishing to claim from a limited list of permitted deductions may elect to file a tax return. Deductions are allowed only against income taxed at 13%.

Capital gains from the disposal of securities are generally taxed at 13%. Gains from the sale of shares in Russian companies owned for more than five years are exempt. Gains from the disposal of assets other than securities are taxed only if they were owned for less than three years. For real estate the tax is 13% of the excess of aggregate sales proceeds in a year over RUB1m. For movable property the tax is 13% of the excess of aggregate sales proceeds in a year over RUB250,000. In each case the taxpayer may elect instead to be taxed at 13% on the actual gains.

There is no inheritance tax.

Some gifts received other than from family members are taxable as income. There is no wealth tax.

Social Security Costs

Employers are required to make social security contributions as follows:

- To the pension foundation to the amount of 22% up to annual pay of RUR568,000 and an additional 10% from the amount exceeding RUR568,000
- 2.9% to the social security foundation
- 5.1% to the obligatory medical insurance foundation. Employees are not required to make social security contributions.

Withholding Taxes on Payments Abroad

Dividends are subject to a withholding tax of 15%.

Interest, royalties and property rentals are subject to withholding taxes of 20%.

A withholding tax of 20% is deducted from the proceeds of sale of real estate when paid to a non-resident. As an alternative the non-resident may elect to be taxed at corporate income tax rates on the capital gain from the disposal, in which event documentary evidence must be supplied of the cost of the real estate.

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.

Indirect Taxes

Value added tax (VAT) is levied on the selling price of goods and services and on the value of goods imported into Russia. The main rate of VAT is 18%. A reduced rate of 10% applies to selected commodities, including basic foodstuffs and medicines. Exports are zero-rated. Some supplies are exempt, including insurance and some legal services. Businesses, other than those making exempt supplies, can generally recover the VAT with which they themselves are charged.

Other Taxes

Corporate property tax

Resident companies are subject annually to a regional property tax on the depreciated value of the fixed assets on their balance sheets. Other companies are taxed on the depreciated value of their fixed assets in regions within Russia. The rate of the tax varies depending on the region, but may not be more than 2.2%. Movable property is not subject to property tax.

Land tax

Municipalities impose a land tax on the value of real estate as shown in the state land register. The rate of the tax varies depending on the municipality and on the purpose for which the land is used. The maximum rate is 1.5%.

Capital duty

Issues of equity securities by a company placed on subscription are subject to a capital duty of 0.2% of the nominal value, with maximum duty payable of RUB200,000. Issues of securities placed otherwise are subject to a capital duty of RUB20,000.

Transfer taxes

There are no transfer taxes, but acquisitions of real estate are subject to state registration fees.

Tax Incentives for Businesses

Companies involved in the development of new equipment or new technology or new types of product, and companies which contribute significantly to the development of a region, may be in a position to negotiate tax credits with regional authorities.

Companies which operate in designated special economic zones may qualify for a range of benefits. Depending on the region these can include periods of corporate income tax and corporate property tax exemption or rate reduction, and accelerated depreciation on the purchase of equipment.

Facts and figures as presented are correct at the time of writing, September 2013.

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.

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