



MEMORANDUM

Russian Federation Tax System

Submitted by
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Understanding the tax system of the Russian Federation is crucial for an investor wishing to conduct business in Russia. With knowledge of the tax system and which types of taxes that needs to be paid, an investor can help to minimize the risks of a company getting into trouble with tax authorities. This article is meant to give a general guideline with the introduction of the types of tax that are present in the Russian Federation. It is important to note that the type of taxes to be paid will vary with the type of businesses operation in the Russian Federation¹

For each company operating in the Russian Federation, it is their responsibility to pay the taxes associated with business activities.

Types of Taxes:

Tax Code has established three levels of taxation:

- 1. Federal**
- 2. Regional**
- 3. Local**

The types of taxes that each level includes can be described in the following table:

Descriptions of Major Taxes

Taxes		
Federal	Regional	Local
Value Added Tax	Corporate Property Tax	Land Tax
Excise Tax	Transport Tax	Individual Property Tax
Unified Social Tax	Gambling Tax	
State Duty	*It is very important to note though that every region can stipulate different tax rates.	
Special Tax Regimes		
Personal Income Tax		
Mineral Extraction Tax		
Profits Tax		

1. Value Added Tax

Standard rate of 18%

Reduced rate of 10% is applied to certain goods that include food, medical, and baby products

Export goods subject to a 0% tax rate

Examples of the VAT taxable operation include

- Sale of goods (works, services) on the territory of the Russian Federation, as well as the transfer of property rights.
- Transfer of goods on the territory of the Russian Federation for own purposes in respect of which expenses are not accepted for offset when the tax on the profit or organizations is being calculated
- Performance of construction and erection works for own consumption
- Importation of goods to the customs territory of the Russian Federation

¹ All information taken from Russian Tax Code at www.russian-tax-code.com. Updates to code may have occurred.

2. Excise Tax

Taxpayers of the excise taxes include:

- Organizations
- Individual businessmen
- Persons recognized as taxpayers that are associated with the movement of the goods

Some examples:

- Ethyl alcohol made of types of raw materials, except for brandy alcohol
- Alcohol containing products in liquid form with a volumetric share of ethyl alcohol over 9%
- Beer
- Tobacco Products
- Diesel Fuel

3. Corporate Profits Tax

Recognized Taxpayers:

- Russian organizations
- Foreign organizations carrying out their activity in Russian Federation through their permanent representations or receiving incomes from sources in Russian Federation.

Maximum Tax Rate for all companies is 24%

Payable at a rate of 6.5% to the federal budget and 17.5% to regional budgets

Tax Rates that apply to dividends:

- 9% on dividends payable by Russian companies to Russian Shareholders
- 15% on dividends payable by Russian companies to foreign legal entities and on dividends received by Russian companies from foreign legal entities

4. Mineral Extraction Tax

Tax bases for the tax:

- Mineral resources recovered from sub-soil on the territory of the Russian Federation
- Mineral resources extracted from recovery waste
- Mineral resources recovered from sub-soil outside of the Russian Federation but is a territory of the Russian Federation

Examples of types of resources:

- Anthracite
- Coal
- Bituminous coal
- Lignite
- Peat
- Hydrocarbon raw material
- Commodity ores

Tax payer is responsible for determining tax base

Tax is determined by the quantity extracted and the specific type of mineral

5. Unified Social Tax

One tax is set up for three different types of services:

1. Pension Fund
2. Social Security Fund
3. Medical Insurance

Regressive scale of taxation ranging from 26% to 2% depending on the employee's salary

Some amounts that are not taxable:

- State allowances paid according to legislation of Russian Federation, allowance for care of sick child, unemployment benefit
- All types of compensatory disbursements – reimbursement of harm caused by crippling
- Free granting of housing and utilities, meals and foodstuffs
- Amounts of wage in foreign currency paid to workers (if taxpayer is state organization, financed by federal budget).

6. Corporate Property Tax

Regional Tax

- Maximum rate of 2.2%
- Payable on annual basis
- Items of taxation include immovable and movable property for Russian organizations and foreign organizations that are through a permanent establishment
- Items not of taxation include land plots or water objects

Payers of the Tax:

- Russian Organizations
- Foreign organizations pursuing activities in the Russian Federation through a permanent representation and/or owning immovable property in Russia, on the continental shelf and in the economic zone of Russia

Some exemptions from the tax:

- Religious organizations that pursue religious activity
- Russia public organizations of disables persons
- Organizations of the criminal execution system of the Ministry of Justice
- Organizations that manufacture pharmaceutical products
- Organizations that deal with nuclear power and outer space objects

7. Income tax rates under Russian Tax Code:

Nº	Income	Tax rate
1.	Dividends	9 %
2.	Interest ²	13 %
3.	Income received from the use of real estate	13 %
4.	Income received from the use of any vehicles	13 %
5.	Income from the sale of personal property and/or real estate	13 %
6.	Royalties (income received from the use of copyright ad/or licenses)	13 %
7.	Compensation for the performance of labor performed in the Russian Federation	13 %
8.	Compensation for the performance of labor performed outside of the Russian Federation	13 %
9.	Income received from independent personal activity (e.g. independent science, literature,	13 %

	artistic, educational or teaching activities, also the personal independent activity of doctors, lawyers, engineers, architects, dentists or accountants)	
10.	Compensation to directors (compensation received as a board of directors member or member of another similar body)	13 %
11.	Compensation for civil service (paid from state or regional government funds)	13 %
12.	Pensions	13 %
13.	Insurance benefits, including rent and annuity income	13 %
14.	Wins and prizes, from contests, games etc.	35 %
15.	Sum of saving from interest on credit	35 %

Tax Bodies

Authority of the Tax Administration is controlled by the Federal Tax Service.

There are certain cases the customs authorities and agencies of the governmental extra-budgetary funds shall have power

Rights of Tax Bodies

- Can demand documents to serve as grounds for the calculation and payment of taxes
- Carry out tax inspections
- Examine workrooms, depots, trading and other premises used by tax payer

Duties of Tax Bodies

- Strictly comply with the legislation on taxes and fees
- Monitor the observation of the legislation on taxes and fees
- Keep records of the organizations and natural persons in the established procedure
- Refund or credit excessive amounts of taxes

Tax Offenses

Types of Tax Offenses include

- Failure to Meet the Deadline for Registering with a Tax Authority
- Avoidance of Registration with a Tax Authority
- Failure to Meet the deadline for Reporting the Opening of a Bank Account
- Non-submission of a Tax Declaration
- Failure to Comply with the Rules for Accounting for Income, Expenditure and Objects of Taxations
- Failure to Pay the Full Amount of Taxes Due

Various Penalties associated with each offense

Tax Period

Generally one year

If organization was established after beginning of year, the first tax period will begin from date of establishment

Various other cases depending on circumstances of organization

Procedure for Paying Taxes

- Lump sum of the entire amount of tax
- Amount to be paid by taxpayer or a tax agent
- Paid in cash or a non-cash form

Deadlines for Paying Taxes

- Established for each tax or fee
- If paid after expiration, taxpayer subject to payment of interest
- Can be paid in various periods – Year, Monthly, Quarterly

We would be pleased to provide you with more detailed information regarding our services and to answer any other questions you may have.

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