Russian Tax & Business Environment

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**PwC Russia**

3 main areas of services: Audit, Tax & Legal Services, Consulting

**More Than 3,000 Professionals**

**12 Offices**
Inbound Considerations

Choice of Entity:

- Individual entrepreneur (IP)
- Limited liability company (OOO)
- Private joint-stock company (ZAO)
- Public joint-stock company (OAO)
- Production cooperative (PK)

Immigration Issues:

- Visas
Operations – Tax Considerations

Federal Taxes:

- Corporate Income Tax ("CIT") – generally 20%
- Value Added Tax ("VAT") – generally 20%
- Import Duties
- Excise Duty

Regional Taxes

- Property Tax
- Transport Tax
- Trade Levy (Moscow)
Russian Tax System – Corporate Income Tax

Corporate Tax Income:

- **Generally** – Maximum CIT rate of 20% (federal & regional, until 2024). However, only 3% is attributed to federal budget and 17% is attributed to the relevant regional budget. The 17% attributed to the regional budget may be reduced by the authorities, but may not be less than 13.5%.

- Applies to Russian resident taxpayers’ from worldwide sources, as well as to foreign legal entities on their Russian-sourced income derived through permanent establishments ("PEs") located in Russia.

- Foreign legal entities are subject to Russian withholding tax on income from Russian sources not related to a PE.

- Reduced CIT rate available in certain regions and fields (e.g., information technology and special investment projects).
Russian Tax System – Withholding Taxes under the Russian Double Tax Treaties

<table>
<thead>
<tr>
<th></th>
<th>Dividends</th>
<th>Interest</th>
<th>Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian tax law</td>
<td>5%*</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Israel</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>UK</td>
<td>10%</td>
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<tr>
<td>US</td>
<td>5%**</td>
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</tr>
<tr>
<td>The Netherlands</td>
<td>5%***</td>
<td>15%</td>
<td>0%</td>
</tr>
</tbody>
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* For foreign corporate shareholders of public companies.

** If at least 10% control in voting stock.

*** If at least 25% control in share capital and certain investment conditions are met.
Russian Tax System – Indirect Taxes

**VAT:**

- **Generally** – 20% (with a lower 10% applicable to certain basic foodstuffs, children’s clothing, medicines and others). The same VAT rates apply to imports of goods into Russia.

- **VAT on Digital Services** – as of 2019, foreign entities that provides certain electronic services via the internet to Russian customers (regardless of the legal identity of the service receiver) might be obliged to register and remit Russian VAT.

**Import/Excise Duties**

- **Import Duties** – Goods imported to Russia are subject to customs duties at a rate ranges between 0%-20% of the customs value (depending on the type of asset and the country of origin).

- **Eurasian Economic Union (EAEU)** – Russia is a member of the EAEU and shares a single customs territory with Belarus, Kazakhstan, Armenia and Kyrgyzstan.

- **Excise Duty** – Excise taxes are generally paid by producers of excisable products (e.g., cars, tobacco, alcohol and oil products) on their domestic supply and also charged on imports of excisable goods (exports of excisable products are generally exempt from excise taxes).
**Russian Tax System – Incentives**

**Regional Incentives**

Reduced tax rates (including CIT, property tax and transport tax) are granted to large investors or entities operating in specific industries. That includes the following districts:

- **Special Economic Zones (SEZs)** – industrial, technical research for scientific projects, tourism and port zones.
- **Advanced Development Zones (ADZs)** – generally in the Russian far-east and other rural areas. Special CIT and property tax rates and simplified rules for hiring foreign employees for several fields of activity (e.g., agriculture, textiles, chemicals, pharmaceuticals, furniture, telecommunications, education science and technology).

**General Incentives**

- Reduced CIT rate for information technology companies.
- Certain R&D services are exempted from VAT.
- Certain R&D service-related expenses are deductible using a coefficient of 1.5.
- Fixed assets used in science and technology may be depreciated with an accelerated coefficient of up to 3.
- Reduced rates for contribution payments to social funds are established for Information Technology companies.
**Russian Tax System – Alternative Royalty Structures**

### Direct Holding
- **IL-Co** (Israel)
- **Ru-Co** (Russia)

- Royalty – 10%
- Sub-License

### Indirect Holding
- **IL-Co** (Israel)
- **UK-Co** (UK)
- **Ru-Co** (Russia)

- Royalty – 0%
- Sub-License
- Sub-License
Russian Tax System – Alternative Dividend Structures

**Direct Holding**

- IL-Co (Israel)
- Ru-Co (Russia)

Dividend – 10%

**Indirect Holding**

- IL-Co (Israel)
- Ru-Co (Russia)
- NL-Co (Netherlands)

Dividend – 0%

Dividend – 5%
Thank You

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