Accounting

Tax

Global

VAT

The taxpayers for VAT purposes are all Russian legal entities.

VAT is calculated and paid as the difference between output VAT (collected from clients) and input VAT (paid to suppliers). Input VAT is deducted from (or credited against) output VAT and the difference is remitted to the government. Special rules apply for the deduction of VAT depending on the nature of operations.

Output VAT

All sales are subject to VAT if the territory of sale is Russia including alienation without consideration (free of charge) of goods, works and services.

VAT is paid from all revenue earned from sales of goods, works and services (and transfer of property rights). The tax base is the value of the transactions as expressed by the parties to them. However, the tax office may challenge the expressed price and demand an adjustment to market prices according to the general rules for transfer pricing.

Under article 167 of the Tax Code the tax base is determined at the earliest of the following two dates:

1) date on which the goods are dispatched (work done, services rendered, property rights transferred), or
2) date of receipt of payments or partial payments for the future supply of goods, services, or transfer of rights.

Revenue received from advisory, legal, accounting, audit, engineering, advertising, marketing services is not subject to VAT if the customer is outside of Russia and provides the set of documents supporting this (certificate of residence, confirmation letter) (art 148);

Input VAT

VAT is calculated and paid as the difference between output VAT (collected from clients) and input VAT (paid to suppliers). Input VAT is deducted from (or credited against) output VAT and the difference is remitted to the government. Special rules apply for the deduction of VAT depending on the nature of operations.

In order to deduct input VAT certain conditions must be met, (art.172(1)) as follows:

- goods (services) must have been acquired for transactions subject to VAT or for resale;
- relevant VAT invoices have been received from suppliers;
- transactions are duly recorded in the company accounts (bookkeeping). Transactions are recorded in a company’s accounting on the basis of primary documents. Certificates of transfer, waybills, etc. are considered as such primary documents.

Basic rule is that all input VAT transactions are to be supported by documents. VAT invoice (VAT proforma) is obligatory and must be received from the provider. Sellers are required to issue and present to the buyer a relevant invoice containing the details prescribed by the law (arts. 168,169). Such invoices are referred to as VAT invoices (in Russian “Shchyet-faktura”).

Also basic rule is that input VAT might be claimed even if there is no output VAT. However in this case there is a very high probability of tax audit initiated by tax authorities as well as invitation of general director to tax authorities to explain reasons of input VAT claimed.

Input VAT is claimable/reduces output VAT within 3 years after the date of transaction.

The best practice is not to claim input VAT but to reduce output VAT to zero if input VAT exceeds output VAT.

Reporting

The return must be submitted to tax authorities together with sale book and purchase book in electronic format. Tax authority has a software that monitors and reconciles input VAT of entity with output VAT of provider automatically. This is why it is important to check providers for being “good tax payers”.

Rate

Tax rates (Article 164):

Standard rate 20%

Filing dates

1 quarter	25th of April
2 quarter	25th of July
3 quarter	25th of October
Year	25th of January of the following year

If due date is not a business date, filing timing is extended until next business day.

Payment days

28th of January	1/3 of VAT amount for the 4rd quarter of the previous year
28th of February	1/3 of VAT amount for the 4rd quarter of the previous year
28th of March	1/3 of VAT amount for the 4rd quarter of the previous year
28th of April	1/3 of VAT amount for the 1st quarter

28th of May	1/3 of VAT amount for the 1st quarter
28th of June	1/3 of VAT amount for the 1st quarter
28th of July	1/3 of VAT amount for the 2nd quarter
28th of August	1/3 of VAT amount for the 2nd quarter
28th of September	1/3 of VAT amount for the 2nd quarter
28th of October	1/3 of VAT amount for the 3rd quarter
28th of November	1/3 of VAT amount for the 3rd quarter
28th of December	1/3 of VAT amount for the 3rd quarter

If due date is not a business date, payment timing is extended until next business day.

Tax audit

Tax audit might be initiated by tax authorities at any time. Tax authorities might also send information request at any time. Tax audit may cover the period of 3 previous tax years. Tax audit may be field and in-house

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