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Accounting

Tax

Glo

CIT

Entities are obliged to keep separate tax accounts.

Taxable income

All income recognized on accrual basis.

All revenues from sales of goods or services are generally recognized as taxable income.

Taxable gains include:

- Transactional gains from foreign exchange;
- Interest earned from loans, bonds, deposits;
- Gains from financial instruments;

Deductible expenses

Expenses that are reasonable, economically justified for the entity, serve the function of generating income and supported by primary documents.

Each expense coming from external providers should be supported by confirmation the services were provided (acceptance protocol with certain obligatory fields, with blue signatures and stamps from both sides – entity and provider), goods received (delivery document with certain obligatory fields, with blue signatures and stamps from both sides – entity and provider).

Payroll expenses together with social contributions are deductible if it calculated based on internal regulations and documents:

- Staff schedule
- Time-sheets
- Salary policy
- Bonus policy
- Bonus orders

These documents are to be prepared and updated, should be signed by the general director or another authorized person.

Employee expenses – expense reports are to be prepared for every expense with originals of receipts, invoices, delivery documents. Representative expenses, e.g. business dinners expenses require additional support of event report stating the reason of the event, attendance list, results received. Total representative expenses deductible might not exceed 4% of salary for the quarter.

Deductible medicare insurance expenses must not exceed 6% of total wages and salaries.

Depreciation is a deductible expense.

Fixed assets with initial cost lower than RUB 100,000 should be written-off to expenses when purchased.

Certain rules apply to bad debt expenses based on ageing of receivables. The total bad debt allowance deducted should not exceed 10% of revenue.

Majority of accruals are not deductible for CIT purposes.

Expenses on advertising are largely deductible, but some restrictions apply (art. 264(4)).

Most forms of marketing/advertisement expenses are fully deductible, for example:

- advertisement through mass media (press, radio and television, the Internet)
- outdoor advertising, for example, billboards, illuminated signs (including the manufacturing of stands and billboards)
- participation in exhibitions, fairs and expositions
- sample rooms and showrooms
- design, drafting and production of brochures and other marketing material
- design and other works on display window
- production and registration of trade marks (etc.)
- price reductions for displayed goods (that have lost their original qualities when exhibited)

Expenses on other forms of marketing costs, than those listed above, are deductible only within a limit equal 1% of sales revenue. It is expressly stated that this restriction applies to free gifts and prizes distributed in connection with marketing campaigns.

Foreign exchange losses, payable interest are also recognized as deductible expenses.

Non-Deductible Expenses

Certain other expenses remain expressly non-deductible (art. 270).

Such other non-deductible expenses are:

- Dividends (or other similar distribution of profit);
- Penalties, fees and other such officially imposed sanctions
- Voluntary membership fees or contributions (including admission fees) to unions, associations, legal entities simple partnerships and investment partnerships;
- Assets transferred without consideration (free of charge);
- Assets transferred under special-purpose-financing arrangements;
- Fees, contributions and other mandatory payments to non-commercial organizations and international organizations (with exceptions)

Rate

20% (17% — to the Regional budget, 3% — to the Federal budget)

Profit Tax Filings (Tax Returns)

In Russia a tax year always equals a calendar year and no exceptions are possible to match a possibly different tax year applicable at the level of a foreign holding.

Filing dates

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

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

Payment days

1 quarter	28th of April
2 quarter	28th of July
3 quarter	28th of October
Year	28th of March of the following year

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

In case monthly advance payment is applicable, it is due on 28th day of the month.

28th of January	1/3 of CIT amount for the 3rd quarter of the previous year
28th of February	1/3 of CIT amount for the 3rd quarter of the previous year
28th of March	1/3 of CIT amount for the 3rd quarter of the previous year
28th of April	1/3 of CIT amount for the 1st quarter
28th of May	1/3 of CIT amount for the 1st quarter
28th of June	1/3 of CIT amount for the 1st quarter
28th of July	1/3 of CIT amount for the 2nd quarter
28th of August	1/3 of CIT amount for the 2nd quarter
28th of September	1/3 of CIT amount for the 2nd quarter
28th of October	1/3 of CIT amount for the 3rd quarter
28th of November	1/3 of CIT amount for the 3rd quarter

28th of December	1/3 of CIT amount for the 3rd quarter

Tax losses

Tax losses accumulated do not expire but might be used in amount not exceeding 50% of tax profit.

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.

If entity is experiencing losses after one year of incorporation it is highly probable that general director of the entity will be invited to tax office for explanations of loss-making.

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