

MAIN INITIATIVES FOR THE SUPPORT OF THE BUSINESS

1. Changes in tax and currency legislation

The Decree of the Government of the Russian Federation No. 409 dated April 2, 2020 “On the measures supporting *sustainable* development of economy” (hereinafter the “Decree”) has approved the main set of initiatives aimed at supporting the business and entrepreneurship. Most of the measures are oriented to small and medium enterprises or enterprises engaged in activities related to the sectors of economy, which are considered the most affected by the spread of the coronavirus disease, as well as strategic, city-forming and systemic enterprises. At the same time, a number of adopted amendments applies also to a wide range of taxpayers.

The local authorities of the federal Subjects are also recommended to develop sets of measures aimed at support of the enterprises, providing tax reliefs on property, land and transport.

Such support measures have already been adopted in Moscow, Moscow Region, Saint Petersburg and Leningrad Region. In other regions they are being actively developed.

1.1. Terms and procedure of tax audits

In accordance with the Decree, *until June 1, 2020*

- all ongoing on-site tax audits, transfer-pricing audits, currency legislation audits are suspended and new audits may not be initiated (if the term of limitation for the imposition of liability for an offence does not expire until the indicated date);
- decisions ordering the suspension of operations of taxpaying companies on their bank accounts and electronic money transfers, cannot be adopted.

The term for submission of documents during a desk audit on VAT declaration is extended for **10 working days**.

The standard 10-day term for submission of response to a request of tax authorities is extended to **20 working days**, in case such request is received from March 1 to May 31, 2020.

Liability for the failure to provide documents upon request of tax authorities (article 126 of the Tax Code of the Russian Federation) is not applicable, in case such violation occurred *from March 1 to May 31, 2020*.

At the same time, the Decree does not imply an automatic suspension of enforcement of taxes, fines and penalties additionally charged upon the decisions of tax authorities that have already entered into force as a result of tax audits.

Moreover, the term for the fulfillment of requests issued based on such decisions shall take into account the declaration of non-working days until April 30, 2020. This means



that the 8-day minimum term for payment on request should be calculated only on the basis of the working days.

1.2. Terms for submission of statements

The term for the submission of tax and accounting (financial) statements expiring in March – May 2020 (i.e., including the personal income tax and corporate income tax declarations) is extended **for 3 months**.

The deadline for the submission of VAT declarations for the first quarter of 2020 and insurance payments is extended until **May 15, 2020**.

The indicated deferrals apply to **all** taxpayers. However, they do not entail automatic extension of the deadlines for tax payments (advance payments), including the cases when the deadline for tax payment in accordance with the Tax Code of the Russian Federation shall be no later than the date of submission of the tax declaration (calculation).

The deadline for filing applications to shift to tax monitoring in 2021 is extended **for 3 months**.

1.3. New terms for tax payments

As of April 13, 2020, the law provides for the following changes in the terms for tax and budget payments:

- a) The deadline for tax payments (advance tax payment) and fees is extended until **May 6, 2020** for **all taxpayers**, except for those who continue to operate during the “non-working days”, such as constantly operating enterprises, medical and pharmacy organizations, etc.

However, tax deferral does not entail an extension of the deadlines for submission of tax returns and calculations.

- b) For the **SMEs** operating engaged in the most affected economic **activities**, the following extensions of terms are introduced:

- the deadline for payment of income tax, Simplified Taxation System tax and Single Agricultural Tax for 2019 is extended **for 6 months**;
- the deadline for payment of taxes (advance payments), except VAT, for the fiscal period within the first quarter of 2020 is extended **for 6 months**;
- the deadline for payment of taxes (advance payments), except VAT, for the fiscal periods within the second quarter of 2020 is extended **for 4 months**;
- the deadline for advance payments of transport, land and corporate property taxes for the first quarter of 2020, is extended until **October 30, 2020**, and for the second quarter until December 30, 2020.

- c) An interest-free tax deferral is granted to **all enterprises engaged in the most affected economic activities**.

The maximum deferral period may not exceed 1 year.

An application for deferment or payment in installment must be submitted until ***December 1, 2020***.

- d) The procedure for granting a deferral/payment in installment of taxes will be significantly simplified.

For example, the restriction that a deferral cannot be granted for taxes exceeding the amount of net assets of the company shall not apply; a statement of the authorities on the occurrence of force majeure circumstances would not be required from a taxpayer, etc.

- e) Starting from April 1, 2020, the amount of insurance payments made by SMEs will be reduced from 30% to 15%.

The reduced rate will apply to the amount of salary exceeding the Minimum wage – MROT (12,130 rubles starting from January 1, 2020).

The term of the reduction of the amount of insurance payments is not determined, which means that it is not expected to change immediately after the COVID-19 situation is stabilized.

1.4. Rules for granting deferral/payment in instalments of taxes

The Decree established the Rules for granting a deferral (payment in installments) of taxes, tax advance and insurance payments (hereinafter the “**Rules**”).

The deferral (installment) may be granted to:

- enterprises engaged in the most affected economic activities;
- strategic, systemic and city-forming organizations (with more than 5,000 insured persons), which got affected due to the spread of the coronavirus disease. Such enterprises are approved by individual decisions of the Government of the Russian Federation.

The right to a deferral/payment in installments is granted to the above persons in case one of the following requirements is met:

- a) Reduction of the income by more than 10%;
- b) Reduction by more than 10% of income for the sale of goods (works, services).

The reduction of the income and the cost of sold goods and property rights is calculated based on the figures for the quarter, preceding the quarter in which the application for deferment or payment in installments is filed. The specified figures would be compared with the figures for the same period of 2019.

In case the company was incorporated in 2019, the comparison will be made with the two quarters preceding the quarter in which the application is filed.

- c) Reduction by more than 10% of the income for the sale of goods (works, services) subject to VAT at the rate of 0%,.

The rate of the reduction of the income for the sale of goods, services and works at 0% VAT rate is calculated in case the volume of the said sales is more than 50% of the total sales of goods, services, works and property rights.

- d) The taxpayer incurred in losses according to corporate income tax declarations for the relevant periods of 2020, provided that there were no losses indicated in 2019.

The existence of losses is determined based on the data of the income tax declaration for the fiscal period preceding the quarter in which the application for deferment (payment in installments) is submitted.

It should be noted that from the moment the application for the deferment/installment is filed and until the decision is made by the tax authorities, debt collection measures may not be applied, and the terms for submission of notices for payment of taxes, advance tax payments, as well for making decisions on their collection, shall be suspended.

A deferral may be granted for 3, 6, 9 and 12 months upon the occurrence of the conditions specified in paragraph 11 of the Rules.

A payment may be divided in installments distributed on a period of 3 or 5 years depending on the category of the person concerned, the extent of the income reduction, or the presence of losses and simultaneous income reduction.

1.5. Business support measures in Moscow

In accordance with the Decree of the Government of Moscow No. 273-III dated March 31, 2020 in relation to the enterprises engaged in the activities related to the most affected sectors and/or small and medium businesses, in particular:

- the deadline for advance payment of property tax and land tax for the first quarter of 2020 is extended until December 31, 2020. The extension is applicable to enterprises operating in foodservice, tourism, culture, sport, leisure and hotel business;
- the deadline for payment of the sales tax is extended until December 31, 2020;
- the lessees leasing real estate in Moscow, whose activities have been suspended, shall be exempted from rent for the period of temporary suspension.

2. Administrative liability for currency offences

The Federal Law No. 72-Φ3 dated April 1, 2020 introduced a number of amendments to the Administrative Code of the Russian Federation (hereinafter the “**Administrative Code**”) aimed at mitigating liability for the offences in the sphere of currency legislation.

The amendments entered into force on April 12, 2020 and relate to the currency offences, liability for which is imposed in accordance with article 25.25 of the Administrative Code, in particular:

- i) non-repatriation or non-compliance with the deadlines for the repatriation of currency earnings, failure to provide (non-compliance with the deadlines for the) return of an advance under foreign trade contracts, as well as non-compliance with the requirement of mandatory sale of foreign currency earnings, and its crediting in rubles, may impose liability in the form of a **warning**.
- ii) disqualification of a corporate executive who has committed the above offences may be applied only in case such corporate executive was already previously sanctioned with a fine for another administrative offence.
- iii) paragraph 5.2 was introduced in article 15.25 of the Administrative Code, according to which in case the total amount of non-credited (credited after the deadline) funds

received from foreign trade transactions within one year exceeds *100,000,000 rubles*, the same acts entail liability in the form of a fine in the amount of 1/150 of the key rate of the Central Bank of the Russian Federation of the amount of funds credited in violation of the deadlines for each day of delay, and (or) in the amount of from 3/4 to full amount of the non-credited funds; a fine in the amount from 40,000 to 50,000 rubles or disqualification for a period from 6 months to 3 years may be applied to corporate executives.

- iv) a warning as a form of administrative punishment is not applied in case the specified limits of the amounts of currency transactions are exceeded.

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This article was prepared as a brief overview of the law and does not constitute a legal advice of OOO “Pavia e Ansaldo”