

## Issue 5

Summary of selected documents published for the period from March 1, 2011 to March 6, 2011



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## GENERAL LEGISLATION

- 1. Title:** **On Amendments to Order No. 430 of the Federal Migration Service of Russia of November 8, 2007**
- Document:** Order of the Federal Migration Service of Russia
- Signed:** November 29, 2010 (registered with the RF Ministry of Justice on February 25, 2011, Registration No. 19937)
- Number:** 424
- Abstract:** Amendments have been made to the process of drafting, issuance, extension, re-issue and cancellation of visas for foreigners and stateless persons by the Federal Migration Service of Russia. A foreign citizen who is on a temporary stay in Russia will now be required to pay duty under the RF Tax Code for the issue, extension or re-issue of their visa. Foreigners who arrive for charity purposes or for urgent medical treatment or in connection with the death of a close relative will not be subject to duty for extending their visa. Also, changes have been made to the list of cases where visas are not issued or, if issued earlier, are cancelled. Now a migration card and a copy thereof will have to be produced for visa purposes. A transit visa with the TP1 code will be issued if the relevant territorial body of the Federal Migration Service of Russia cancels a temporary residence permit. Also, visa issue and cancellation procedures for foreign skilled professionals have been streamlined.

## TAX LEGISLATION

### Corporate Profits Tax

- 1. Document:** **Letter of the RF Ministry of Finance**
- Signed:** January 25, 2011
- Number:** 03-03-06/1/23
- Abstract:** The Letter clarifies the treatment of expenses incurred in the process of preparation for use of premises to be purchased under a preliminary contract.
- 2. Title:** **On the treatment of acquisition costs of software use rights**
- Document:** Letter of the RF Ministry of Finance
- Signed:** February 2, 2011
- Number:** 03-03-06/1/52
- Abstract:** If a contract/agreement does not specify the useful life of software acquired, the taxpayer independently determines the useful life of the non-exclusive right acquired, taking account of the Russian Civil Code requirements regarding useful life determination.

**3. Title: On recognition of assets identified during stocktaking**

Document: Letter of the RF Ministry of Finance  
Signed: February 11, 2011  
Number: 03-03-06/1/88

**Abstract:** In the event that assets identified during stocktaking and recognized prior to 2010 are sold or allocated for production in 2010, the taxpayer may deduct the market value of such assets at which they were initially recognized from the income earned from such operations.

**4. Title: On the treatment of provisions for doubtful debts**

Document: Letter of the RF Ministry of Finance  
Signed: February 14, 2011  
Number: 03-03-06/1/97

**Abstract:** If an entity has not used any of its provisions for doubtful debts and carries them forward in full to the next reporting (tax) period, the amount of the newly created provisions to be determined under Article 266, Point 4 of the Tax Code (no more than 10% of the revenues of the reporting (tax) period) should be adjusted in accordance with Article 266, Point 5 of the Tax Code.

**5. Title: On the taxation of unclaimed dividends**

Document: Letter of the RF Ministry of Finance  
Signed: February 17, 2011  
Number: 03-03-06/1/106

**Abstract:** According to the Ministry of Finance, if unclaimed dividends are reversed as part of retained earnings after January 1, 2007, an entity has the right not to include such dividends in non-sales income for profits taxation purposes.

**6. Title: On the treatment of expenses in the form of a discount on promissory notes payable on demand but no earlier than assigned date**

Document: Letter of the RF Ministry of Finance  
Signed: February 17, 2011  
Number: 03-03-06/2/35

**Abstract:** For the treatment of expenses in the form of a discount on promissory notes payable on demand but no earlier than assigned date, the estimated maturity of the promissory notes should be used as maturity for profits taxation purposes. Such maturity will be determined as the period from the date of the promissory note through the assigned date plus 365 (366) days.

**7. Title: On steps to be taken by tax authorities in the event of changes in profits tax advance payment procedures**

Document: Letter of the RF Federal Tax Service  
Signed: February 24, 2011  
Number: KE-4-3/2894

**Abstract:** The Letter explains that as from 2011 an entity may shift to quarterly advance payments if its sales revenues for the preceding four quarters did not exceed RUB 10 million on average (prior to 2011, RUB 3 million) for each quarter. Hence an eligible entity will be entitled not to make monthly advance payments accrued as at the payment dates of January 28, February 28 and March 28. In view of this, tax authorities are advised to take the following steps, among others: to sum up the above-mentioned advance payments for such entities; to notify the taxpayer of changes in the advance payment procedures (the Letter contains the recommended form of notification); and where an entity has separate divisions, to send the relevant memorandum to the local tax authorities of those divisions.

**8. Title: On allocation of production and sale costs between direct and indirect costs for profits taxation purposes**

Document: Letter of the RF Federal Tax Service  
Signed: February 24, 2011  
Number: KE-4-3/2952

**Abstract:** The RF Federal Tax Service believes that the Tax Code does not explicitly provide for any restrictions on allocating costs between direct and indirect ones. However, it also says that under Articles 252, 318 and 319 of the RF Tax Code and subject to Ruling No. VAS-5306/10 of the RF Supreme Arbitration Court of May 13, 2010, the allocation scheme should be based on the entities' economic performance indicators, determined by the workflow.

## VAT

**9. Title: On Amendments to Resolution No. 468 of the RF Government of July 28, 2006**

Document: Resolution of the RF Government  
Signed: February 7, 2011  
Number: 62-2

**Abstract:** New positions have been added to the list of goods (work, services) with a manufacturing cycle of over six months which was approved for VAT taxation purposes. In particular, the list now includes specialized railway equipment/ railway facilities and special-purpose railway cars.

**10. Title: On the application of VAT to forwarding services provided by a Russian organization under forwarding contracts in respect of goods imported in the Russian Federation or exported from the Russian Federation by sea transport between two locations within the Russian Federation**

Document: Letter of the RF Ministry of Finance  
Signed: February 14, 2011  
Number: 03-07-08/41

**Abstract:** Forwarding services for goods being moved between two locations within the Russian Federation (from a seaport at which the goods were imported into Russia to a destination point within Russia, or from a point of departure within Russia to a seaport from which the goods are exported from Russia) are subject to VAT at 18 percent.

**11. Title: On the application of VAT to services related to the international carriage of goods provided by a Russian organization, in connection with the enactment of Federal Law No. 309-FZ of November 27, 2010, On Amendments to Chapter 21 of Part 2 of the Tax Code of the Russian Federation, which came into effect on January 1, 2011**

Document: Letter of the RF Ministry of Finance  
Signed: February 17, 2011  
Number: 03-07-08/50

**Abstract:** Forwarding services including customs clearance services provided under a forwarding contract for the purposes of the international carriage of goods, including by road, between the points of departure and destination one of which is located within Russia and the other outside Russia, are subject to zero-rate VAT provided the taxpayer submits documents to the tax authorities as listed in Article 165, Point 3.1 of the Tax Code.

## Excise taxes

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**12. Title: On imposing excise taxes on motor oils exported from the Russian Federation as supplies**

Document: Letter of the RF Ministry of Finance

Signed: February 17, 2011

Number: 03-07-06/37

**Abstract:** Exemption from excise taxes does not apply to the export of motor oils from Russia, including those intended to be used as supplies, without placement under the specified customs procedures.

## Personal Income Tax

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**13. Title: On personal income tax exemption for a lump sum benefit provided by employers to employees upon the birth of a child**

Document: Letter of the RF Ministry of Finance

Signed: February 21, 2011

Number: 03-04-06/9-36

**Abstract:** A lump sum benefit upon the birth of a child paid either to one of the parents at their discretion in an amount under 50,000 RUB, or to both parents based on a total amount of 50,000 RUB, is exempt from personal income tax.

**14. Title: On completing the personal income tax form NDFL-2**

Document: Letter of the Federal Tax Service of Russia

Signed: February 24, 2011

Number: KE-4-3/2975

**Abstract:** If an individual's taxes for past periods are reassessed due to clarification of his/her tax liabilities, a revised information letter should be submitted to the tax authority. When preparing a new information letter instead of the one provided earlier, the respective fields should contain the number of the information letter provided earlier and the new date of the information letter.

## FINANCIAL LEGISLATION

**1. Title: On calculating the market value of securities accepted as collateral under Bank of Russia loans**

Document: Order of the Bank of Russia

Signed: February 25, 2011

Number: OD-141

**Abstract:** The market value of one security accepted as collateral under Bank of Russia loans is calculated in Russian rubles without rounding. The Order states that to calculate the market value of federal loan bonds, bonds of RF external bond loans and Bank of Russia bonds a weighted average price of issue at ZAO Moscow Interbank Currency Stock Exchange based on the results of the trading day preceding the day of the calculation is to be used. To calculate the market value of other bonds, a weighted average price of issue at ZAO MICEX Stock Exchange based on the results of the trading day preceding the day of the calculation is to be used. The market value of securities denominated in a foreign currency is calculated based on the official Bank of Russia exchange rate of the respective foreign currency to the Russian ruble on the day of the calculation.

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