

Changes to the Tax Code Related to Traceability of Goods

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On 9 November 2020, the President of the Russian Federation signed Federal Law No. 371-FZ “On Amending Part One and Part Two of the Tax Code of the Russian Federation and the Law of the Russian Federation ‘On Tax Authorities of the Russian Federation’” to introduce changes connected to the creation of a national system to enable the tracing of goods. The new rules will come into effect on 1 July 2021.

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This new system involves monitoring the turnover of certain types of goods using their Batch Registration Numbers (hereinafter – BRN). Taxpayers engaged in transactions with the traceable goods will be required to add BRNs to VAT invoices / primary accounting documents and provide the tax authorities with information on the transactions involving the traceable goods by filing VAT returns / related transaction reports.

The list of traceable goods, the procedure for providing documents and other aspects are to be set by the Government of the Russian Federation. The list of traceable goods contained in the draft Resolution of the RF Government¹ includes:



Refrigeration and freezing equipment



Industrial trucks



Washing and drying machines



Monitors and projection equipment



Baby strollers and child safety seats



Integrated electronic circuits and elements

What are the next steps for affected companies?



Companies involved in the above transactions should develop internal processes and IT systems to support the traceability of goods, including the ability to add BRNs to VAT invoices and/or other primary accounting documents, to prepare and file reporting according to the requirements to be stated by the Government of the Russian Federation.



Companies should switch to electronic document flows, at least for issuing and receiving electronic VAT Invoices.



Companies should be prepared for consequences of the goods traceability as a new instrument for controlling VAT, other tax and customs payments, including:

- to provide VAT invoices, primary and other documents if the tax authorities identify inconsistencies relating to the traceable goods during a desk tax audit;
- pay additional tax liabilities assessed if the tax authorities identify underpayment of VAT or customs duties.

How KPMG can help

- Advices to and coordination of the Company's Finance, IT and other business units to set up processes and systems for the traceability of goods.
- Assistance with the transition to the electronic document flows, including analysis of business processes and recommendations to improve them, as well as recommendations to manage the VAT recovery and refund.
- Adjustments to corporate policies governing tax accounting and document flow procedures, supplier's check and contracts with suppliers and customers.
- Analysis of the approaches of the Company to VAT and customs payments to identify risks due to the traceability of goods, including approaches to checking and selecting suppliers.

¹ Currently, the draft Resolution of the Government of the Russian Federation is available on the Federal portal of draft regulatory legal acts (<https://regulation.gov.ru/projects#npa=108389>)

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