Federal law # 372-FZ of 23 November 2020 (hereinafter, the law) has amended the Tax Code of the Russian Federation in the area of taxation of the personal income of individuals.

From 1 January 2021, if a Russian tax resident has annual income that exceeds 5 million rubles, this will be taxed at 15%. Annual income up to 5 million rubles will still be taxed at 13%.

The 13% flat tax rate is retained for certain types of income received by Russian tax residents. For example, 13% will still apply to:

- Income from the sale of property or a share (stake) in the aforementioned property (not applicable for securities)
- Income in the form of property (except for securities) received as a gift
- Income received by individuals in the form of insurance payments (with insurance contracts) and pension benefits.

The general 30% tax rate remains unchanged for most types of income received by tax non-residents in Russia.

The law thus applies a progressive scale starting at 13% and moving to 15%, with the threshold being 5 million rubles. An exception from the 30% rate exists for income received under local labour contracts by Russian tax non-residents who are employed under the Highly Qualified Specialist regime in Russia.

Exemption from liability is provided for tax offences committed by a tax agent in the First Quarter of 2021 while administering the increased personal income tax rate. The tax agent is also relieved from paying corresponding penalties if the tax amounts are transferred to the budget before 1 July 2021.

The law states the following tax withholding procedure: if the total amount of tax payable at the end of the reporting period (taking into account the progressive scale) turns out to be higher than the total amount of tax withheld by tax agents at source, the amount of unpaid tax must be paid by the taxpayer personally.

This payment must follow notification (to be provided by the tax authorities). The deadline for this additional tax payment following notification remains unchanged as 1 December of the year following the reporting one.

By doing this the authorities have tried to relieve both the taxpayer and tax agents from additional administrative burdens and tax filing obligations associated with introducing the progressive tax scale.

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