

Bellerage Alinga

Quarterly 2/2021

Dear Clients and Partners, Dear Clients and Partners,

With many vaccines in place, life has become more or less normal in Russia and abroad. However, travel still remains restricted, as foreign vaccines might not be accepted by other countries. Still, many executives from headquarters recently have come to Moscow, keeping our Business Launch & Support department (also handling visa, work and residence permits) busy.

There is plenty to deal with, as Russia always manages to introduce pleasant new rules and laws for business at the same time with less pleasant ones: new convertible loans, VAT-free restaurants, mandatory reporting on beneficiaries of all foreign companies – find this and more in our new Quarterly.

Stay healthy!

Jaclyn Shvets

Client & Partners Relations



Content

● Restaurants in Russia will be exempt from VAT	1
● New way to invest in Russian companies thanks to convertible loans	2
● Individual auditors prohibited from conducting mandatory audits of Russian accounting statements	3
● Foreign companies will have to report on their beneficiaries	4
● Foreign workers in Russia will need to register their fingerprints	5
● Simplified state accreditation for IT companies in Russia	6
● Amendment of the tax agreement with Switzerland	7
● Russian companies obliged to publish vacancies on state online portal in 2022	8
● Federal Tax Service working on new tax regime for small and medium business	9

Restaurants in Russia will be exempt from VAT

The State Duma adopted amendments to the tax code that will exempt "public catering enterprises" from VAT. The changes will enter into force on January 1, 2022.

VAT exemption applies if an organization meets the following conditions:

- Income < 2 billion rubles for the previous calendar year
- At least 70% of revenue comes from catering services and delivery of meals
- The monthly average amount of payments to employees is not below the same indicator for the industry last year

The limit on the number of employees for applying the reduced rate of social contributions (15% instead of 30%) is increased - from 250 to 1500 people.

We see this long-term regulatory change as an effort by the Federal Tax Service (FNS) to reduce the administrative burden on restaurants and to incite them to become fully tax compliant in exchange. We expect that FNS will increase pressure and controls on this industry sector from 2022 onwards.

Our client Torro Grill shared their views on these new realities and how they deal with them.[Click here to watch.](#)

Author: Dmitry Ashchepkov



New way to invest in Russian companies thanks to convertible loans

In June 2021, a law on convertible loans was passed, which should speed up investment processes.

An investor can now contribute funds to a project in the early stages in form of a loan and later have either the funds returned with interests or re-qualify them as company shares. A convertible loan agreement requires unanimous approval from the general meeting of shareholders or members of the company. The decision whether to increase capital must already be made at the stage of concluding the contract, thereby reserving shares for the investor.

When signing a convertible loan agreement, consider the following:

- If the borrower is an LLC, the contract must be notarized
- The agreement must contain the terms or conditions under which the investor has the right to demand the conversion of the loan
- In the agreement, it is necessary to establish the price of placement of additional shares for JSC or the amount of increase in the Charter capital for LLC
- The investor can submit a conversion request within 3 months from the date the loan is due or the conditions for conversion are met

At the same time, both non-credit financial institutions and credit institutions cannot attract a convertible loan.

Author: Marina Kukshinova



Individual auditors prohibited from conducting mandatory audits of Russian accounting statements

According to a new law only audit organizations will be able to conduct a mandatory audit of accounting (financial) statements. At the moment, it can be carried out by both companies and individual auditors.

The requirement will be applied starting from the accounting statements for 2021.

Bellerage Alinga's Audit team is ready to help you with both mandatory and initiative audits.

Author: Sergei Mukha



Foreign companies will have to report on their beneficiaries

From January 1st of 2022 all foreign companies working on the Russian market, including those not registered as a legal entity (funds, trusts, partnerships, etc.), will be obliged to report to the Federal Tax Service on their founding members, managers and beneficiaries.

Information on indirect participants is also subject to reporting, in case a person's or company's share in the company is more than 5%.

Previously this procedure was mandatory only for companies, who owned real estate in Russia.

Reports are due to submission until 28th of March, otherwise the company will be fined 50 000 RUB

Bellerage Alinga's specialists will be glad to assist you with the preparation and submission of all necessary documentation to the tax authorities.

Author: Timur Nurmukhametdinov



Foreign workers in Russia will need to register their fingerprints

From December 29, 2021, foreign citizens arriving in the Russian Federation for a period of more than 90 days will be required to submit fingerprints within 90 days from the date of entry.

If a foreign citizen enters the Russian Federation for work purpose, the procedure will need to be completed within 30 days from the date of entry. This requirement also applies to foreigners with a HQS status (Highly Qualified Specialist).

Additional details about the procedure still need to be determined by the Ministry of Internal Affairs.

Bellerage Alinga's specialists will be happy to help you with any questions about HR, labor relations with foreign citizens, HQS and more.

Author: Matvey Mazurov



Simplified state accreditation for IT companies in Russia

The specific state accreditation is a key element for IT companies in Russia for obtaining the newly introduced preferential conditions, such as:

- Reduced rate on social insurance premiums (7.6%)
- Special income tax rate (3%)
- The opportunity to attract highly qualified foreign specialists in a simplified manner.

Starting from August 2021, companies will be able to apply for the state accreditation to the Ministry of Digital Development through the Gosuslugi - the Russian eGovernment service portal. Thanks to the digitalization of this process, changes to the state register should be made possible within one working day.

To benefit from the above-mentioned advantages, IT companies need apart of a state registration also to:

- Have an average number of employees of at least 7 people
- Receive more than 90% of revenue directly from IT activities.

Author: Elivaveta Yanchenko



Russia - Switzerland tax agreement to be amended

Russia's Ministry of Finance continues to revise Double Tax Treaties (DTT): the next one is the agreement with Switzerland.

During 2020, in accordance with the suggestions of President Putin, the DTT with Cyprus, Malta and Luxembourg were amended, while the agreement with the Netherlands was denounced.

Based on the revisions of these agreements, it is fair to assume that the right to apply the reduced withholding tax rates for payment of dividends and interests under the DTT with Switzerland will be limited.

Further negotiations between Russia and Switzerland will take place in October 2021.

Author: Timur Nurmukhametdinov



Russian companies obliged to publish vacancies on state online portal in 2022

From January 1, 2022, the law on the mandatory publication of job vacancies on the official website "Trudvsem" comes into force. The following organizations are concerned:

- Government structures
- Legal entities with state participation
- All companies with an average number of employees of more than 25

The law does not restrict posting vacancies on other services.

A violation of the law can result in a warning or an administrative fine between 3000 and 5000 rubles for companies.

The platform is also part of the Eurasian Economic Union's (EEU) "Work without Borders" project that aims to improve the interaction of labor markets across the EEU's five member states, allowing to post resumes in all countries at once.

Author: Olga Anton



Federal Tax Service working on new tax regime for small and medium business

The Federal Tax Service is considering a new tax regime for small and medium businesses, which would exempt entrepreneurs from the payment of insurance contributions. The absence of insurance payments will be compensated by a 4% increase in the business tax rate.

Representatives of the Federal Tax Service suggest that such innovations will enable entrepreneurs to decrease current expenses on accounting by reducing the number of reports and declarations to be submitted to state structures. They also mention the possibility of increasing the transparency of doing business by obtaining information directly from the taxpayer's bank.

However, the entrepreneurs will have to pay the increased tax every month, which will reduce the free cash of the company that can be used for development. Employees will have to take care of their own retirement savings.

Discussion of the new taxation regime suggested by the Federal Tax Service begins in October.

Author: Anna Nemova

