

Digital economy impact checklist

Update on indirect tax developments in Russia

This indirect tax digital economy checklist provides you with an update on a recent country development; kindly review to see how your organization may be impacted. In case of any queries, please contact your local KPMG advisor.

This alert include the following information:

- Summary of the change
- Obligations imposed on remote sellers
- Types of supplies affected
- Determining the status of the customer
- Possibilities to provide input to the government

Summary

Jurisdiction affected:	Russia.
Summary of the change:	New VAT rules for the B2B supply of e-services to Russian customers effective starting from 1 January, 2019. The key aspects of the change are: <ol style="list-style-type: none"> 1. VAT registration of foreign B2B e-service providers with the Russian tax authorities; 2. VAT reporting and payments to the Russian tax authorities and maintenance of e-services sales ledger; 3. Preparation of documents, required for the Russian business customers to offset the VAT on e-services from foreign suppliers
Current status of the change:	Enacting of legislation.
When does the proposed change commence?	1 January 2019.

Obligations imposed on remote sellers

Does a VAT registration potentially trigger consequences for corporate income tax purposes (e.g., does it deem a permanent establishment (PE))?	No.
Will remote sellers and/or platforms need to register?	Yes, if they sell e-services or charge local customers with e-services fees.

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Is there a (simplified) registration procedure, and is it open to non-established entities?	Yes.
What is the registration threshold for foreign suppliers?	1 RUB of e-services to Russian customers. Is it the same as local suppliers? Yes.
Who pays the VAT/GST — supplier/platform/split payment/withholding/reverse charge/other approach?	Supplier or platform if the platform is authorized for e-services fee collection.
Is the liability for accounting for the VAT/GST limited to just the supplier, or may other parties potentially be liable (e.g., joint liability)?	Limited to supplier. Depending on the party responsible for e-services fee collection.
How often must VAT/GST returns be filed?	Quarterly.
Are tax invoices required to be issued?	Yes.

Types of supplies affected

Goods, services or both?	Services.
Is there a low value threshold (for goods)?	Yes, 1000 Euros.
Are businesses required to advertise or state prices inclusive of VAT/GST?	No.
Are any of those supplies potentially subject to a reduced rate or zero rated or exempted?	Yes. Provisions of rights to use software (incl. games) and databases based on a license agreement or on a tangible media is VAT exempt.
Must VAT be mentioned separately on the invoice?	Yes.

Determining the status of the customer

What types of customers are classified as B2B?	Legal entities, individual entrepreneurs, branches/offices of foreign companies registered in Russia.
What requirements are there for determining if the customer is located in that country? What proof is needed?	Location in Russia is determined on registration of the company/branch/entrepreneur with the Russian authorities.

Possibilities to provide input to the government

Is there a process in place to share comments/practical problems with the respective legislative body or government or other groups?	Yes. There is a communication between business associations on one side and tax authorities, legislative authorities, government on the other side. There is no legally binding process but a discussion between authorities and business.
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Who to contact

For more information and detailed advice on the change and on digital sector tax/indirect tax advice, please contact:

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