



FORTE TAX & LAW

MAIN CHANGES TO RUSSIAN
LEGISLATION 2022

Dear Clients, Partners and Friends,

We hope that 2022 will bring you new successes and great achievements.

Numerous legislative changes usually enter into force at the beginning of the year, and this year was no exception. In this review, we have outlined the main changes that will become effective in 2022.

The new amendments will not fundamentally change business activities overall, so we have described in broad brushstrokes the main changes in various branches of law.

You will find below a brief overview of the changes that will be introduced in 2022. If you have any questions regarding these changes, please feel free to contact us. We will be happy to discuss them with you, as well as assist you in adapting your company's business processes to these changes.

We hope that you find this review interesting and helpful.

Your sincerely,
Anton Kabakov
Partner at Forte Tax & Law

anton.kabakov@fortetaxandlaw.com
+7 921 397 11 93



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TAXES AND TAXATION

LOSS CARRYFORWARD

The rule restricting the use of tax losses from previous years in the current year will remain effective until December 31, 2024 [1].

SOCIAL INSURANCE CONTRIBUTION THRESHOLDS

The income thresholds for payment of social insurance contributions for sick and maternity benefits as well as for compulsory pension were raised in 2022 to RUB 1,032,000 and RUB 1,565,000, respectively[2].

SAME DEADLINES FOR PROPERTY TAX PAYMENTS AND ADVANCE PAYMENTS THROUGHOUT RUSSIA

From 2022 onwards, the deadlines for paying property tax will be the same throughout Russia: corporate property tax is due no later than March 1 of the year following the reporting tax period, advance payments for corporate property tax are due no later than the last day of the month following the reporting period[3].

SINGLE TAX PAYMENT

An experiment will be conducted in the 2nd quarter of 2022. As part of this experiment, organizations and individual entrepreneurs will be able to apply to tax authorities to operate under a special procedure entailing paying taxes by making a single tax payment [4]. Tax authorities will on their own offset the funds received against mandatory payments as prescribed. Taxpayers will be required to submit their application for single tax payment from April 1 to April 30, 2022. It will be possible to pay a single tax only if there are no disagreements with tax authorities as determined based on a reconciliation. This special procedure for paying taxes will be applied from July 1 to December 31, 2022.

OFFSETTING TAX OVERPAYMENTS AGAINST SOCIAL INSURANCE CONTRIBUTIONS

Overpaid taxes may be set off against future payments of taxes, charges, social insurance contributions, repayment of arrears on other taxes, charges, social insurance contributions, arrears on penalties for taxes, charges, social insurance contributions and fines for tax offenses[5].

PERSONAL INCOME TAX. DEDUCTION FOR HEALTH AND FITNESS SERVICES

Expenses for health and fitness services have been added to the list of social tax deductions[6]. It is possible to deduct the expenses incurred for such services if they are included in the list approved by the Russian Government[7], and the organizations providing these services are also included in the list of organizations and individual entrepreneurs whose main activity is health and fitness as compiled by the Russian Ministry of Sports for the relevant tax period. The social tax deduction for health and fitness services will be applied to income received by taxpayers starting from January 1, 2022, and the amount of deduction should not exceed RUB 120,000 per year in total together with other social tax deductions.

VAT EXEMPTION FOR CATERING SERVICES

From January 1, 2022 onwards, catering services in restaurants, cafes, cafeterias, and other similar facilities, as well as their take-out services will be exempt from VAT[9], if the following conditions are met for the previous calendar year: (i) The total amount of income does not exceed RUB 2 billion, (ii) the share of income from catering services is at least 70% of the total amount of income,

(iii) the average monthly amount of payments and other remunerations is not less than the average monthly salary for catering activities in the relevant constituent entity of Russia (this condition applies to relationships arisen from January 1, 2024).

NEW ACCOUNTING PROCEDURE FOR RENTAL AND LEASE PAYMENTS FOR PROFIT TAX PURPOSES

From 2022 onwards, any property leased, including under a leasing agreement, will be subject to corporate property tax[10], as provided by Federal Accounting Standard 25/2018 for Lease Accounting[11]. And, until the expiration of leasing agreements effective as of January 1, 2022, lessors and lessees will for taxation purposes account for property leased as per previously existing tax and accounting rules. And, until the expiration of leasing agreements effective as of January 1, 2022, lessors and lessees will for taxation purposes account for property leased as per previously existing tax and accounting rules.



DEDUCTION OF EXPENSES FOR EMPLOYEES' HOLIDAY VOUCHERS

Expenses for hospitality and health resort treatment in Russia, including compensation of expenses for health resort treatment services in Russia for employees, their spouses, parents, children under 18, etc. may be deducted for profit tax purposes[12]. The total amount of deductible expenses should not be more than RUB 50,000 per person who enjoyed such services.

INTERNATIONAL TAXES

TERMINATION OF DTT WITH THE NETHERLANDS

On June 7, 2021, the Russian Ministry of Foreign Affairs officially notified the Netherlands of the denunciation of the Double Taxation Treaty between the Russian Federation and the Netherlands dated December 16, 1996, and this treaty ceased to be valid on January 1, 2022. Consequently, from 2022 onwards, the income of Dutch companies received from sources in Russia will be taxed under the general procedure with no special benefits that used to be provided under the DTT. The dividends of Dutch shareholders will therefore be taxed at 15%.



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CORPORATE LAW

HOLDING REGULAR GENERAL MEETINGS OF SHAREHOLDERS IN 2022

Unless otherwise provided by the company's charter, limited liability companies must approve the results of their activities for 2021 from March 1 to April 30, 2022, and joint-stock companies – from March 1 to June 30, 2022. It will also no longer be allowed in 2022 to hold regular general meetings of shareholders in absentia [13], so now all companies are required to hold general meetings only in person.

It should also be noted that the minutes of general meetings of shareholders held in limited liability companies must, as a rule, be notarized. The notary must certify the adoption of resolutions and the shareholders in attendance at the meeting by issuing a certificate. Since such actions are provided only for Russian notaries (foreign notaries most probably do not perform such actions), the minutes of general meetings can be notarized only in Russia. Joint-stock companies may need to involve a registrar (a company that maintains the register of shareholders) when they hold a general meeting of shareholders.



NEW DEVELOPMENTS FOR SOLE SHAREHOLDER RESOLUTIONS (FOR LIMITED LIABILITY COMPANIES)

The procedure for such certification by Russian notaries was approved in July 2021. Notaries must certify the adoption of sole shareholder decisions by issuing a certificate. Previously, it was sufficient for notaries to certify only the sole shareholder's signature to certify resolutions.

Companies with a sole shareholder are required to adopt decisions in writing as a sole shareholder resolution which, as a rule, also needs to be notarized (sole shareholder resolutions adopted in joint-stock companies do not need to be notarized[14]). The procedure for such certification by Russian notaries was approved in July 2021. Notaries must certify the adoption of sole shareholder

decisions by issuing a certificate[15]. Previously, it was sufficient for notaries to certify only the sole shareholder's signature to certify resolutions.

So, there is a risk that if sole shareholder resolutions and minutes of general meetings need to be notarized, it will be possible to make them only in Russia since foreign notaries cannot certify the adoption of sole shareholder decisions by issuing a certificate in the approved Russian form. We think that this is a debatable issue, and such ban on notarization of shareholder decisions abroad is not so clear-cut and conclusive.

ALTERNATIVE WAY OF ADOPTING DECISIONS

Companies are entitled to change the statutory procedure for adopting decisions and may provide that notarization of decisions is not required. This can be done by amending the charter or adopting a separate shareholder resolution. This also applies to the minutes of general meetings of shareholders and sole shareholder resolutions.

OUR RECOMMENDATIONS

In view of the forthcoming approval of annual results, we recommend:

- (i) Verifying that the company charter provides for an alternative way of adopting decisions or that a decision/minutes of meeting of shareholders for an alternative way of adopting decisions is available;
- (ii) If there are none, we recommend adopting a separate decision for an alternative way of adopting

decisions or amending the company charter;

- (iii) If the company has no representatives of shareholders in Russia authorized to sign decisions/minutes of general meeting of shareholders, we recommend issuing a notarized power of attorney authorizing people in Russia to adopt a decision approving annual results.





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MIGRATION LAW

Some changes became effective on December 29, 2021 [16], so now foreign nationals entering Russia must go through:

i. Regular medical examinations

Foreign citizens must go through a medical examination within 30 days of the expiration of 3 months following their previous medical examination, but state authorities have assured that this 3-month period will be extended[17].

ii. Fingerprinting and photo taking

The law provides that these procedures must be completed only once unless otherwise specified[18], and cases where these procedures must be repeated were provided later. Photos will also need to be taken again once 10 years have elapsed since the previous photo taking[19].

More detailed information can be found [here](#).





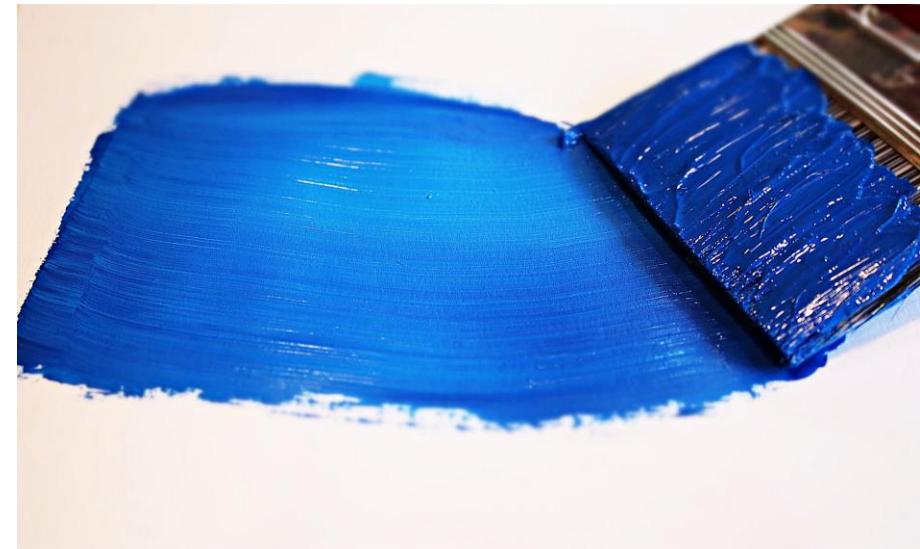
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CIVIL LAW

PERSONAL FUNDS

Amendments to the Russian Civil Code will become effective on March 1, 2022 and introduce personal funds[20]. These funds will be available in addition to the preexisting inheritance funds and can be set up by anyone during their lifetime provided that at least RUB 100,000,000 are contributed to the fund.





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LABOR LAW

HEALTH AND SAFETY

Many changes to the provisions of the Labor Code on health and safety will become effective on March 1, 2022 [21]. Following these changes, companies may be required to take additional actions to ensure health and safety or develop additional documents to regulate health and safety, for example:

- Take certain actions to improve working conditions;
- Provide measures for localization (minimization) and elimination of the consequences of occupational risks;
- Develop measures to ensure safe conditions and health and safety, assess the level of occupational risks before

commissioning production facilities, newly set up jobs;

- Maintain a register (list) of regulations (including with computers and databases) containing health and safety requirements in accordance with the specifics of their activities, as well as ensure employees' access to the latest versions of such regulations;
- Inform employees about labor rights, labor conditions, and health and safety, etc.

VIDEORECORDING AT WORK

From March 1, 2022 onwards, employers will be entitled to make video, audio, or other recording of work processes, as well as ensure the storage of such recordings. Companies already often have CCTV in operation although the law does not expressly provide for such right. Video monitoring can now be conducted legally in the workplace.

HR ELECTRONIC DOCUMENT MANAGEMENT

Companies have been allowed since November 22, 2021 use electronic document management with employees[22], i.e. companies may sign and store HR documents in electronic form without having to sign and store them on paper.

More detailed information can be found at [here](#).

RECORDS OF EMPLOYEES SUBJECT TO MILITARY REGISTRATION

Companies have been required since January 8, 2022 to maintain separate cards for employees subject to military registration[23].

POSTING VACANCIES ON JOBS IN RUSSIA PORTAL

The list of companies required to post their vacancies on the national job vacancy database “Work in Russia” was expanded on January 1, 2022 [24] to include all companies with more than 25 employees.

We hope you find this review interesting and helpful. If you have any questions, please feel free to contact us. We will be happy to discuss any of these changes with you as well as assist your company in adapting to them.

Your sincerely,

The Forte Tax & Law team

info@fortetaxandlaw.com

LINKS

1. Federal Law No. 305-FZ dated July 2, 2021 Amending Part 1 and 2 of the Russian Tax Code and Certain Legislative Acts of the Russian Federation
2. Government Decree No. 1951 dated November 16, 2021 On the Maximum Value of the Base for Calculating Social Insurance Contributions for Sick Leave, Maternity, and Compulsory Pension Insurance from January 1, 2022
3. Federal Law No. 305-FZ dated July 2, 2021 Amending Part 1 and 2 of the Russian Tax Code and Certain Legislative Acts of the Russian Federation
4. Federal Law No. 379-FZ dated November 29, 2021 Amending Part 1 of the Russian Tax Code
5. Federal Law No. 379-FZ dated November 29, 2021 Amending Part 1 of the Russian Tax Code
6. Federal Law No. 88-FZ dated April 5, 2021 Amending Article 219(2) of the Russian Tax Code Regarding the Provision of Social Tax Deduction in the Amount Paid by Taxpayers for Health and Fitness Services Provided to Them
7. Government Decree No. 2466-r dated September 6, 2021 Approving the List of Types of Health and Fitness Services
8. The current list of organizations is available on the website of the Russian Ministry of Sports at <https://minsport.gov.ru/activities/analogovom-vychete-za-zanyatiya-sportom/>
9. Federal Law No. 305-FZ dated July 2, 2021 Amending Part 1 and 2 of the Russian Tax Code and Certain Legislative Acts of the Russian Federation
10. Federal Law No. 382-FZ dated November 29, 2021 Amending Party 2 of the Russian Tax Code

LINKS

11. Russian Ministry of Finance Decree No. 208-n dated October 16, 2018 Approving Federal Accounting Standard 25/2018 Lease Accounting
12. Federal Law No. 8-FZ dated February 17, 2021 Amending Chapters 23 and 25 Part 1 of the Russian Tax Code
13. Articles 2,3 Federal Law No. 17-FZ dated February 24, 2021 Amending Federal Law On International Companies and International Funds and on the Suspension of Certain Provisions of Federal Law On Joint Stock Companies and Federal Law On Limited Liability Companies
14. Item 9 Bank of Russia Letter N 06-52/10054 dated November 25, 2015 On Certain issues of Application of Federal Law N 210-FZ dated June 29, 2015 Amending Certain Legislative Acts of the Russian Federation and the Invalidation of Certain Provisions of Legislative Acts of the Russian Federation
15. Article 103.10-1 Fundamental Principles of the Russian Legislation On Notarial Services
16. Federal Law N 274-FZ dated July 1, 2021 Amending Federal Law On the Legal Status of Foreign Nationals in the Russian Federation and Federal Law On State Fingerprinting in the Russian Federation
17. <https://en.mvd.ru/news/item/27769242/>, <https://xn--b1aew.xn--p1ai/news/item/27758587/>
18. Article 5(13) Federal Law N 115-FZ dated July 25, 2002 On the Legal Status of Foreign Nationals in the Russian Federation
19. Item 4.6. Russian Ministry of Internal Affairs Decree N 1139 dated December 27, 2021 Approving the Procedure for Mandatory State Fingerprinting and Photo Taking of Foreign Nationals and Stateless Persons Coming to the Russian Federation for Purposes Other than Work for a Period Exceeding 90 Calendar Days or to Work
20. Federal Law N 287-FZ dated July 1, 2021 Amending Part 1 and Part 3 of the Russian Civil Code

LINKS

21. Federal Law N 311-FZ dated July 2, 2021 Amending the Russian Labor Code
22. Federal Law N 377-FZ dated November 22, 2021 Amending the Russian Labor Code
23. Russian Ministry of Defense Decree N 700 dated November 22, 2021 Approving Guidelines On How to Ensure the Functioning of the Military Registration System
24. Government Decree N 2576 dated December 30, 2021 On the Procedure for Employers to Submit Details and Information Specified in Article 25(3) of Russian Law On Employment in the Russian Federation