

Tax system

General approach

Recent developments

The most important amendments to taxation laws over the last three years include:

- Since 2019, foreign companies and foreign intermediaries providing e-services are obliged to register for VAT purposes in Russia. This obligation applies to all types of clients of such foreign companies (i.e. Russian legal entities, individual entrepreneurs and individuals).
- Special administrative areas were created on Russky Island (Primorsky Krai) and Oktyabrsky Island (Kaliningrad Region). Residents of these areas who meet specific requirements can enjoy some tax benefits.
- A new tax on the added revenue from the sale of hydrocarbon products at a rate of 50% was introduced for oil and gas producers.
- General transfer pricing control was abolished for domestic intragroup operations (except in specific cases).
- Organisations active on the financial market are now under an obligation to collect financial information about their customers, as well as their customers' beneficiaries and controlling persons, and to provide such information to the tax

authorities. If, at the request of such an organisation, a customer, beneficiary or controlling person refuses to disclose the required information, operations between the customer and the organisation must be suspended.

The overall tax burden for corporate taxpayers remains essentially the same, but a number of developments over the past years (both at legislative level and in terms of practice by the tax authorities) may be viewed as having negatively affected the tax climate for such corporate taxpayers:

- The rules for calculating penalties on the amount of tax debt have been amended. Tax administration and tax control in respect of insurance payments have been expanded.
- Court and administrative tax practices are becoming more comprehensive. In particular, most court cases of transfer pricing in Russia were lost by taxpayers to the tax authorities.
- The tax authorities continued to conduct pricing audits primarily in relation to taxpayers engaged in foreign trade transactions in respect of mineral resources.
- The concept of an "unreasonable tax benefit" was introduced in the Russian Tax Code.

The new provisions will lead to an increase in the scope of the tax authorities' control on aggressive tax minimisation schemes used by taxpayers. Some significant aspects of criminal liability for tax crime were clarified by Resolution No. 48 of the Plenum of the Russian Supreme Court dated 26 November 2019. Failure to pay taxes, fees or insurance contributions could lead to criminal liability for persons duly authorised to sign documents submitted to the tax authorities on behalf of the company (for example, directors or authorised representatives).

Amendments to Russian tax legislation have brought it closer to the best practices developed by the OECD¹.

In particular, in recent years:

- Requirements on a “three-tier documentation system” for multinational groups of companies have been implemented in Russia. The new rules impose additional reporting obligations on participants in and parent companies of such groups.
- In 2018, Russia began to automatically exchange financial information with more than 75 countries and territories².
- The Russian tax legislation was amended for the purpose of ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS. In 2019, the Russian Tax Code introduced a mutual agreement procedure mechanism within the

application of double taxation treaties (“**DTTs**”) in order to settle disputes between parties.

Core legal framework

Part I of the Tax Code dated 31 July 1998 has been in force since 1 January 1999; and Part II of the Tax Code dated 5 August 2000 has been in force since 1 January 2001 (together, the “**Tax Code**”). The Tax Code sets out general tax principles and applicable taxes, as well as the rights and obligations of taxpayers and the state tax authorities.

According to the Tax Code, taxes in Russia may be categorised as follows:

- **Federal taxes** applied throughout Russia at uniform rates, such as VAT. Certain taxes have a federal and a regional component (e.g. corporate profits tax) and may have their regional component reduced at the discretion of the relevant regional authority.
- **Regional taxes and local taxes** determined by the Tax Code and the local or regional government authorities, which are collected locally or regionally. Lower-tier authorities may not grant concessions for taxes governed by a higher authority.

¹ The Organisation for Economic Cooperation and Development.

² Order No. MMB-7-17/785@ of the Federal Tax Service dated 4 December 2018.

Federal taxes	Corporate profits tax
	VAT
	Excise duties
	Payroll-related levies
	Taxes on natural resources
	Excess-profits tax on hydrocarbon production
	State duties
Regional taxes	Personal income tax
	Water tax
Local taxes	Corporate property tax
	Transport tax
	Gambling tax
Local taxes	Land tax
	Individual property tax
	Sales duty

As a result of this tax structure, taxpayers may face tax and administrative burdens (including making tax filings and paying tax) both at federal and regional levels. Several tax payments may need to be made when a company has separate subdivisions in more than one Russian region.

In this chapter, we provide an outline of the following aspects:

- corporate taxation;
- taxation of individuals;
- special tax regimes;
- tax incentives; and
- DTTs.

Corporate taxation

Corporate profits tax

Taxpayers

Taxpayers are defined as:

- Russian companies that pay tax on their worldwide income; and
- foreign companies that conduct business in Russia through a

permanent establishment and/or are in receipt of income from a Russian source.

Permanent establishments

Scope

The Tax Code defines a “permanent establishment” as a representative office, branch, division or any other separate fixed place of activity through which a foreign company regularly engages in certain business activities (as specified in the Tax Code) in Russia.

If a foreign company does not have a permanent establishment, it is not subject to Russian profits tax. Any Russian-sourced income (interest, dividends, royalties, etc.) will subsequently be subject to withholding tax.

Since 2017, the following activities are not considered to give rise to a “permanent establishment”:

- functions performed by a foreign investment fund’s managing company in Russia; and
- activities of a foreign company which are carried out through a broker, commissioner, manager of a foreign investment fund, professional participants of the Russian stock exchange market or any other person acting in the framework of its main activities.

Consequences

As a general rule, a foreign company has the right to allocate income and expenses to its Russian permanent

establishment if:

- there is a DTT between Russia and the respective country; and
- the possibility of this allocation is provided for in that DTT.

The costs of a foreign company may be allocated to its Russian permanent establishment, provided that such costs were incurred for the purpose of that permanent establishment.

In the absence of a DTT, only the expenses incurred by the permanent establishment may be deducted for tax purposes.

Definition of tax residency

Foreign companies may be deemed Russian tax residents if certain “key” and “auxiliary” criteria are met.

The key criteria are as follows:

- the activities of the executive body of the legal entity are regularly exercised in Russia, and more so than in any other country; and
- key corporate officials of the legal entity perform their actual daily management activities in Russia.

Auxiliary criteria apply by default when it is impossible to recognise a foreign company as a tax resident by using the key criteria above.

The list of auxiliary criteria notably includes the preparation of accounting and financial statements in Russia, as well as operational personnel

management in Russia and record keeping in Russia.

Tax base

The tax base is the total income received by the taxpayer less income exempted from taxation and expenses, as defined by the Tax Code.

The types of income that are exempt from profits tax include, by way of example:

- income in the form of property received by the Russian company from a parent company (based in a state other than a low-tax jurisdiction included in the Russian Ministry of Finance’s black list), a subsidiary or an individual, if the ownership of the recipient or the transferor in the capital of the other party is more than 50%, and the property received (excluding money) is not disposed of within one year from the date of receipt;
- income in the form of property and non-property rights transferred to the Russian company by its parent company for the purpose of an increase in the net assets of the taxpayer;
- income gained from revaluation of fixed assets and securities;
- income in the form of property received as a contribution to a company’s charter capital; and
- the difference between the nominal value of shares and the value of shares gained by a shareholder as a result of an increase in share capital.

Deductibility of expenses

Expenses are generally recognised on an accrual basis. They are deductible for profits tax purposes if they are related to the taxpayer's income and if they are economically justified and evidenced by the requisite documentation.

The tax authorities are stringent in their application of these criteria.

The law specifies certain

non-deductible expenses, such as:

- the cost of assets transferred free-of-charge;
- any penalty payments made to the budget; and
- any employee remuneration not provided for in the relevant labour contracts, etc.

Some types of expenses are subject to **limitations on tax deductibility**:

- representative expenses: up to 4% of payroll;
- certain types of advertising expenses: up to 1% of revenues;
- pension and life insurance for employees: 12% of payroll;
- medical insurance for employees: 6% of payroll; and
- with respect to interest on loans and other borrowings:
 - for rouble loans, from 75% up to 125% of the Central Bank of Russia key rate since 1 January 2016;
 - for loans in Euro, from EURIBOR +4% up to EURIBOR +7%; and
 - for loans in US dollars, from LIBOR +4% up to LIBOR +7%.

If the interest rate under a controlled loan is outside the above parameters, it must meet the requirements of the transfer pricing rules³.

Interest is also subject to thin capitalisation rules, with the applicable debt-to-equity ratio being equal to 3:1 (12.5:1 for banks and leasing companies).

In 2017, thin capitalisation rules were amended. Notably, controlled debt is since then calculated with reference to Russian taxpayers' aggregate debt obligations to foreign related parties (or to Russian companies which are related parties of foreign companies).

Certain DTTs with Russia may provide for exemptions from the deductibility limitations set forth by Russian legislation for specific types of expenses.

Depreciation

Depreciation should be calculated separately for each depreciable asset depending on the depreciation group it is classified as. The method applied should be clearly explained in the taxpayer's accounting policy. Once chosen, the accounting method may not be modified more than once in five years starting from the beginning of the financial year (1 January to 31 December).

³ Please see the Transfer pricing section on page 50.

Two depreciation methods are available for profits tax purposes:

- the straight-line method; and
- the reducing balance method.

Depreciable property includes fixed and intangible assets with a useful life of at least one year and an initial value exceeding RUB 100,000 (EUR 1,430).



RUB 70 = EUR 1

*notional exchange rate
used for convenience

The useful life of depreciable fixed assets is determined, within certain limits, based on a classification adopted by the Russian Government. For intangible assets, the useful life is the utilisation period defined by any agreement (with a default provision of ten years). The tax base for a fixed asset includes all costs incurred in order to place the asset in service for production. Accelerated depreciation is permitted in cases stipulated by the Tax Code (e.g. for leased property under financial lease).

Certain assets (such as environmental facilities, land use facilities, nature facilities, financial instruments and works of arts) are not subject to depreciation.

Losses

Losses can be carried forward and offset against future taxable profits, with the exception of some specific cases, such as under partnership agreements, or in certain types of reorganisation in Russia.

From 2017 until 2021 inclusive, offsetting losses from previous periods is temporarily restricted in terms of the

amounts of losses to be carried forward. As a result of such a restriction, the reduction of the tax base should not exceed 50% of the losses incurred in previous years. Losses from the sale of fixed assets are recognised evenly over the remaining useful life of the assets.

If losses relate to different tax periods, they should be carried forward consistently according to the order in which they took place.

Since 2017, taxpayers continue to actively apply the rules on the offsetting of losses of previous tax periods.

Transfer pricing

The Tax Code contains a specific section dedicated to transfer pricing principles, the tax supervision of transactions between related parties and advance pricing agreements.

Controlled transactions

The list of controlled transactions under the Russian transfer pricing rules includes, among other things, cross-border related-party transactions with a value up to RUB 60m (EUR 858,000) and certain domestic transactions exceeding RUB 1bn (EUR 14.3m).

Since 1 January 2019, domestic transactions between related parties are no longer subject to control, except when the parties to a transaction are subject to different tax treatment in Russia.

Transactions between the members of a Russian consolidated group of taxpayers

are excluded from the list.

The list of related parties is relatively extensive. In general, related parties are identified when “the specifics of relations between them may affect the conditions and/or results of the transactions entered into by such parties, and/or the financial results of their activities or the activities of parties that they represent”.

Specifically, the list of related parties includes:

- two companies, where one holds more than a 25% stake in the other, directly or indirectly;
- a company and an individual holding more than a 25% stake, directly or indirectly;
- two companies with the same parent company that holds more than a 25% stake in each company;
- a company and its general director, or companies with the same general director; and
- groups of individuals/companies with more than a 50% stake.

Methods

Russian legislation provides for the following five transfer pricing methods:

- comparable uncontrolled price method (CUP), which has priority;
- resale minus method;
- cost plus method;
- comparable profitability method; and
- profit split method (treated as the “last resort” method).

These methods are in line with the transfer pricing practices of EU member

states and, in particular, the OECD Transfer Pricing Guidelines.

Each taxpayer can select the method it wishes to apply (and may even choose to use a combination of methods, or another method not expressly provided for by the Tax Code), provided it documents the reasons for this choice.

Advance Pricing Agreements

In 2018, The Russian Ministry of Finance allowed the biggest taxpayers in Russia to enter into advance pricing agreements with the Russian Federal Tax Service.

This type of agreement allows minimising tax risks related to the chosen transfer pricing methodology in controlled cross-border transactions.

Advance pricing agreements replace the annual obligation of taxpayers to file special transfer pricing documentation and can be concluded for a period from three to five years.

Reporting and documentation requirements

Taxpayers are subject to an overall responsibility to prepare documentation justifying the prices applied in all transactions specified as controlled. Upon request from the tax authorities (which may be submitted from 1 June of the year following the year of the controlled transaction), taxpayers must submit the requested documentation.

In addition, companies are obliged on a yearly basis (before 20 May) to notify

their local tax inspectorates of all controlled transactions concluded between the same related parties during the previous calendar year. The notifications should contain general information on (i) the subject matter of the controlled transactions; (ii) the parties involved; (iii) the transfer pricing methods applied in the definition of prices; and (iv) the amount of profits received and expenses incurred as a result of these transactions.

On 1 January 2018, new transfer pricing requirements for multinational groups of companies ("**MGCs**") came into force.

The new rules relate to MGC-participants' obligation to prepare and provide "country reporting". The content of the new reporting is in line with the OECD principles for "three-tier documentation systems".

Country reporting consists of the following types of reporting:

- notification of participation in an MGC;
- country report (which corresponds to "CbCR" under OECD principles);
- global documentation (which corresponds to a "master file" under OECD principles);
- national documentation (which corresponds to a "local file" under OECD principles).

Certain Russian taxpayers may be wholly or partly exempt from the new reporting requirements if such obligations are met by other members of the relevant MGC,

or if an MGC's revenue is lower than the established threshold.

Tax consolidation

Russian companies can elect to form a consolidated tax group, provided they satisfy certain thresholds (in terms of the group's total tax liabilities, statutory accounting revenue and assets) and other criteria. In this case, a single tax base is calculated for the consolidated tax group, as opposed to the calculation of multiple tax bases for the individual members. This allows the losses of certain members to be offset against the profits of others.

In practice, the impact of this regime is limited for:

- Russian companies in general, as the thresholds are currently so high as to allow only a handful of major corporate groups to be eligible; and
- foreign investors, as:
 - foreign companies cannot become a member of a Russian consolidated tax group; and
 - group members are jointly liable for the group's tax liabilities.

Currently setting up consolidated tax groups is under a moratorium which is in effect until the end of 2023.

Tax rate

The general profits tax rate is 20%, with 3% of the tax being payable to the federal budget, and the remaining 17% being payable to the appropriate regional budget of the region where the company is incorporated. Starting from

2024, 2% will be paid to the federal budget and 18% will be paid to the relevant regional budget.

In some cases, reduced tax rates apply. By way of example, a 0% profits tax rate applies to companies (domestic and foreign) transferring participatory interests or non-listed shares in Russian companies, provided the equity interest was held for at least five years. Similarly, organisations carrying out special types of socially useful activities like medical and educational services may benefit from a 0% tax rate in relation to their operational profit provided that certain requirements are met.

Taxation of dividends

Dividends received by Russian companies

Dividends received by a Russian company from another Russian company, or from a foreign company, are taxed at a flat rate of 13%. Dividends received from “strategic investments” are exempt from Russian corporate profits tax.

An investment is considered strategic when:

- the recipient of the dividends owns at least 50% of the payer’s capital, or owns depository receipts entitling it to receive at least 50% of the amount paid in dividends; and
- the share or depository receipts have been owned for at least 365 days on the day dividends are declared.

Since 2019, income gained by a Russian shareholder from a company’s liquidation

or a shareholder’s exit, if such income exceeds the amount of the shareholder’s initial contribution, is treated in the same manner as dividends. So the exemption for “strategic investments” can apply to such types of income.

At the same time, since 2019, the following operations are exempt from taxation at shareholder level:

- voluntary reduction of a company’s charter capital; or
- repayment by the company of contributions made by shareholders to the company’s assets.

A revised concept of dividends came into force in 2020. It now includes income paid to a Russian shareholder from its foreign subsidiary, regardless of the qualification of such payment in the foreign state.

Dividends from companies residing in low-tax jurisdictions may not be exempt from Russian corporate profits tax. These jurisdictions are identified in an official list which is updated by the Russian Ministry of Finance.

Dividends paid by Russian companies

The standard 15% tax rate is applicable to dividends paid by Russian companies to foreign companies. The tax should be withheld by the Russian companies paying the dividends.

If there is an applicable DTT, then the standard tax rate may be reduced to a minimum rate of 5%.

Russian depositories acting as tax agents are required to apply the 30% withholding tax on dividends accruing on equity securities of Russian companies kept in the central securities depository (the National Settlement Depository) and paid to foreign companies that are deemed to be acting in the interest of non-disclosed third parties. A foreign legal entity is deemed to be acting in the interest of non-disclosed third parties if it does not provide information on the persons exercising the rights related to these securities.

Funds distributed by Russian companies to their foreign shareholders upon the company's liquidation or a shareholder's exit, if the amount distributed exceeds the amount initially contributed, should be qualified as dividends.

Similar to the tax regime applicable to Russian shareholders, income received by a foreign shareholder upon voluntary reduction of the charter capital of a Russian company or upon repayment by the company of contributions made by shareholders to the company's assets is exempt from taxation in Russia.

Controlled foreign companies ("CFCs")

Definition of CFCs

Under Russian Law, CFCs are defined as foreign companies and structures that meet the following participation criterion: any foreign company or unincorporated structure (such as trusts, funds, etc.) which has a 25% participation interest owned by Russian tax residents (although

the participation threshold is limited to 10% if other Russian residents also participate in the foreign company (or structure), and the total participation of all these Russian residents exceeds 50%).

At the same time, the profits of certain categories of CFCs stipulated by the Tax Code are exempt from taxation in Russia. These include, for example, non-commercial organisations, active companies, residents of the Eurasian Economic Union, companies subject to high effective tax rates.

Requirements

The law provides for two key requirements that must be satisfied by Russian taxpayers who participate in CFCs and/or foreign companies:

- (i) notification requirements; and
- (ii) the obligation to pay taxes from the undistributed profits of the CFC.

In terms of the notification requirement, Russian taxpayers who are controlling parties must submit notifications setting out:

- the details of the CFCs controlled by the taxpayer on an annual basis (not later than on 20 March of the year following the tax period in which the taxpayer accounts for the share of profit of the CFC (the latter occurs one year after the year in which the profits were received); so by 20 March 2020 in relation to a CFC's profits received in 2018); and
- the taxpayer's participation interest in any foreign companies or structures other than CFCs, but only

if such an interest exceeds 10% (not later than within one month from the date of exceeding the participation threshold).

Special tax regime for domiciled CFCs

Since 1 January 2019, Russian tax residents can choose to domicile their CFCs in the special administrative areas located on Russky and Oktyabrsky Islands (the so-called “Russian offshore zones”).

Residents of these areas that meet certain criteria and fall under the definition of an international holding company (“IHC”) can benefit from a preferential taxation regime. It includes the following tax exemptions on:

- income of the domiciled company attributed to its controlled person;
- subsidiaries’ income attributed to the IHC;
- income received by the IHC from the disposal of equity investments in subsidiaries (under certain conditions); and
- dividends received by the IHC from its subsidiaries (under certain conditions).

In addition, domiciled IHCs apply a 5% tax rate on dividends instead of the standard 15% rate.

VAT

Taxpayers

VAT applies in particular to companies, including those importing goods into Russia.

If the taxpayer’s aggregated income for

three consecutive months, excluding VAT, is below RUB 2m (EUR 28,600), the taxpayer may be exempt if it applies for the exemption.

Tax base

The following operations are subject to VAT (even if they are supplied free of charge):

- sale of goods, works and services within Russia;
- aircrafts services rendered in the Russian airports and airspace;
- sale of e-services in Russia if effected by foreign companies with no presence in Russia (the so-called “Google tax”);
- transfer of goods, works and services within Russia for the taxpayer’s own purposes, if the relevant expenses are not deducted for the purpose of corporate profits tax;
- construction and building projects for the taxpayer’s own use; and
- imports into Russia.

The **taxable base** is generally defined as the market value of the goods, works and services supplied, inclusive of excise duties but exclusive of VAT.

If the goods, works and services are supplied free of charge, an imputed price (set at the market value for identical goods, works or services, excluding VAT) is used.

Exempt supplies

Certain activities, including the following, are exempt from VAT:

- the assignment of loan agreements;
 - operations with securities and derivative financial instruments;
 - certain banking transactions;
 - the issuance of guarantees by non-banking entities;
 - transactions with medical equipment and medical services;
 - certain research and development services;
 - the transfer of exclusive and non-exclusive rights to software, know-how, databases, inventions, and a range of other rights under a licence agreement (except trademarks);
 - imports of technological equipment that does not have a Russian equivalent (as per a list approved by the Russian Government); and
 - operations related to import of civil aircrafts (starting from 1 January 2020).
- provision of time charter services related to import/export goods in Russia;
 - works and services related to the transportation of goods in transit;
 - passenger air travel services, provided that both departure and destination (including intermediate points) of transportation are located outside of Moscow and Moscow Region; and
 - certain services and goods supplied to foreign diplomatic missions, etc.

Since 1 January 2018, the sale of waste ferrous and non-ferrous metals, as well as aluminium and scrap is no longer VAT exempt and has become a VAT taxable operation.

Tax rates

Since 1 January 2019, the standard VAT rate is 20%. A reduced rate of 10% applies to books, periodicals, medical goods, certain foods and children's clothes. A 0% rate is applicable to the following operations:

- export of goods from Russia (but, since 1 January 2018, Russian taxpayers may waive the right to apply the 0% VAT rate when exporting or re-exporting goods);
- the foreign citizen purchased goods worth at least RUB 10,000 (EUR 143) in Russian shops within a day;
- the goods purchased are on the relevant list which is to be approved by the Russian Ministry of Industry and Trade; and
- the goods are transported outside the Eurasian Economic Union.

Further, the Law on Tax Free⁴ came into force in Russia on 1 January 2018.

According to this law, foreign citizens (with the exception of citizens of Eurasian Economic Union member states) can claim a refund of VAT paid on purchases made in Russia. This has recently been implemented in 16 Russian regions as a pilot scheme. Starting in 2020, the Leningrad Region, Primorsky and Khabarovsk Krai also joined the experiment.

The VAT refund is applicable provided that:

- the foreign citizen purchased goods worth at least RUB 10,000 (EUR 143) in Russian shops within a day;
- the goods purchased are on the relevant list which is to be approved by the Russian Ministry of Industry and Trade; and
- the goods are transported outside the Eurasian Economic Union.

⁴ Federal Law No. 341-FZ dated 27 November 2017.

Input VAT

The VAT payable to the tax authorities is the difference between the VAT accountable for transactions subject to VAT ("**output VAT**") and the VAT incurred on purchases subject to VAT ("**input VAT**").

Input VAT is only recoverable in certain cases. Recovery no longer depends on whether it has been paid to the supplier. VAT on imports can be recovered only after payment is made to the customs authorities.

Input VAT related to expenses or assets used for the manufacture or sale of products exempt from VAT may not be offset. In the same way, input VAT related to expenses or assets used for "non-production activities" may not be offset.

Any VAT incurred on purchases and expenses which relate to activities, both subject to and not subject to VAT, must be apportioned. Only the part which is deemed to relate to activities subject to VAT may be offset as input VAT.

Any excess of input VAT over output VAT has to be refunded to the taxpayer. As a general rule, such a refund can only be made after the tax authorities have undertaken an audit. However, an accelerated VAT recovery procedure is also possible. Under this procedure, a taxpayer may recover VAT before the tax authorities complete the tax audit and have made a definitive decision on VAT recovery. According to these rules,

companies which have existed for at least three years and paid taxes exceeding RUB 2bn (EUR 28.6m) over the last three years are eligible for the accelerated procedure, without having to provide a bank guarantee. Other companies can benefit from the accelerated procedure provided that they give a bank guarantee for the amount of VAT to be reimbursed.

VAT invoices serve as the basis for the offset of input VAT. They have to be issued in Russian and must contain the information specified in the Tax Code.

Reverse charge

If a foreign company which does not have a Russian tax registration supplies goods, works or services in Russia, VAT is collected through a withholding mechanism. The tax-registered buyer is required to withhold VAT from the amount payable to the foreign seller and to remit it to the Russian authorities. The tax-registered buyer may then offset the VAT which has been withheld and paid, as input VAT.

Commissioners and agents with a Russian tax registration are considered to be tax agents in relation to goods supplied on behalf of non-registered foreign companies.

Withholding mechanisms are no longer available for the supply of electronic services to Russian clients by foreign companies in respect of B2B and B2C operations. Since 1 January 2019, foreign providers of electronic services

need to register with the Russian tax authorities, file VAT reports and pay VAT to the Russian budget.

Filing and payment

VAT is payable on the earlier of the following two dates:

- the date of *shipment* or *transfer* of goods, works or services; or
- the date of *payment* (in full or in part) for a *future* shipment or transfer of goods, works or services.

Advance payments are included in the VAT base at the time payment is received.

Taxpayers must file their VAT declarations on a quarterly basis. VAT returns must be filed within 25 days after the end of the tax period.

Taxpayers also have the option to pay VAT in three instalments, in the three months following the relevant quarter, except for specific cases, such as payment of VAT by a tax agent. All VAT taxpayers, irrespective of the number of staff, must file VAT tax returns electronically. This obligation also applies to branches and representative offices of foreign legal entities registered in Russia.

Excise duties

Excise duties must be paid⁵ by the producers and/or importers of excisable products. Excisable products are, for example, oil products, alcohol, tobacco and cars.

Starting from 2020, the importation of tobacco products is subject to an

increased excise coefficient.

Excise duties are generally levied on the value of the product.

Corporate property tax

Property tax is payable in accordance with regional regulations and with the Tax Code.

Taxpayers

The following structures are taxpayers for the purpose of corporate property tax:

- Russian companies having fixed assets on their balance sheets;
- permanent establishments of foreign companies having fixed assets on their balance sheets; and
- foreign companies owning immovable assets in Russia.

The above entities are required to pay property tax to the budget of the region where the relevant property is located.

Religious organisations and various types of public organisations are exempt from property tax.

Tax base

Property tax is assessed on fixed assets and “profitable investments in property” (as defined by Russian accounting standards). It may also encompass leased property in certain cases.

⁵ Please see the Customs regulations chapter on page 78.

Intangible assets, movable property accounted for as fixed assets booked after 1 January 2013, inventories, work-in-progress and financial assets (among other categories) are not subject to property tax.

Since 1 January 2019, all types of movable property are exempt from taxation in Russia.

The Russian tax legislation does not currently provide unified criteria to classify assets as movable or immovable for tax purposes. This may give rise to disputes with the tax authorities, as confirmed by the existing court practice.

The tax base for most assets is the average annual residual value of taxable property for financial reporting purposes. The cadastral value is used to calculate the corporate property tax base for the following types of property:

- business centres, shopping centres and premises in these buildings;
- non-residential premises used as offices, shops or to provide catering services or services to consumers, or which are intended for such use;
- any property owned by a foreign company operating without a permanent establishment in Russia or with a permanent establishment in Russia if the property is not allocated to that permanent establishment; and
- residential buildings and premises and some non-residential premises (such as garages, parking slots, construction in progress).

Regional laws establish the features of property tax calculation based on the cadastral value.

Tax rate

The rate is set at regional level.

When the average annual residual value is used to calculate the tax base, the rate may not exceed 2.2%. This maximum rate is currently imposed in most regions, including Moscow and Saint Petersburg.

The tax rate in respect of property for which the tax base is calculated based on the cadastral value may not exceed 2.2%. In Moscow, the tax rate is expected to be progressively increased from 1.7% in 2020 to 2% in 2023 and subsequent years.

Payments

The tax period is a calendar year. Advance tax payments must be calculated and paid on a quarterly basis. Taxpayers must file quarterly tax returns within the 30-day period following the reporting period. Annual returns must be filed by 30 March following the reporting period.

Payroll-related levies

Taxpayers

Several kinds of payroll-related taxes must be paid by employers. This applies to Russian employers as well as to foreign companies.

Insurance contributions

Insurance contributions are paid to three separate non-budgetary funds:

the Pension Fund, the Federal Social Insurance Fund and the Federal Mandatory Medical Insurance Fund.

Since 2017, the administration and monitoring of social contributions for mandatory pension insurance, mandatory social insurance with regard to temporary disability and maternity, and mandatory medical insurance has been transferred to the tax authorities. In the 2020 calendar year, a regressive scale of insurance contributions is applicable: 22% is payable on the part of an employee's annual gross remuneration below RUB 1,292,000 (EUR 18,460) for contributions to the Pension Fund and 10% is payable on the part of any remuneration in excess of this amount; 2.9% (1.8% for foreigners and stateless persons temporary staying in Russia) is payable on the part of an employee's annual gross remuneration below RUB 912,000 (EUR 13,030) for contributions to the Federal Social Insurance Fund; and 5.1% is payable on the part of any remuneration for contributions to the Federal Mandatory Medical Insurance Fund.

However, payments and other compensation made to highly qualified foreign specialists⁶ are exempt from social contributions.

Other payroll contributions

Contributions to the Social Insurance Fund against industrial accidents and

diseases are also payable. They vary from 0.2% to 8.5% of monthly salary and depend on the risk category of the employer.

Taxes on natural resources

Taxpayers who use land, either on the basis of ownership rights or rights of permanent use, have to pay **land tax** to the local budget. The tax base used for calculation is the relevant land's cadastral value (which, in practice, is significantly lower than its market value). The tax rate is set at a local level and may not exceed 1.5% of the cadastral value (0.3% in respect of certain types of land).

Water tax is imposed on taxpayers who use water to produce hydroelectricity. The tax rates vary depending on the specific water object.

Mineral resources extraction tax is imposed on subsoil users. It applies to various types of minerals, including oil and gas. It is based on the value of the extracted resources, and the rate varies according to the type of mineral.

Excess-profits tax on hydrocarbon production was introduced for oil and gas producers on 1 January 2019. This tax is aimed at shifting the tax burden to a later period in a field's life cycle. It should be paid in conjunction with the mineral resources extraction tax (under substantially reduced rate) and is applicable not to the volume of the oil and gas extracted but to the income imputed from its sale reduced by the costs related to hydrocarbon production.

⁶ Please see the Employment and migration chapter on page 111.

Transport tax

This is a tax payable on registered transportation vehicles by the registered owners of these vehicles. The methods of declaration and payment are established by regional authorities.

The transport tax rates are generally fixed at federal level, but the regional authorities are entitled to increase/decrease these rates by a maximum of ten times. In addition, the regions have a right to set different transport tax rates depending on the categories of vehicles, their age and/or emission class.

Sales duty

The provisions on sales duty apply in the territory of Moscow.

The taxpayers of sales duty are companies and individual entrepreneurs carrying out trade activities.

The sales duty base is defined as the value of movable or immovable property used for trade purposes. The amount of the sales duty paid is generally treated as an expense deductible for corporate profits tax purposes.

The sales duty rates are set by the regional authorities depending on the areas used for trade purposes.

State duties

According to the Tax Code, a state duty is a fee charged on companies and individuals for certain services supplied by state bodies.

By way of example, the state duties for registering a Russian company currently amount to RUB 4,000 (EUR 57) and for accrediting a foreign company's branch, RUB 120,000 (EUR 1,714).

The maximum state duties for the consideration of cases by the courts of general jurisdiction and by magistrates' courts ("*mirovye sudi*") are currently RUB 60,000 (EUR 858). The equivalent maximum state duties for the commercial courts now amount to RUB 200,000 (EUR 2,860).

Taxation of individuals

Income tax

Taxpayers

Taxpayers are subject to Russian income tax as either tax residents or non-residents.

Tax residents are taxed on their worldwide income. An individual is considered to be a tax resident if he/she is physically present in Russia for at least 183 calendar days during a 12-month rolling period. According to clarifications from the Russian Ministry of Finance, however, the tax residence status of an individual should be defined by counting the days spent in Russia within the relevant calendar year.

Non-residents have tax imposed on their Russian-sourced income, irrespective of the nature of that income.

Taxable income

Taxable income is gross income less deductions and exemptions.

Gross income is defined as any economic gain, in cash or in kind, received by a taxpayer and subject to his/her discretionary disposal.

Deductions and non-taxable income

A Russian tax resident can benefit from five kinds of deductions:

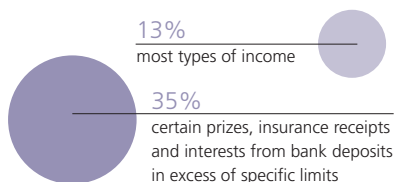
- **Standard deductions** are available for certain categories of taxpayers (disabled persons, war veterans, etc.).
- **Social deductions** are comprised of educational expenditures (per taxpayer and each of his/her children) and medical expenditures (per family), up to a combined annual maximum of RUB 120,000 (EUR 1,714).
- **Investment deductions** relate to certain types of investment income of taxpayers, such as long-term investments in pension and insurance funds.
- **Property deductions** relate to the purchase and sale of property (mainly residential real estate).
- **Professional deductions** are generally permitted for individual entrepreneurs and include, for example, expenditure for the creation of intellectual property rights.

Certain statutory allowances, bank interest (within limits), state pensions (and certain other pensions) and revalued shares (issued as a result of statutory revaluation, merger or reorganisation) are **exempt** from taxation.

Tax rates

Residents

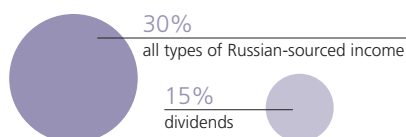
A standard flat rate of 13% applies to most types of income.



A rate of 35% applies to certain prizes, insurance receipts and interests from bank deposits in excess of specific limits.

Non-residents

A general rate of 30% applies to all types of Russian-sourced income except dividends (to which the rate of 15% applies). It may be possible to apply the relevant provisions of a DTT in order to exempt certain types of income from non-resident taxation.



In addition, a 13% personal income tax rate applies to remuneration received from professional activities of non-residents with a highly qualified specialist status under Russian migration law.

On 1 January 2019, a tax exemption applicable to Russian tax residents who sell residential property after a certain period of ownership (the length of the period depends on the ground on which

the seller had initially gained ownership of the property) was extended to non-residents. Initially, such an exemption was applicable only to the income from the sale of immovable property acquired by such non-residents after 1 January 2016. Now it applies irrespective of the date of acquisition of the property.

Tax payments

Withholding of tax

Russian companies, individual entrepreneurs and permanent establishments of foreign companies are considered to be tax agents. They must calculate, withhold and pay income tax on the payments they make to individuals.

As a result, employees are not required to file tax returns for their salary, unless they claim property deductions or have other income which is subject to the obligation to file a tax declaration.

An individual entrepreneur remains personally responsible for meeting his/her income tax obligations.

Tax return

Individuals must file returns and pay the appropriate income tax if:

- income was received from outside Russia (in the case of a Russian tax resident);
- tax was not properly withheld; or
- income was received from the sale of property, etc.

The tax return must be filed by 30 April in the year following the tax period.

The amount of tax due must be paid by 15 July in the year following the relevant tax period. However, if the taxpayer leaves Russia, he/she must file a tax return at least one month before his/her departure and pay the amount of tax due within 15 days after the filing date.

Individual property tax

Taxpayers

The owners of houses, flats, rooms, cottages, garages, other buildings or constructions are liable to pay individual property tax.

Tax rates

The cadastral value of the property is used as a taxable base to calculate individual property tax. The applicable tax rate depends on the type of taxable property concerned.

As individual property tax is a local tax, the local government authorities are entitled to set the tax rate within prescribed statutory limits.

Special tax regimes

The Tax Code provides for the following special tax regimes according to which a corporate taxpayer is entitled to pay one special tax instead of a number of separate taxes:

- simplified tax system;
- tax on imputed income;
- unified agricultural tax; and
- production sharing.

Special regimes may be applicable if the necessary requirements are met, as outlined below.

Simplified tax system

Taxpayers

Companies are eligible for the simplified tax system if they meet the following criteria:

- their annual turnover does not exceed RUB 150m (EUR 2.1m);
- the combined net book value of their fixed and intangible assets does not exceed RUB 150m (EUR 2.1m); and
- they employ fewer than 100 persons.

The Tax Code includes a list of organisations that may not use the simplified tax regime. This includes: (i) foreign companies; (ii) Russian companies with local branches and/or representative offices; (iii) companies in which more than 25% of the capital is owned by other companies; (iv) banks; (v) insurance companies; (vi) pension funds; and (vii) investment funds.

Tax rates

The rate for this tax regime is as follows:

- 6% – if all income (without deductions) is considered to be the tax base; or
- 15% – if income (less deductible expenses) is considered to be the tax base.

The tax rate may be reduced under the relevant regional law down to 1% or 5% respectively.

The simplified tax system is used as a single substitute for profits tax, property tax and VAT unless an exception applies (such as for property whose tax base is

calculated on the basis of its cadastral value (for instance business and shopping centres, offices)). The use of this system does not exempt employers from making obligatory pension insurance contributions or from withholding income tax from their employees' compensation.

Tax on imputed income

Regional authorities have the right to impose this tax on certain categories of taxpayers (e.g. small companies).

The tax rate is 15% on “imputed” monthly revenue and is adjusted by special coefficients which are based on the type of land used, the range of goods being produced, the level of income received each month and seasonal factors. When this tax is applied, the taxpayer becomes exempt from most, but not all, taxes and contributions (for example, obligatory pension insurance contributions remain due).

Unified agricultural tax

This tax system is aimed at reducing the obligatory tax burden on taxpayers involved in agricultural production.

Taxpayers

Taxpayers producing, processing (including industrial processing) and selling agricultural products are entitled to use this tax system, provided that the share of income they receive from the sale of agricultural products is at least 70% of their overall sales income.

Tax rate

The tax rate is set by the regions of the Russian Federation in the range of 0% to 6%.

The tax is calculated as the relevant percentage of revenue less certain deductible expenses that are listed in the Tax Code and include, in particular, the following:

- expenses relating to the acquisition, construction and manufacturing of fixed assets (being allocated during the useful life term of the relevant assets);
- lease payments;
- wages costs;
- expenses connected with certain types of insurance payments (both obligatory and voluntary); and
- the cost of material.

The unified agricultural tax substitutes profits tax and property tax, and in some cases VAT (except for import VAT and VAT withheld as a tax agent, which remain due).

Production sharing

Taxpayers

This simplified tax system may be used by companies (investors) entering into production sharing agreements (“PSAs”) under which they are granted an exclusive right to carry out mineral exploration and mining operations on a particular subsoil area.

PSAs provide for the sharing of profitable production between the Russian state and an investor. A part of

“compensational production” is granted to the investor to compensate them for the expenses connected with the project. In general, this does not exceed 75% of the whole amount of production or 90% when the project is implemented on the Russian continental shelf.

The production sharing tax system may be used if the relevant PSA (i) is concluded as a result of an auction; and (ii) provides that, if the project’s return on investment exceeds originally agreed expectations, the Russian state’s share in the profitable production will increase.

General PSA regime

If a general PSA regime is used, the main characteristics of the production sharing tax system are as follows:

- Certain expenses incurred by the investor for the purposes of performing the PSA are subject to reimbursement by “compensational production”.
- VAT, taxes on natural resources, state duties, land tax and excise duties paid in connection with performing the PSA are subject to reimbursement by the state.
- Goods imported to and exported from Russia are exempt from the payment of customs duties.
- Property tax is not payable on fixed assets used solely for performing the PSA.
- Transport tax is not payable on vehicles used solely for performing the PSA.
- The relevant local or regional authority may exempt the investor

from paying any regional or local taxes.

Special PSA regime

Additional tax privileges may apply if
(i) the PSA is concluded under a procedure which differs from the general procedure described above; and
(ii) the share in the production taken by the Russian state is at least 32%.

Incentives

Regional incentives

Taxpayers implementing major investment projects may, in many Russian regions, benefit from tax and economic incentives fixed at regional level.

To receive beneficial status, the relevant project must meet specific criteria (for example, as a priority investment project or project of particular importance). This presupposes injecting substantial financial resources into the economy of the region and creating jobs at new production facilities.

These incentives may include:

- reduced total corporate profits tax rate to 17% (instead of 20%);
- exemption from property, land and transport taxes;
- exemption from customs duties and import VAT; and
- subsidies compensating taxes paid to the regional budgets and/or interest paid to Russian banks on loans and credits.

Special economic zones

Taxpayers can benefit from incentives granted to special economic zones (“SEZs”) which have been created to promote economic growth in specific areas and regions of Russia⁷.

The general aim of SEZs is to attract foreign investment. As SEZs are exempt from customs duties, they are an effective means of promoting import and export business. The tax advantages provided for the residents of these zones are as follows:

- reduced corporate profits tax;
- exemption from property tax and land tax; and
- exemption from customs duty and VAT (in several cases).

Types of SEZ

There are four types of SEZ:

- technical research and implementation zones (such as Saint Petersburg, Dubna, Tomsk, Zelenograd);
- industrial production zones (such as Lipetsk, Tatarstan, Voronezh);
- recreation and tourism zones (such as Altai, Buryat Republic, Kaliningrad); and
- port zones.

A company registered in Russia is entitled to obtain the status of a SEZ resident after entering into a special agreement with the local agency in charge of the relevant zone.

⁷ Federal Law No. 116-FZ “On Special Economic Zones in the Russian Federation” dated 22 July 2005.

Skolkovo innovation centre

The participants in the Skolkovo initiative (created in the Moscow Region to conduct and commercialise research and development) benefit in particular from the following tax, customs and accounting incentives:

- 0% corporate profits tax rate applicable to income generated as a result of research, development and commercialisation for the first ten years of a participant's registration in the Skolkovo project;
- exemption from property tax and land tax;
- reduced payroll-related taxes;
- VAT exemption;
- reimbursement of customs duties and VAT payable upon the importation of goods;
- exemption from the obligation to keep financial accounting, unless the participant's annual income exceeds RUB 1bn (EUR 14.3m); and
- exemption from the payment of state duties for the issuance of work permits, invitations and visas for foreign employees.

In order to obtain the required status to operate in the Skolkovo innovation centre and benefit from these incentives, investors have to set up Russian companies to conduct research there and follow a special procedure.

Territories of advanced social and economic development

Taxpayers can benefit from specific incentives granted to residents of territories of advanced social and

economic development (“**TASEDs**”) created to boost the development of the economy and attract foreign investment in those territories. Each TASED is established by a Decree of the Russian Government.

There are 19 TASEDs located in the Far East of Russia (e.g. Kamchatka, Khabarovsk) and in Yakutia (in the industrial park Kangalassy). To obtain the TASED resident status, legal entities and individual entrepreneurs must conclude an investment agreement with the regional authorities.

In 2019, new TASEDs were created in certain Russian regions including the Nizhny Novgorod, Samara, Sverdlovsk, Kurgan, Orenburg and Tomsk Regions.

TASED residents have a right to apply reduced corporate profits tax rate subject to conditions stipulated by the Tax Code and applicable regional regulations.

Free port of Vladivostok

The legislation on the free port of Vladivostok (created for a renewable term expiring in 2085) allows legal entities and individuals having obtained the resident status to benefit from certain tax, customs and administrative benefits and incentives.

In order to obtain such resident status, the applicant must fulfil the following criteria:

- implementing a new investment project; and

- investing an amount of at least RUB 5m (EUR 71,500) in the project's implementation (in the form of capital expenditures) within a period not exceeding three years as from the date when the investor obtained the resident status.

Legal entities or individual entrepreneurs satisfying the above conditions must (i) apply to the management company of the free port of Vladivostok (by submitting a set of supporting documents including, notably, the business plan of the investment project); and (ii) conclude an agreement on the conduct of the investment activity with the management company.

Incentives and benefits granted to the residents of the free port of Vladivostok include the following:

- **tax:** corporate profits tax at 0% (for a five-year period starting from the date on which the profits from activities in the free port were obtained) or 10% (for subsequent periods), a simplified system of VAT refund and reduced rates of social contributions (in cases when the resident is subject to the general taxation regime and its proceeds from business activities in the free port constitute at least 90% of the total amount of its proceeds);
- **customs:** possibility of benefiting from the customs regime of free customs zone;
- **migration:** a simplified procedure of entry into Russia for foreigners employed by the residents of the free port of Vladivostok.

DTTs

General remarks

DTTs exist between many countries on a bilateral basis in order to prevent double taxation, i.e. taxation which is levied twice on the same income, profit, capital gain, inheritance or other item. The treaties generally guarantee non-discriminatory tax treatment and provide for cooperation between the tax authorities of the respective signatory countries.

Tax treaties signed by Russia are usually based on the OECD Model Treaty and the United Nations Model Convention. The provisions of these treaties override Russian domestic law.

The table on page 71 contains the tax rates applicable under several DTTs to which Russia is a signatory. The rates apply to withholding taxes on Russian sourced income. The numbers in brackets refer to the notes below the table.

Foreign companies wishing to obtain benefits under DTTs must provide Russian tax agents with a statement on beneficial ownership and a tax residency certificate. The look-through approach can be applicable to the payment of passive income in any forms (dividends, royalties or interest).

Recent developments

In 2019, amendments to DTTs with Austria and Sweden were ratified. These DTTs contain special provisions that limit tax benefits for taxpayers if they have tax evasion or avoidance objectives.

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (the “MLI”)

The MLI is an OECD convention that updates DTTs to counteract tax avoidance and attempts by taxpayers to receive unjustified tax benefits.

As of 1 October 2019, amendments to local tax legislation required by the MLI that Russia signed in 2017 came into force. However, some internal formalities have not been finalised. Therefore, the MLI’s implementation has been delayed until approximately 2021.

Currently, the MLI has been ratified by 20 states (including Australia, Austria, Belgium, the United Kingdom, Luxembourg, the Netherlands, the United Arab Emirates, Singapore, Finland and France) whose DTTs with Russia are adjusted by the MLI, but the amended versions will reportedly come into force in 2021. It is planned that upon final ratification of the MLI, Russia will extend this to DTTs with more than 70 states.

Mutual agreement procedure (the “MAP”)

In 2019, the Tax Code was amended in line with the minimum standard of the dispute resolution mechanism proposed by the OECD.

The MAP is now in place to resolve disputes on taxation of income, profits and property of the person under the applicable DTT.

Specific aspects of the MAP depend on the other state involved in the dispute with Russia. They should be determined with reference to the provisions of the relevant DTT.



Russian tax authorities continue to tighten control over the activities of multinational groups of companies as well as Russian corporate taxpayers that carry out foreign trade transactions. In particular, the requirements for transfer pricing have been significantly amended and strengthened.



Country	Dividends	Interest	Royalties
Austria	5 or 15% ⁽¹⁾	0%	0%
Belgium	10%	0 or 10% ⁽²⁾	0%
Canada	10 or 15% ⁽³⁾	10%	0 or 10% ⁽⁴⁾
China	5 or 10% ⁽⁵⁾	0%	6%
Cyprus	5 or 10% ⁽⁶⁾	0%	0%
France	5, 10 or 15% ⁽⁷⁾	0%	0%
Germany	5 or 15% ⁽⁸⁾	0%	0%
Hong Kong	5 or 10% ⁽⁹⁾	0%	3%
Ireland	10%	0%	0%
Italy	5 or 10% ⁽¹⁰⁾	10%	0%
Japan	5 or 10% ⁽¹¹⁾	10%	0%
Korea (South)	5 or 10% ⁽¹²⁾	0%	5%
Luxembourg	5 or 15% ⁽¹³⁾	0%	0%
Netherlands	5 or 15% ⁽¹⁴⁾	0%	0%
Singapore	0,5 or 10% ⁽¹⁵⁾	0%	5%
Spain	5, 10 or 15% ⁽¹⁶⁾	0 or 5% ⁽¹⁷⁾	5%
Switzerland	5 or 15% ⁽¹⁸⁾	0%	0%
Ukraine	5 or 15% ⁽¹⁹⁾	10%	10%
UK	10%	0%	0%
USA	5 or 10% ⁽²⁰⁾	0%	0%

Notes:

(1) 5% for shareholdings of 10% or more, otherwise 15%;

(2) 0% for bank loans or loans granted (or guaranteed) by a contracting state, otherwise 10%;

(3) 10% for shareholdings of 10% or more, otherwise 15%;

(4) 0% for (i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or other artistic work; (ii) royalties for the use of computer software; or (iii) royalties for the use of patents where the payer and the beneficial owner of the royalties are not related persons, otherwise 10%;

(5) 5% for shareholdings of 25% or more, provided the investment is at least EUR 80,000, otherwise 10%;

(6) 5% if the initial investment is greater than EUR 100,000, otherwise 10%;

(7) 5% if the investment is not less than EUR 76,225 and if the recipient pays tax; 10% if only one of these two circumstances applies; otherwise 15%;

(8) 5% for shareholdings of 10% or more, provided the investment is at least EUR 80,000, otherwise 15%;

(9) 5% for shareholdings of 15% or more, otherwise 10%;

(10) 5% for shareholdings of 10% or more, provided the investment is at least USD 100,000, otherwise 10%;

(11) 5% for shareholdings of 15% held for more than 365 days, otherwise 10%;

(12) 5% for shareholdings of 30% or more, provided the investment is at least USD 100,000, otherwise 10%;

(13) 5% for shareholdings of 10% or more, provided the investment is at least EUR 80,000, otherwise 15%;

(14) 5% for shareholdings of 25% or more, provided the investment is at least EUR 75,000, otherwise 15%;

(15) 0% for government and state institutions, 5% for shareholdings of 15% or more, otherwise 10%;

(16) 5% for shareholdings of at least EUR 100,000 and if the dividends are exempt from tax; 10% if either condition is met; otherwise 15%;

(17) 0% if the actual recipient of interest is the government of the other contracting state, or for long-term bank loans (exceeding seven years); otherwise 5%;

(18) 5% for shareholdings of 20% or more, if the investment is at least CHF 200,000; otherwise 15%;

(19) 5% for shareholdings of at least USD 50,000; otherwise 15%; and

(20) 5% for shareholdings of 10% or more, otherwise 10%.