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CORPORATE TAXES IN RUSSIA

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OVERVIEW: TAXES AND THE TAX SYSTEM IN RUSSIA

Russian tax law is based on the Tax Code, which regulates all major taxes and tax procedure law. The Tax Code has been improved many times since it came into force more than 20 years ago and overall provides a reasonable framework.

The central issue of the last three years has been Western sanctions and Russian “counter-sanctions.” The tax sector has also been affected by this:

In 2023, as a countermeasure, double taxation treaties (DTTs) with so-called “unfriendly” countries (including all EU member states, the US, the UK, Japan, Taiwan, etc.) were suspended in the section on benefits and exemptions. However, the provisions on the avoidance of double taxation remain in force. Foreign tax can only be credited if the DTT benefits are taken into account, provided that the foreign state has not informed the Russian Federation of a reciprocal suspension. In practice, this means that in the absence of a reciprocal suspension, it is not possible to credit foreign withholding tax that is withheld in European countries due to Russia's inclusion in the EU list of non-cooperative countries (offshore list).

There is no avoidance of double taxation with countries that do not have a DTT with Russia (including those where the DTT has been terminated). This applies in particular to the Netherlands (DTT terminated from 2022), Denmark (DTT terminated from 2024), Latvia (DTT terminated from 2024) and Lithuania (DTT terminated from 2026).

From 2024, “unfriendly” countries will be treated as tax havens in Russia. This will result in the non-application of certain income tax

benefits or exemptions and the application of Russian transfer pricing rules to transactions with independent persons from such countries. In addition, subsidiaries of companies from such countries will no longer be treated as SMEs, and corresponding benefits for SMEs will no longer apply to them.

A number of countries have suspended the automatic exchange of tax information with Russia (including Germany, Austria, and Switzerland). At the same time, the “unfriendly” countries have been removed from the Federal Tax Service's “white lists” – these include the list of countries that automatically exchange financial information with Russia and the list of countries that automatically exchange country-by-country reports with Russia. In addition, the “unfriendly” countries are now included on the “black list” (list of countries that do not exchange tax information with Russia). This makes it impossible to apply certain benefits in the area of CFC taxation, the obligation of Russian companies to submit country-by-country reports (CbCR), and other restrictions.

The growth in public budget expenditures in recent years has led to an increase in the tax burden from 2025 onwards. The profit tax rate has been increased from 20% to 25% (for IT companies, the rate rises from 0% to 5%). Companies that use the simplified tax system (i.e., the majority of Russian SMEs) are now required to pay value-added tax if their turnover exceeds the threshold of RUB 60 million in a calendar year. Progressive tax rates ranging from 13% to 22% are applied to income tax (previously 13% to 15%).

The Russian president recently instructed the government to examine the possibility of further adjustments to the tax system. These adjustments could include an increase in the income tax rate for non-residents (introduction of progressive rates) and restrictions on the

simplified taxation system for trading companies.

Russia has a number of preferential regimes that offer tax and economic advantages, including:

- Special Investment Contract (SPIK);
- Regional Investment Project (RIP);
- Agreements on the Protection and Promotion of Capital Investments (SZPK);
- Special Administrative Region (SAR);
- Regions of Advanced Social and Economic Development (TOSER);
- Skolkovo Innovation Center and innovative science and technology centers.

There are also non-tax incentives (subsidies, loans at favorable interest rates).

In principle, these tax incentives are still available to foreign investors.

In 2023, benefits for IT companies were created or revised in Russia, most of which are currently aimed at local software/hardware developers: the profit tax rate will be 5% instead of 25% from 2025, there are also significant benefits in terms of social security contributions (7.6% instead of 30%), and under certain conditions, VAT exemptions apply to the sale of software and database rights and to the transfer of rights of use.

At the same time, changes are under public discussion that would limit IT benefits to companies with less than 50% foreign ownership.

TAX AUDITS

The trend toward a sharp reduction in the number of on-site tax audits is over: in Q1

2025, the number of tax audits increased by about 15% (50% in Moscow) compared to 2024. According to information from the Federal Tax Service, almost 99% of audits result in additional charges.

On-site and desk tax audits are supplemented by what is known as a "pre-audit analysis". As part of the pre-audit analysis, the tax authorities can request large quantities of documents and written explanations, while the restrictions on tax audits laid down by law do not apply. In the course of this analysis, the tax authorities can invite employees of the company in question to interviews. The depth of the analysis can be comparable to on-site tax audits. That said, the procedure for this analysis is not legally established.

Similar to a tax audit, a pre-audit analysis usually means a lot of time and work for the company, especially for the employees in the accounting and finance department, but also for management.

UNIFIED TAX ACCOUNT

From 2023 onwards, most taxes, as well as the corresponding penalties and late payment interest, will be paid under the unified tax payment system. The payment deadlines for taxes subject to this system (total tax liability) have been standardized (tax return submission on the 25th of the month, payment on the 28th).

The unified tax account will also be used to record tax overpayments and deductions, which can be used to settle the remaining total tax liability or to deduct from it. An overpayment of one tax can therefore be used to cover an underpayment of another tax.

TRANSFER PRICING

Russian transfer pricing rules stipulate that all cross-border transactions with a total annual

value of more than RUB 120 million between related parties (or with independent parties from offshore countries, which from 2024 will also include all “unfriendly” countries) are “controlled.” Controlled transactions also include transactions between related parties based in Russia if they exceed a total value of RUB 1 billion per year. Transactions in which at least one of the parties applies the investment tax deduction are excluded (for further information on the investment tax deduction, see “Profits Tax”).

Russian companies are required to inform the tax authorities once a year (in the following year) about their controlled transactions and to submit transfer pricing documentation at the request of the tax authorities.

There are five methods available for verifying or confirming that controlled transactions are at market level:

- Comparable uncontrolled price (CUP);
- Resale minus;
- Cost plus;
- Transactional net margin (TNMM);
- Profit split.

The CUP method is actually the preferred method, but in practice most companies use the TNMM. After the tax authorities have reviewed the transfer pricing documentation, the transfer prices may be adjusted and the corresponding taxes charged. It is important to take the following changes to the transfer pricing rules into account. These changes apply to transactions from 2024 onwards.

- The transfer price adjustment is not made to the nearest limit of the market price range, but to the median value thereof. In

practice, this means an increase in the adjustment amount.

- Secondary adjustment is the requalification of the positive difference between the actual and market prices of a controlled transaction for tax purposes as dividends. This results in additional taxation of the adjustment amount with Russian withholding tax (15%).

Example of secondary adjustment: Additional tax charges and fines in case of RUB 100 adjustment	
Type	Amount, RUB
Profits tax (non-deduction of expenses): 20%/25%	20/25
Withholding tax: 15%	15
Fine amounting to 100% of not withheld tax (Art. 129.3 of the Tax Code)	15
Fine for not withholding the tax: 20% of not withheld tax (Art. 123 of the Tax Code)	3
Total: RUB 53/58 + Late payment interest	

Russia has rules on reporting by Russian companies that belong to a multinational enterprise group (MNE group). Classification as an MNE group is determined under the laws of the country of the parent company. Companies belonging to an MNE group are required to keep three-tier transfer pricing documentation ready each year: a master file, a local file, and a country-by-country report (CbCR). All three must be submitted upon request of the tax authorities. In addition, an annual notification of participation in an MNE group must be filed.

Since the exchange of country-by-country reports with “unfriendly” states has been suspended, the tax authorities are currently actively requesting such reports from Russian MNE group members. It should be noted that the report must be submitted in the format prescribed by Russian tax law. Therefore, the report filed by the parent company / authorized MNE group member should be adapted accordingly.

From 2024, penalties for reporting failures in relation to financial years — non-submission / late submission of reports — were significantly increased (tenfold in some cases).

TAX OVERVIEW

PROFITS TAX

Similar to German corporate income tax, Russian profits tax (“profits tax”) mainly governs the taxation of income of legal entities.

Russian companies, as well as foreign companies that carry on activities in Russia through a permanent establishment or derive income from Russian sources, are subject to profits tax. Certain organizations are exempt from profits tax (such as investors of the Skolkovo high-tech innovation center). Other organizations enjoy incentives in the form of reduced tax rates (e.g., benefits for IT companies).

The general profits tax rate is 25% from 2025 (previously 20%). Until 2030, 8% is allocated to the federal budget and 17% to the budgets of the constituent entities of the Russian Federation (similar to the German Länder). However, the constituent entities may reduce their tax rate subject to certain conditions. This requires a relevant regional law. Most constituent entities make use of this option, in particular to promote regional investment projects.

Upon concluding a special investment contract and within certain other preferential regimes, application of a 0% profits tax rate is even possible. The exact tax rate is determined by agreement with the competent authorities.

Special tax rates apply to dividends (0%, 13%, or 15%) as well as to income from the sale of participations in Russian and foreign companies (0% under certain conditions), etc.

The tax object of profits tax is the profit earned by the company. For Russian companies, profit consists of all taxable income less deductible expenses.

For foreign companies operating in Russia through permanent establishments, profit means the taxable income earned through such permanent establishments less deductible expenses. In determining the tax base, the functions, assets, and risks of the respective permanent establishment are taken into account. For other foreign companies, all taxable income derived from Russian sources is treated as profit.

Income from the sale of participations in organizations or upon their liquidation may be reduced by the value of contributions previously made to the company’s property.

The tax period is the calendar year. The reporting periods are the quarter, the half-year, and the first nine months, unless the taxpayer makes monthly advance payments.

Tax exemptions and tax benefits

The Tax Code exhaustively specifies which types of income are not taken into account when determining the profits tax base. These include, among others:

- Advances;
- Contributions to charter capital;

- Contributions to the property of the company (additional capital contributions) in the form of assets and rights as well as intangible assets;
- Property transferred to a commission agent, agent, or other representative in connection with the performance of obligations under a commission, agency, or similar agreement;
- Funds or other property received under credit or loan agreements, as well as funds or other property transferred in fulfilment of such obligations;
- Property or property rights received by Russian companies free of charge (not applicable in relation to companies from offshore jurisdictions, which also include all “unfriendly” states):
 - a. from companies, where more than 50% of the charter capital of the receiving or transferring party consists of a contribution made by the transferring or receiving company, respectively;
 - b. from individuals, where more than 50% of the charter capital of the receiving party consists of a contribution made by that individual.

However, the property received is not treated as income only if it is not transferred to third parties within one year from the date of transfer (except for cash).

0% rate

The sale of participations in Russian and foreign companies may be taxed at a 0% rate if not more than 50% of their assets consist, directly or indirectly, of Russian real estate and the participations have been held by the seller for at least five years, whereby the holding period is not interrupted by reorganizations. In addition, the foreign companies must not be included in the Ministry of Finance’s “black list” (which includes tax havens such as the Cayman Islands, Belize, the British Virgin Islands, etc.).

Regional investment tax deduction

Conceived as an alternative to depreciation and as an incentive for modernization, the regional investment tax deduction can reduce the amount of profits tax by up to 90% at once. The final word lies with the regions, which may increase this threshold and establish additional conditions for application of the deduction. The regions are interested, on the one hand, in attracting new investors, but, on the other hand, tax revenues decrease. Without a regional law, such a deduction is not possible.

Unlike depreciation, where installments are deducted from taxable income (i.e., effectively only 25% of the costs can be depreciated), the investment tax deduction reduces the tax amount directly by the cost amount.

It should be borne in mind that use of an investment tax deduction is associated with restrictions on the sale of such fixed assets or their relocation to another region of Russia before the end of their useful life.

Federal investment tax deduction

From 2025, the federal investment tax deduction may be applied to investments in fixed assets and/or intangible assets. Under certain conditions (depending on the type of business activity and, in some cases, on the type of fixed asset or intangible asset), the costs of such investments may be deducted from the federal portion of the profits tax. The deduction for investment costs may also be applied by a person belonging to the same group of related persons as the investor (direct/indirect participation of more than 50%).

At present, this deduction cannot be applied simultaneously with the regional investment tax deduction. The possibility of simultaneous application of the federal and regional

investment tax deductions is being examined by the Government on the instructions of the President of Russia.

The amount of the deduction is 3% of the acquisition cost of the fixed asset or intangible asset. However, the amount of the deduction in a tax period may not exceed 5% of the profits tax. If the deduction is higher, the remaining amount may be deducted over the following 10 tax periods.

IT benefits

Starting from 2021, "tax havens" were created in Russia for IT companies. For 2022–2024, the profits tax rate for IT companies resident in Russia is 0% instead of 20%, provided they meet the following criteria:

- software or database developers (accreditation by the Ministry of Digital Development); or hardware developers involved in developing/designing the component base (register of the Ministry of Industry and Trade);
- revenue from IT activities (development, distribution of own software, customization, modification, installation, testing, etc.) amounting to at least 70% of total revenue.

At the same time, changes are under public discussion that would allow IT benefits only for companies with less than 50% foreign ownership.

Deductibility of interest

Interest is generally deductible for profits tax purposes in the actual amount. Special rules apply to controlled transactions:

To be deductible, the interest must be below the upper threshold of maximum deductible interest and also above the lower threshold of

minimum deductible interest. The thresholds are calculated as follows:

- For liabilities in RUB: from 10% to 150% of the key rate of the Russian Central Bank, but in any case not less than 2%;
- For liabilities in EUR: from 1% to €STR plus 7%;
- For liabilities in Chinese yuan: from 1% to SHIBOR plus 7%;
- For liabilities in GBP: from 1% to SONIA plus 7%;
- For liabilities in CHF and JPY: from 1% to SARON in CHF or TONAR in JPY plus 5%;
- For liabilities in USD and other currencies: from 1% to SOFR in USD plus 7%.

Thin-capitalization rules

The Tax Code also contains thin-capitalization rules. These apply to Russian companies that have so-called "controlled" debt if, on the last day of the reporting or tax period, the total amount of debt to the relevant person exceeds by more than three times (for banks and leasing companies, 12.5 times) the difference between the amount of assets and the amount of liabilities of that company ("equity"). The positive difference between the calculated interest and the maximum deductible interest calculated under the thin-capitalization rules:

- is not taken into account for profits tax purposes; and
- is taxed as dividends.

Withholding tax and the concept of the beneficial owner

In the case of foreign companies deriving income from sources in Russia that is not connected with a permanent establishment, it should always be checked whether such income constitutes Russian-source income subject to tax in Russia.

Profits tax on income of foreign organizations from Russian sources (withholding tax) is remitted by the source of payment (the so-called "tax agent"). Russian companies, individual entrepreneurs, or Russian permanent establishments of foreign companies may act as tax agents.

Russian-source income under the Tax Code includes, among other things:

- income in the form of dividends, royalties, and interest;
- income under intra-group service agreements;
- income from state and municipal securities whose terms of issue and circulation provide for the receipt of income in the form of interest;
- income from the distribution of profits or property of companies, other persons, or associations thereof in favor of a foreign company;
- income from the lease or sublease of property located in Russia, including income under leasing agreements;
- income from international transportation;
- penalties and late-payment interest for breaches of contractual obligations by Russian persons, state authorities, and/or executive bodies of municipal self-government;
- income from the sale of shares and/or participatory interests in Russian companies whose assets consist of more than 50% of real estate located in Russia, as well as financial instruments derived from such shares and/or participatory interests;
- income from the sale of real estate located in Russia.

Withholding tax rates under the Tax Code are 10% (income from international transporta-

tion), 15% (e.g., dividends, income under intra-group service agreements), and up to 25% (e.g., royalties and interest).

Relevant DTT provisions must be taken into account (as long as a valid DTT exists; DTTs with "unfriendly" states are suspended), as they may provide for reduced rates or exemptions that differ from the Tax Code rules and should take precedence over the Tax Code. To apply such benefits, the recipient of the income must be the beneficial owner.

Despite the suspension of some DTTs and the termination of DTTs with a number of countries, Russia is also concluding new agreements. Thus, in 2023–2024 DTTs with Oman, the United Arab Emirates (UAE), and Malaysia were signed. The DTT with Oman has been in force since 2024, while the DTTs with the UAE and Malaysia are expected to apply only from 2026. It should be noted that these DTTs provide for reduced withholding tax rates according to the 10-10-10 formula, meaning a 10% withholding tax rate on dividends, interest, and royalties.

To apply DTT exemptions or benefits, a tax residence certificate from the relevant country of the income recipient must be provided to the tax agent no later than at the time of payment (as a rule, notarized and apostilled and translated into Russian), together with confirmation of the recipient's actual entitlement to the income. There is no statutory form for such confirmation; however, there are rules and guidance on its content. The taxpayer determines the scope of the information and documents to be provided. Where substantial amounts of income are involved, however, it is advisable to prepare a "defence file."

VALUE ADDED TAX

Russian VAT is a multi-stage VAT with input VAT deduction, similar to German turnover tax. The input VAT deduction is also provided for by the Russian Tax Code, meaning that companies purchasing goods or services from other companies may deduct the proportionate VAT payable in this respect from the VAT tax base. However, in practice, asserting input VAT against the Russian tax authorities frequently gives rise to considerable difficulties.

VAT is an indirect tax. Similar to German tax law, the taxpayer and the person bearing the economic burden of the tax are not the same.

Taxpayers are companies, individual entrepreneurs, and persons on whom the obligation to pay VAT is imposed upon importation of goods into Russia. There is no separate VAT registration number in Russia; companies have a single tax identification number for all taxes ("INN" in Russian).

Foreign companies are liable to VAT if they sell goods in Russia or if Russia is deemed to be the place of supply. However, input VAT may be claimed only by permanent establishments and construction sites of foreign companies that have VAT-taxable turnover; the mere existence of an INN is not sufficient for these purposes. This is generally disadvantageous for foreign companies and increases costs in such cases.

Taxable supplies include:

- the delivery or sale of goods, the transfer of property rights, and the provision of services within the territory of Russia;
- the transfer of goods and the provision of services and works for own needs in Russia (insofar as these do not constitute expenses for profits tax purposes);

- the performance of construction and installation works for own needs;
- the importation of goods into Russia.

Unlike German law, gratuitous supplies of goods and services are also subject to VAT in Russia — a point often overlooked in practice, with corresponding negative tax consequences.

Some transactions are not subject to VAT. For example, the transfer of investment assets or property under a concession agreement is not taxable (Art. 39 of the Tax Code).

The VAT tax base is the consideration agreed for the supply of goods or services. In the case of a gratuitous transfer, the market price is used. Special rules apply to the calculation of the tax base for certain transactions, in particular for:

- the importation of goods into Russia (the tax base is the customs value plus customs duties and, where applicable, excise taxes); and
- the transfer of property whose value is recorded on a gross basis (including VAT) (the tax base is the difference between the price of the property, including VAT and excise taxes, and the residual value of the property according to accounting records), *inter alia*.

The tax base is reduced by input VAT amounts and VAT charged by suppliers and contractors.

In addition to the standard rate of 20%, reduced VAT rates apply, for example:

- 0% for exports, re-exports, international transportation of goods, services related to the processing of goods imported for processing, and other cases regulated by Art. 164 of the Tax Code;

- 10% on foodstuffs, children's goods, periodicals, and medical goods, etc.;
- 20/120 (10/110) in the case of "reverse charge" (payment of VAT by a tax agent) and on advance payments for supplies of goods and services, as well as on the sale of property recorded with VAT;
- 16.67% for electronic services where such services are provided directly to individuals.

The tax base is calculated separately for the different tax rates.

The tax period is the quarter, and the tax must be paid in three equal installments after the end of the quarter.

Tax exemptions

Art. 149 of the Tax Code provides an exhaustive list of transactions exempt from VAT. These include, among other things:

- the lease of premises to foreign companies maintaining an accredited representative office or branch in Russia;
- the sale of LLC participatory interests, securities, and land plots, etc.;
- the granting of loans.

In some cases, the taxpayer has the right to opt out of tax exemptions. This may be advantageous because it allows full input VAT deduction. A taxpayer may also be exempt from VAT if the proceeds from the sale of goods or services in the preceding three calendar months do not exceed RUB 2 million in total.

The transfer of rights to software and databases entered in the register of Russian computer programs and databases is exempt from VAT. Even if the above conditions are met, the exemption cannot be applied if the software and database rights relate to the following:

- dissemination of advertising and access to it on the internet;
- placement of commercial offers to buy or sell on the internet;
- search for information about buyers and sellers;
- conclusion of transactions on the internet.

EXCISE TAXES

Like VAT, excise taxes are indirect taxes. Excise taxes are levied in particular on certain goods such as alcohol and alcoholic products, motor vehicles, sugary drinks (except juices and kvass), gasoline and diesel fuel, and tobacco. Excise taxes apply in exhaustively specified cases under the Tax Code. These include, among other things, the sale of excisable goods manufactured in Russia and the importation of excisable goods.

PROPERTY TAX

Property tax is levied at the regional level, while the maximum permissible tax rate (2.2%) is determined at the federal level. Accordingly, the relevant tax rates, tax benefits, and the conditions for their application are regulated by the laws of the constituent entities of the Russian Federation.

Russian companies and foreign companies that have a permanent establishment in Russia or own real estate in Russia are subject to property tax.

The following items are subject to property tax:

- real estate recorded in the balance sheet as fixed assets of Russian companies and foreign companies conducting business activities in Russia through a permanent establishment, as well as assets received under concession agreements;

- real estate located in Russia and owned by foreign companies that do not conduct business through a permanent establishment, as well as real estate received under concession agreements, etc.;
- Since January 1, 2019, movable property has no longer been subject to property tax. In practice, this legislative change has led to a number of disputes in which the tax authorities have classified installations firmly attached to the ground as real estate.

Certain types of property are not taxed, including:

- land plots;
- natural resources.

If a foreign company owns real estate in Russia that is subject to property tax, it is required to disclose information about its shareholders with a direct or indirect interest of more than 5%.

The tax base is determined based on the average annual value of the taxable asset or the cadastral value of the immovable property entered in the state real estate register.

Property tax is payable annually, with advance payments provided for. However, a number of taxpayers may be exempt from advance payments.

INCOME TAX FOR INDIVIDUALS

Taxpayers of personal income tax (“PIT”) are individuals who are tax residents of Russia (“residents”) and individuals deriving income from Russian sources. Russian citizenship or a residence permit has no effect on tax status. Under the Tax Code, residents are individuals who are present in Russia for at least 183 calendar days within any twelve consecutive months. An individual’s period of presence in

Russia is not interrupted by periods spent abroad for short-term (less than six months) medical treatment or education. Certain categories of individuals mentioned in the Tax Code are treated as residents regardless of their length of stay (e.g., military personnel and state officials, as well as foreign “highly qualified specialists”).

For Russian tax residents, worldwide income is taxed. Non-residents of Russia for tax purposes, on the other hand, are subject to PIT only on income from Russian sources (e.g., dividends and interest). There are also types of income exempt from personal income tax (e.g., income received by inheritance or gifts between close relatives).

When calculating PIT, all income of the taxpayer is taken into account: money, income in kind, and income in the form of material benefits. The Tax Code provides for the following PIT rates:

- The standard rates for residents (progressive scale) in 2025:

Rate	Annual income (RUB)
13%	not more than 2.4 million
15%	from 2.4 million, not more than 5 million
18%	from 5 million, not more than 20 million
20%	from 20 million, not more than 50 million
22%	above 50 million

The standard rates apply to all categories of income except those mentioned below. These rates also apply to highly qualified specialists regardless of whether they are residents, to remote employees of Russian companies, and to service providers of Russian companies working via the Russian segment of the internet.

- Special 35% rate for the following types of income:
 - value of any winnings and prizes obtained in competitions, games, and events held to advertise goods, works, and services;
 - amount of savings on loan interest when taxpayers receive borrowed funds, i.e., on the portion by which the contractual interest is lower than the interest calculated on the basis of the key rate of the Russian Central Bank.

- For non-residents:
 - The general tax rate for all types of income, except those mentioned below, is 30%. The introduction of a progressive scale for non-residents (as applies to residents) is currently being examined by the Government on the instructions of the President of Russia;
 - A 15% rate applies to dividend income from participations in Russian companies and to interest income on deposits with Russian banks;
 - The standard rates (13%–22%) apply to the income of highly qualified specialists, remote employees of Russian companies, and service providers of Russian companies working via the Russian internet.

For PIT purposes, a foreign citizen is generally considered a highly qualified specialist if they have professional experience, skills, or achievements in a specific field of activity and receive a monthly salary of not less than RUB 250,000.

The tax period is the calendar year. It should be noted that Russian companies, individual entrepreneurs, and branches of foreign companies in Russia from which taxpayers receive income subject to personal income tax

must calculate, withhold, and pay the tax themselves as tax agents.

Foreign employees must file tax returns if they are residents and derive income from sources outside Russia. If foreign employees leave Russia during the relevant calendar year, the tax return must be filed no later than one month before departure.

SOCIAL SECURITY CONTRIBUTIONS

Social security contributions are borne exclusively by the employer. These contributions used to be paid to three different funds, but since 2023, following the merger of the pension fund and the social insurance fund, there has been only a single unified payment.

Two groups are required to make payments: first, legal entities and individual entrepreneurs, as well as natural persons who are not individual entrepreneurs and make payments for work performed or services rendered to individuals (“employers”); and second, individual entrepreneurs, attorneys, and notaries who do not make payments to individuals. Individual entrepreneurs, attorneys, and notaries pay fixed social security contributions, and they are also entitled not to pay social security contributions for periods during which they do not carry out professional activities.

In addition, there is a full exemption (except for industrial accident insurance contributions) for foreign employees working in Russia as “highly qualified specialists.” Regular contributions must be paid on the salaries of other foreign employees temporarily staying in Russia.

Contribution rates

The standard rate of social security contributions is 30% (and, where applicable, 15.1% on

the portion of an employee's income exceeding RUB 2,759,000).

For small and medium-sized enterprises, a 15% rate applies to amounts exceeding RUB 33,660 (monthly calculation unit) in the excess portion. In addition, reduced rates apply to certain groups of contributors. For example, a unified 7.6% rate currently applies to IT companies.

The settlement period for social security contributions is the calendar year. Reports must, however, be submitted quarterly to the tax inspectorate. Special rules apply to individual entrepreneurs, attorneys, and notaries for determining the tax base, making payments, etc.

OTHER TAXES

Property tax for individuals

Property tax for individuals is a local tax, and taxpayers are individuals who own certain property such as residential houses, apartments, garages, etc.

The tax rates range from 0.1% to 2%, but may be reduced or increased by local rules.

Trade levy

The trade levy currently applies only in Moscow. Persons liable to pay the levy include individual entrepreneurs and legal entities. Trading activities include the following types: through fixed trading facilities (excluding gas stations); through non-stationary trading facilities; through facilities of a fixed trading network that has sales premises; warehousing operations; organization of retail markets.

The amount of the levy generally depends on the sales space and its floor area, as well as the type of trade and the characteristics and location of the trading premises.

Transport tax

Transport tax is a regional tax, i.e., it is regulated by the laws of the constituent entities of the Russian Federation on transport tax. The rates are determined regionally, but within the limits and in accordance with the procedures and deadlines established by the Tax Code.

Taxpayers are persons in whose name vehicles qualifying as taxable objects are registered. Such vehicles include automobiles, motorcycles, motor scooters, buses, and other self-propelled machines and equipment with pneumatic or crawler tracks, airplanes, helicopters, motor ships, sailing boats, sailing vessels, motor boats, etc.

The tax and advance payments (for legal entities) must be paid by the taxpayer to the tax authority where the vehicle is registered.

Land tax

Land tax is also a local tax. It is levied at the municipal level and in "cities of federal significance" (Moscow, St. Petersburg, and Sevastopol). The tax rates are set within the framework established by the Tax Code.

Taxpayers are landowners and persons holding perpetual use rights or lifelong inheritable possession rights. Excluded are cases where land plots are provided for use free of charge and for a fixed term.

The tax base is the cadastral value of the relevant land plot as of January 1 of the relevant year according to the state real estate cadastre. The following upper limits of tax rates apply:

- 0.3% in relation to agricultural land, individual subsidiary farming plots, or land plots for residential buildings and engineering infrastructure and, since 2013, also for land

plots used for state security and customs needs;

- 1.5% for other land plots.

Special tax regimes

In addition to the general tax regime, the Tax Code also provides for special tax regimes, namely:

- Simplified taxation system;
- Patent system;
- Tax on professional income (for self-employed individuals);
- Unified agricultural tax;
- Tax system for the performance of production sharing agreements.

The “simplified taxation system” is intended for small businesses (total income for the previous year – RUB 450 million, number of employees <130, share of other organizations in charter capital ≤25%, etc.) and is designed to simplify tax calculation and payment. Instead of profits tax or personal income tax, VAT (where annual revenue does not exceed RUB 60 million), and property tax, a single tax is paid. The taxpayer chooses the tax base with the corresponding tax rate — 6% of turnover or 15% of revenue less expenses. If annual revenue amounts to RUB 60 million or more, VAT also applies. The relevant small business may either pay VAT under the ordinary rules (20% rate with the right to VAT deductions) or under special rules (5% rate where revenue does not exceed RUB 250 million or 7% rate where revenue does not exceed RUB 450 million, without the right to VAT deductions).

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Note:

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