Controlled transactions

The latest changes in the controlled transaction regulations

17 August 2018

On August 3, 2018, the President of the Russian Federation signed Federal Law No. 302-FZ “On Amending Parts One and Two of the Tax Code of the Russian Federation” (hereinafter referred to as the “Law”).

According to the Law, the procedure and the list of grounds for regarding the internal Russian transactions as controlled have changed: now they have a single threshold for revenue – 1 billion rubles a year to be recognized as controlled. Previously, for some transactions, it amounted to 60 million and 100 million rubles.

Thus, internal Russian transactions (that is, transactions between affiliated persons having a place of registration, place of living or place of tax residence in the Russian Federation) will be recognized as controlled only if such transactions exceed the amount of 1 billion rubles a year and if the parties follow one of these conditions:

1. the parties to the transaction apply different rates of income tax (in respect of profits from activities in which the said transaction is concluded);
2. one of the parties to the transaction is the taxpayer of the mineral extraction tax calculated at the tax rate established in percentage terms;
3. At least one of the parties to the transaction applies a special tax regime;
4. one of the parties to the transaction is exempted from the duties of the taxpayer of the corporate income tax;
5. One of the parties to the transaction is the owner of a license for the use of subsoil area where a new offshore hydrocarbon deposit is located;
6. At least one of the parties to the transaction is a resident of the “Skolkovo” research center;
7. At least one of the parties to the transaction applies an investment tax deduction for income tax.

It should also be noted that with regard to foreign trade transactions, a threshold of 60 million rubles per year will be established to recognize such transactions as controlled.

It is assumed that the above changes will apply to transactions for which income and (or) expenses are recognized when calculating the tax base for corporate income tax from January 1, 2019, regardless of the date of execution of the relevant contract.

* Other changes reflected in the Law, concern the following:

- there is a gradual abolishment of the institution of consolidated taxpayer groups (CTG);
- the term of desk audit of the VAT tax return was reduced from 3 months to 2 months;
- from January 1, 2019, movable property will be excluded from objects of taxation on property tax of organizations;
- the procedure for applying the 0% VAT rate for services for export or import of goods by sea vessels based on chartering contracts (time charter) is clarified;

- the procedure for confirming the 0% VAT rate for exported goods was simplified.

If you have any questions DSL-Service experts are ready to advise you.

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