New rate of Russian VAT 20%

On increasing the VAT rate

01 October 2018

From January 1, 2019 the Federal Law of August 3, 2018 No. 303-FZ “On Amendments to Certain Legislative Acts of the Russian Federation on Taxes and Fees” will increase the VAT rate from 18% to 20%. The decision to raise the tax on consumer goods and services was made by the government due to the need to replenish the budget with additional funds. It is expected that this measure will bring an additional 600 billion rubles to the budget annually.

It is important to note that VAT rate of 10% will not be changed for socially significant goods (products, children’s goods, medicine, medical products). As before, from VAT the following categories of services will be exempted: passenger transportation, diagnostics and treatment, childcare, school education.

As for the basic rate (20%) it will be applied to goods (works, services) shipped (performed, rendered) from January 1, 2019, and will not depend on the terms of the contracts and the date of their conclusion. So, if the contract is concluded in 2018, and the price in it is formed taking into account the VAT rate of 18%, but shipment will occur in 2019, VAT must be paid at the rate of 20%. At the same time, if the taxpayer receives an advance payment in 2018 for shipment that will take place in 2019, then VAT is calculated at the old rate for the amounts of advance payment, and when shipped, at the rate of 20%.

Below is a plan for the transition to a new VAT rate on the example of the acquisition and shipment of goods:

№	Variant	Year 2018	Year 2019
1	Goods purchased in 2018, sold in 2019	VAT deduction at the rate of 18%	VAT is charged at the rate of 20%
2	Goods shipped in 2018, payment received in 2019	VAT is charged at the rate of 18%	VAT is charged at the rate of 20% only for goods, w services that are shipped from January 1, 2019.
3	100% advance payment received in 2018, the goods were shipped in 2019	VAT is charged from the advance payment at the rate of 18/118	VAT is charged at the rate of 20% and VAT deducti applied from the advanced payment at the rate of
4	A partial advance payment received in 2018, the goods shipped in 2019	VAT is charged from the received advance payment at the rate of 18/118	VAT is charged at the rate of 20%. VAT deduction i from the partial advance payment at the rate of 18

5	Government Contract. Advance payment received in 2018, execution – in 2019	VAT is charged from the advance payment at the rate of 18/118	VAT deduction is applied from advance payment a of 18/118. The contractor is not entitled to change contract price by himself; it is necessary to coordin the state customer (in the Letter dated August 28, 24-03-07 / 61247 the Ministry of Finance of the Rus Federation explained the specifics of price calculat into account the increase of the VAT rate).

In case of questions we are always ready to answer them and provide you with our legal assistance.

This article has been prepared by DSL-Service LLC for information purposes only and does not constitute legal advice. This information is not intended to create, and receipt of it does not constitute, an attorney-client relationship. Readers should not act upon this without seeking professional counsel.