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Tax Bill 2025

The material is up to date as of 14.05.2025

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On April 29, 2025, a draft Law on Amendments to the Tax Legislation proposed by Russia's Finance Ministry was published on the Federal Draft Regulations Portal.

The bill has been drafted by Russia's Finance Ministry. According to the draft law card, the purpose of the proposed amendments is "to solve issues identified upon the review of the applicable laws of the Russian Federation on taxes and levies." The draft Law deals with the tax administration matters, Corporate Income Tax, VAT, Personal Income Tax, property taxes, insurance contributions, special tax treatments.

Currently, the draft law is at the public hearing stage which is expected to last till May 23, 2025, whereafter the bill will be introduced into the Parliament.

> In our alert, we have highlighted the key amendments proposed in the bill. Please note that traditionally, final versions of draft bills proposed by Russia's Finance Ministry may differ from their original drafts.
>
> We will keep you updated on subsequent developments.

Standard	Amendments

General Provisions

Standard	Amendments
Paragraph 1 of Article 54 of the Russian Tax Code	According to the current wording of Article 54 of the Russian Tax Code, a mistake relating to computation of a tax that has occurred in previous tax periods and resulted in a tax overpayment, may be corrected in the current tax period. The following exception to this rule is proposed in the draft bill: no correction of a mistake in the current tax period shall be allowed, if the tax rate applicable in the current tax period (i.e. the period in which the error is detected) exceeds the tax rate that applied during the period when the mistake was made. The amendment has been proposed due to the fact that with effect from 2025, the rate of the Corporate Income Tax increased from 20% to 25%. Accordingly, if a taxpayer is capable to correct a mistake (for instance, to deduct extra costs) that occurred over the past tax period when the applicable rate was 20%, then, in the current tax period, when the applicable rate amounts to 25%, such a correction will result in a loss of tax revenues.
Paragraph 7.4 of Article 75 of the Russian Tax Code	The current wording of Paragraph 7 of Article 75 of the Russian Tax Code implies that late payment interest on overdue tax liabilities in respect of which a decision to grant a deferral or a tax installment plan was adopted will not accrue starting from the date following the date of adoption of such decision. According to the draft bill, a late payment interest non-accrual period will commence on the date the decision to grant a deferral or a tax installment plan is adopted.
Paragraph 5 of Article 77 of the Russian Tax Code	Immovable assets of any entity (whether Russian or foreign) which value exceeds the tax debt collection amount may only be seized if the entity does not have any other assets that can be seized. According to the current wording of the Russian Tax Code, this rule applies to immovable assets of foreign entities only.
Paragraph 4 of Article 89 of the Russian Tax Code	It is proposed to establish that a field tax audit may cover not only three years preceding the year of adoption of a tax audit decision, but also the expired tax periods of the year in which a tax audit decision is adopted. If the proposed amendment is adopted, a field tax audit may not cover the unexpired (reporting) period of the year of adoption of a tax audit decision.
Paragraph 6 of Article 100 of the Russian Tax Code	A special format for electronic filing of objections against a tax audit report is proposed to be introduced. The electronic filing of objections includes submission of objections via telecommunications channels, using a taxpayer's personal account or a personal account in the Integrated e-Portal of Government Services. The form, format and procedure of electronic filing of objections and supporting documents will be established by Russia's Federal Tax Service.

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Standard

Amendments

Tax Monitoring

Paragraph 3 of Article 105.26 of the Russian Tax Code

According to the current wording of Article 105.26 of the Russian Tax Code, transition to the tax monitoring requires simultaneous fulfillment of the following three conditions:

- the aggregate amount of taxes paid in a preceding year is at least RUB 80,000,000 ;
- the total amount of income earned in a preceding year according to the financial statements is at least RUB 800,000,000;
- the total book value of assets as of December 31 of a preceding year is at least RUB 800,000,000.

According to the proposed amendment, transition to the tax monitoring system will be available to entities that meet at least one of the criteria listed above, i.e. simultaneous fulfillment will no longer be required.

The explanatory note to the draft bill says that the amendment is aimed at expanding the tax monitoring perimeter.

Paragraph 3.1 of Article 105.26 of the Russian Tax Code

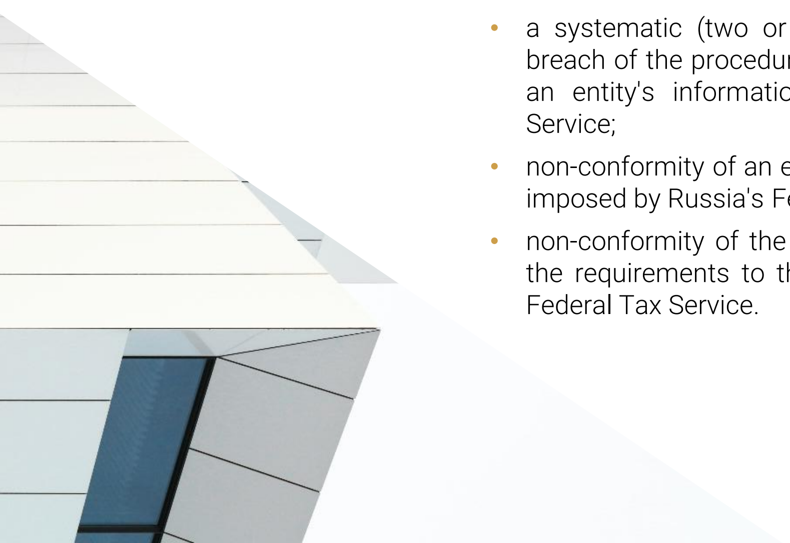
It is proposed to abolish, in relation to successors of the tax monitoring participants, the compulsory compliance with the provisions of Paragraph 3 of Article 105.26 of the Russian Tax Code.

The proposed amendment is also aimed at expanding the tax monitoring perimeter and procuring tax monitoring continuity in the event of a reorganization of a tax monitoring participant.

Paragraph 1 of Article 105.28 of the Russian Tax Code

Five new grounds for premature termination of the tax monitoring are proposed:

- identification, by a tax authority, of a fact that the documents filed by an entity in accordance with Paragraph 2 of Article 105.27 of the Russian Tax Code, are not up-to-date in respect of such entity's successor within one month of the date of establishment of the successor as a result of the entity's reorganization;
- non-conformity of an entity's information exchange protocol with the requirements to the information exchange protocol imposed by Russia's Federal Tax Service;
- a systematic (two or more instances over the period of monitoring) breach of the procedure and timeframes of the tax authority's access to an entity's information systems approved by Russia's Federal Tax Service;
- non-conformity of an entity's information systems with the requirements imposed by Russia's Federal Tax Service;
- non-conformity of the internal control system applied by an entity with the requirements to the internal control systems imposed by Russia's Federal Tax Service.



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Standard

Amendments

VAT

Standard	Amendments
Paragraph 1.4.7 of Article 148 of the Russian Tax Code	In relation to subletting of cryptocurrency mining infrastructure, the place of sale of services shall be identified as the lessor's place of business. Accordingly, subletting, by Russian taxpayers, of cryptocurrency mining infrastructure to foreign persons shall be subject to VAT in the Russian Federation.
Paragraph 9.3 of Article 149 of the Russian Tax Code	A sale of ore, concentrates and other industrial products containing precious metals by entities engaged in extraction of such products, to precious metal refineries will be excluded from the list of VAT-exempt operations.
Paragraph 1.6.3 of Article 164	In connection with the amendments proposed to Paragraph 3 of Article 149 of the Russian Tax Code, it is proposed to set a zero VAT rate in respect of a sale of ore, concentrates and other industrial products containing precious metals by entities engaged in extraction of such products, to precious metal refineries.
Paragraph 1.8 of Article 174.2 of the Russian Tax Code	Services involving provision of computation capacity for digital currency mining shall be excluded from the list of electronic services. It means that the place of sale of such services will be identified as the place of business of a person that provides such computation capacity. Accordingly, provision, by Russian taxpayers, of computation capacity to foreign persons shall be subject to VAT in the Russian Federation.

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Amendments

PIT

Paragraph 2.2.7 of Article 210 of the Russian Tax Code

A unified tax base is proposed to be introduced in respect of income of non-residents of the Russian Federation from a sale of any property or an interest therein or a sale of any property rights.

According to the current wording, a tax base in respect of income from a sale of immovable property or an interest therein shall be calculated separately from a tax base in respect of income from a sale of movable assets or any property rights.

Paragraph 1 of Article 217 of the Russian Tax Code

Personal Income Tax-exempt items shall include a compensation, by a guilty person, of the value of lost property or the costs of lost property restoration in the instances prescribed by the applicable laws of the Russian Federation, laws of the constituent entities of the Russian Federation, or resolutions of local representative bodies.

It should be noted, however, that income in the form of the value of lost property shall only be tax-exempt to the extent of the market value of such property. Any excess of the value of lost property over its market value shall be subject to Personal Income Tax in accordance with the standard procedure.

Paragraph 17.2 of Article 217 of the Russian Tax Code

With effect from 2025, there apply the new rules of Personal Income Tax exemption of income from a sale (redemption) of participation interests / shareholdings held for more than five years from.

At present, the exemption may apply to income from a sale of:

1) participation interests in Russian LLCs;

2) shares in both Russian and foreign JSCs that are not regarded as property-rich companies. A property-rich company is a company over 50 percent of whose assets are, whether directly or indirectly, comprised of Russia-based immovable assets.

The exemption, however, may only be applied by tax residents of the Russian Federation to income from a sale of participation interests / shareholdings to the extent such income does not exceed RUB 50,000,000. Any excess of income shall be taxable at the rate of 15%.

The draft bill implies further tightening of the conditions for application of the exemption:

1) the exemption will only apply to participation interests in Russian LLCs or shareholdings in Russian JSCs. Income from a sale of participation interests / shareholdings in foreign companies shall not be tax-exempt;

2) the exemption will cease to apply in respect of participation interests in Russian LLCs that are regarded as property-rich companies;

3) the exemption will cease to apply in the event of an exit of a participant (shareholder) from a Russian entity.

Accordingly, with effect from 2026, Personal Income Tax exemption will apply to income from a sale, by tax residents of the Russian Federation, of participation interests / shareholdings (held for more than five years) in Russian entities that are not regarded as property-rich companies to the extent such income does not exceed RUB 50,000,000.

Standard

Amendments

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Paragraph 2.2 of Article 220 of the Russian Tax Code

Certain amendments are proposed to the rules of identification of expenses that may be deductible by an individual for Personal Income Tax purposes in connection with a sale of his/her participation interest upon reorganization of the company.

Such expenses shall include the value of the participation interests held by a taxpayer prior to reorganization subject to existence of the documentary evidence of the costs of acquisition of the participation interests of so reorganized entities.

This procedure shall also be applicable to income derived in connection with:

1. an exit from the new company established upon reorganization;
2. the assets received upon liquidation of the reorganized entity;
3. a decrease of the par value of the participation interest in the new company established upon reorganization.

Paragraph 2.2 of Article 220 of the Russian Tax Code

The proposed amendment clarifies the procedure of deduction of expenses in the event of a sale (exchange) of assets received as a compensation for release from obligations.

Income from a sale (exchange) of assets received as a compensation for release from obligations may be decreased by the value of such assets which value was recognized as income when such assets were acquired as a compensation for release from obligations and on which the Personal Income Tax was assessed.

Standard	Amendments
Corporate Income Tax	
Paragraph 2 of Article 249 of the Russian Tax Code	For the purposes of transferring goods (property rights), performing works, rendering services in order to discharge monetary obligations arising outside the contractual relations relating to the aforementioned transfer of goods / property rights (performance of works/provision of services), the relevant sale proceeds should be determined as the amount of the obligation that is being discharged.
Paragraph 1.64 of Article 251 of the Russian Tax Code	An income in monetary form that an entity receives free of charge shall not be exempt from taxation if the entity in question is statutorily obliged to accept the relevant funds. Such income shall be accounted for in the same manner that is prescribed for subsidies (Paragraph 4.1 of Article 271 of the Russian Tax Code).
Paragraph 2.3 of Article 256 of the Russian Tax Code	Property acquired (created) using special-purpose budgetary resources shall be excluded from the list of non-depreciable property.
Paragraph 1.26 of Article 264 of the Russian Tax Code	Double depreciation rate shall not apply to the expenses incurred for the purposes of acquiring software use rights if the license agreement provides for possible transfer of the relevant software use rights to third parties. The explanatory note states that this amendment is introduced in order to exclude the repeated application of multiplying factor by persons that acquire software use rights to have them subsequently transferred under sublicense agreements.
Paragraph 2 of Article 266 of the Russian Tax Code	Paragraph 2 of Article 266 of the Russian Tax Code is supplemented by an indication to the effect that the provisions whereby bad debts are to be written off as expenses shall also apply to debt collection agencies that have acquired the rights of claim arising out of loan agreements. At present, Paragraph 2 of Article 266 of the Russian Tax Code stipulates that the provisions of Paragraph 2 of Article 266 of the Russian Tax Code shall apply to the rights of claim arising in respect of loans and acquired by banks if the relevant liabilities are deemed unrecoverable. We are aware of the instances where, given the ambiguity of the provision in question, tax authorities would often raise claims against collection agencies that acquired the rights of claim under loans and consequently wrote off the loan debt amounts that had been deemed unrecoverable as expenses. The tax authorities believed that only banks were entitled to recognize such expenses correspondingly. At the same time, we believe that even without the proposed amendments Paragraph 2 of Article 266 of the Russian Tax Code made it possible for debt collection agencies to recognize as expenses the bad debt amounts under the loans in which respect they acquired the rights of claim, meaning that such complaints on the part of tax authorities were, in most cases, unfounded.

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Standard

Amendments

Income tax

Paragraph 2.1 of Article 283 of the Russian Tax Code

The restriction whereby only 50 per cent of the losses from previous tax periods can be carried forward is extended to remain in force until 2030 (currently, it is to remain in force until 2026).

Paragraph 2.6 of Article 284.12 of the Russian Tax Code

It is proposed to include the income of a personal fund generated from managing the property that is held in trust and constitutes a mutual investment fund (MIF) in the list of income items of a personal fund that make up a necessary portion of the "qualified" income for a personal fund to apply a 15 per cent income tax rate.

At present, passive income (dividends, rental income, income from the sale of participation interests/stocks) is in most cases recognized as the "qualified" income of personal funds (Article 284.12 of the Russian Tax Code).

In our opinion, not having the interim payments on MIF shares included in this list seemed unreasonable from the outset.

This loophole is probably going to be eliminated starting from 2026, making the tax regime applicable to personal funds even more favorable.

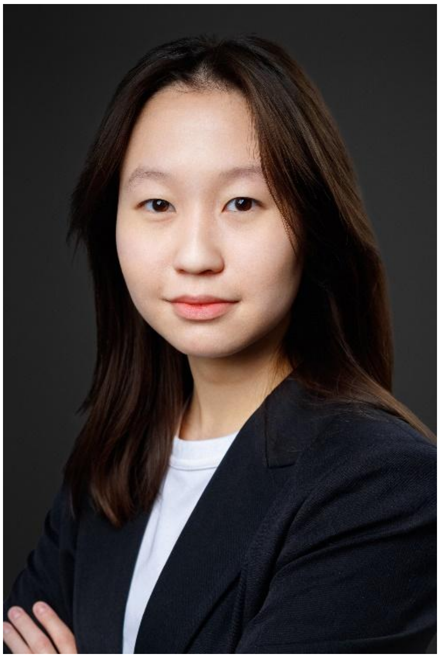
Standard	Amendments
Simplified Taxation System	
Paragraph 3.10 of Article 346.12 of the Russian Tax Code	It is proposed that advocates be allowed to apply the simplified tax system to the activities that they carry out as individual entrepreneurs and that are not related to their professional practice.
Paragraph 1.2 of Article 346.16 of the Russian Tax Code	For the purposes of applying the simplified tax system to "income less expenses" item it will be possible to recognize as expenses not only the costs of acquisition and formation of intangible assets but also the costs of having the relevant intangible assets completed, refitted and refurbished.
Paragraph 2 of Article 346.25 of the Russian Tax Code	For the purposes of switching from the simplified tax system to the general tax regime, the expenses that were incurred to purchase goods prior to the transition to the general tax system but were not recognized according to the rules for recognition of expenses under the simplified tax system are to be accounted for as expenses as provided for by the relevant rules applicable as part of the general tax system. This procedure will apply to expenses incurred no later than 3 years prior to the transition.
insurance premiums	
Paragraph 5 of Article 427 of the Russian Tax Code	Clarifies the procedure for the application of reduced rates of insurance contributions by accredited IT companies. It establishes that reduced rates for insurance contributions provided for under IT tax benefits are applied by accredited IT companies from the 1st day of the month in which accreditation is obtained. This approach was previously confirmed in clarifications by the Ministry of Finance of Russia (see, for example, Letter No. 03-03-06/1/40180 of the Ministry of Finance of Russia dated 2 May 2023).

Contacts

VERBA / LEGAL

Evgeniya Zainchukovskaya
Counsel
evgeniia.zainchukovskaia@verba.legal

/ **Andrei Sheptiy**
Senior Associate
andrey.sheptiy@verba.legal



/ **Altana Lidzhieva**
Junior Associate
altana.lidzhieva@verba.legal

VERBA / LEGAL

info@verba.legal

+7 (495) 374-74-03

11, Gogolevsky Blvd,
Moscow, 119019

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Investment Arbitration Review

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