

E-services

Effective 1 January 2019, e-services supplied by foreign providers in the territory of the Russian Federation are subject to VAT (if the Russian Federation is recognised as the place of supply) in accordance with amended rules.

E-services list is provided for by the applicable tax legislation. The e-services list includes:

- granting of rights to use software (including online games) via Internet;
- provision of advertising services and advertising space;
- provision of online electronic trading facility;
- provision/maintenance of commercial/personal web presence, websites/webpages support, secure access to them;
- storage and processing information via the Internet;
- provision of online computational capacity for placing information in information systems;
- provision of domain names and hosting services;
- administration of websites and information systems;
- provision of automatic data searches, data selection and processing (including stock market data, online translation services);
- provision of rights to use electronic published matter, information resources, graphic images, music, including by providing remote access;
- provision of search services and/or providing information about prospective buyers to the service recipients;
- provision of access to the Internet search engines;
- web-based statistics management.

Place of supply

If the individual, the customer, does not have the entrepreneur status, its place of residence is not the only parameter for establishing the place of supply. The individual is considered as located in the territory of the Russian Federation, if at least of one of following conditions is met:

- the individual resides in the Russian Federation;
- payment is made through bank/payment operator located in the Russian Federation;
- the individual's IP address is registered in the Russian Federation;
- the Russian telephone country code is used for purchasing/paying for e-services.

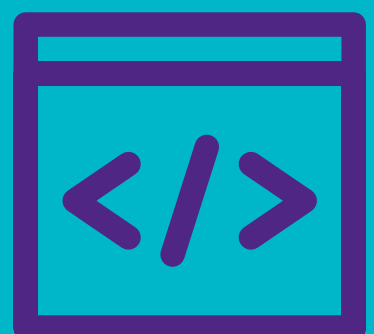
If supply of e-services is deemed to be made in Russia, while under the legislation of the foreign provider the supply is deemed to be made in such foreign country, the foreign provider has the right to determine the place of supply at its own discretion.



The following services are NOT e-services:

- sale of goods/services ordered over the Internet, where the supply is made without using the Internet;
- sale of software (including online games) and databases on tangible media;
- provision of consulting services through e-mail;
- provision of Internet access.

Other services that do not meet the outlined criteria are exempt from VAT.



Tax rate and tax calculation

The tax rate is 16,67% and a tax base is calculated as the received payments and advanced payments for the tax period.

The tax is paid on a quarterly basis in RUB no later than the 25th day of the month following the tax period.

Input VAT is not deductible (refundable).

Tax registration procedure

Foreign provider of e-services is subject to registration for VAT purposes regardless the person of the customers (natural or legal person).

Documents that confirm the place of supply include registers of transactions, specifically indicating the service fee and the information regarding the conformity with the above-going parameters (place of residence, bank location).

Tax authority grants registration based on the application for VAT registration and other documents stipulated by public authorities to the following foreign providers:

- the foreign provider that supplies e-services in the territory of the Russian Federation and is involved in settlements directly with customers;
- the foreign intermediary is recognised as tax agent.

The foreign provider shall apply for registration for VAT purposes within 30 days from the date of commencement of supply of e-services.

Regulations on VAT registration do not apply to entities that operate in the territory of the Russian Federation as separate business units.

For income tax purposes, e-services deemed to be supplied in Russia by the foreign provider do not result in creating any permanent establishment in Russia for this provider.

Foreign intermediary recognised as tax agent

Apart from foreign providers of e-services, foreign intermediaries are deemed as tax agents that are involved in direct settlements with individuals under commission, agency or other similar agreements made with the foreign providers of the e-services. The tax agent shall assess and pay the respective tax amount. The foreign intermediary shall apply for registration for VAT purposes (general registration procedure is applied).

If more than one foreign intermediary is involved in the settlements, the intermediary to be deemed as tax agent is the one that is directly involved in settlements with the individual irrespective of an agreement with the foreign provider of e-services.



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