

RUSSIA

As per 1 January 2018

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EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

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| Tax rate | Flat tax rate: 13% on world wide income Flat tax rate for dividends: 13% Tax rates for specific types of incomes: 9/13/35% Non resident flat tax rate: 30% Highly Qualified Specialists (HQS): 13% on incomes received from the Russian employer |
| Tax period | Calendar year |
| Tax residency / Domicile according to domestic law | Presence in Russia for 183 days or more in a calendar year . |
| Tax registration | Generally not required. Tax registration is necessary for those expatriates who want to obtain the status of Highly Qualified Specialist. |
| Employment income definition | Remuneration in cash or in kind, including various types of taxable benefits (e.g., bonus, cost of living allowance, rental compensation/ accomodation, corporate car for personal use, etc.). |
| Examples of tax exemption | Reimbursement of properly documented business expenses (including business trip expenses, per diems, etc.) is not taxable. |
| Specific expatriate concession | Foreign nationals can obtain the status of Highly Qualified Specialist ("HQS") and enjoy significant tax and migration benefits. Remuneration paid to the HQS by a Russian employer is not subject to obligatory social insurance contributions (except the payment of the accidental insurance contribution in the amount of 0,2% in most cases). In order to qualify for the HQS status, the annual remuneration paid to the employee should amount at least 2MRUB. |
| Income of board members | Treated as ordinary taxable incomes (Russian source incomes if received from a Russian company) |
| Tax returns | Local employment agreement: personal income tax is withheld by the Russian employer. Foreign employment agreement: personal income tax return should be filed with the Russian tax authorities not later than April 30th, of the following calendar year. |
| Tax payments | Before the 15 July of the year following calendar year. |

TAX TREATIES

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| Employment income / income from board members | Russia has signed over 80 double tax treaties (DTT) which prevail over the Russian legislation, (however the application of their provisions is usually quite bureaucratic and time-consuming) |
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INTERNATIONAL SOCIAL SECURITY

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|---|---|
| Cross border employments | Income for work performed in Russia should be – technically – subject to obligatory social insurance contributions. Obligation to pay obligatory social insurance contributions is levied on the employer as a whole legal entity, therefore, representative offices and branches of foreign employers in Russia should pay obligatory social insurance contributions even on incomes paid abroad by the head offices. In absence of registered presence of the foreign employer in Russia, there is no practical mechanism to pay Russian obligatory social insurance contributions. |
| Exception under Art 16 of Reg. 883/2004 and Art 17 of Reg. 1408/71 | Not applicable |

Social Security Cost as % from gross salary and absolute amounts

Russian obligatory social insurance contributions depends on migration status of the expatriates and consist of 4 elements: medical insurance contributions, social security contributions, pension contributions and accidental insurance contributions. For 2017, the pension contributions for foreign nationals amount to 22% on the annual gross remuneration up to 876 kRUB + 10% on the exceeding part. The social security contributions amount to 2,9% for foreigners with residency permit (1,8% for foreigners temporarily staying in Russia) on the gross annual remuneration up to 755 kRUB + 0% on the exceeding part. Medical insurance contribution are paid only for foreigners with residency permit in the amount of 5,1% on the annual gross remuneration. The rate of accidental insurance contribution depends on the class of professional risk and varies from 0,2 to 8,5% (0,2% in most cases). Remuneration paid to expatriates with the status of Highly Qualified Specialists is not subject to obligatory social insurance contributions except to accidental insurance contribution (0,2% in most cases).

IMMIGRATION

Work permit

3 general types of work permits in Russia:

- HQS (highly qualified specialist) – the most preferable type
- Non-HQS – less preferable, it requires to pass an exam on Russian language/history and legislation knowledge and medical tests
- Patent – for citizens of CIS (citizens of some CIS countries are exempted of patent obtainment – Belorussia, Kazakhstan)

Benefits of HQS work permit:

- 13% tax rate on incomes paid by the Russian employer
- Exemption from social charges (except on accidental insurance contributions – 0,2%)
- Visa with 3 years of validity
- Exemption from registration with the migration services during 90 days after the arrival in Russia

Visa

A visa is required for the foreign citizens entering the Russian territory except for the CIS citizens. Main types of visas:

- Tourist visa – up to 30 days (requirement: a tourist voucher or the confirmation of an hotel reservation)
- Business visa – 1) up to 90 days with 1 or 2 entries or 2) up to 365 days with multi-entries and the right to stay in Russia 90 days on each period of 180 days (requirements: MIA telex, invitation issued by the Federal Migration service, for EU citizens – letter from a Russian company)
- Work visa – up to 1 year with multi-entries (up to 3 years for HQS) without limitation on the duration of the stay in Russia (requirement: an invitation issued by the Federal Migration Service)

Residency permits / registration certificate

Foreign citizens entering Russia are obliged to receive a registration within 7 working days after their arrival in Russia (for HQS this term is prolonged to 90 days). The registration is made by the hotel, the inviting company, the owner of the apartment.

Foreigners having decided to live in Russia for a long time are allowed to apply for:

- Temporary residency permit (term of validity – 3 years) or
- Permanent Residence (term of validity – 5 years).

Both documents provide the right to work in Russia without work permit

Driving license

Foreigners are allowed to use in Russia a driving license issued in their country of origin. Russian driving license is required only when driving is a job duty.

STOCK OPTION PLAN

There are no special provisions regarding the taxation of stock options in Russia. Tax treatment depends on the conditions of the Stock Option Plan.

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