



*Indirect Taxation
January Newsletter
Issue 01 /2019*

New Russian VAT Rules for E-Services

We would like to bring to your attention that as from 1 January 2019 suppliers of E-services established outside the Russian Federation (“foreign service providers”), that offer such services to persons in business (B2B) located in Russia will have an obligation to register for and collect VAT on the value of the services provided and pay the VAT on those services to the Federal Tax Service.

It should be noted that registration is applicable even if the services are VAT exempt in Russia.

This Law is in addition to the Law which was already in place as from 1st of January 2017 imposing VAT on E-services offered by foreign service providers to persons not in business (B2C) located in Russia.

The **E-Services** subject to the above rules are the following:

Software and video games

- Provision of rights to use computers software (including video games), databases via Internet, including by providing remote access thereto, including updates thereto and additional functionality.

Music, books, films

- Provision of rights to use e-books and other electronic publications, information, education materials, graphic images, musical works with or without text, audiovisual works, through the Internet, including by providing remote streaming thereof.

Advertisement and trade platforms

- Providing advertising services on the Internet, including by using internet based computer and database software, as well as providing advertising space in the Internet;
- Provision of services for placement of offers for the purchase (realization) of goods (works, services), property rights in the Internet;
- Rendering services via Internet to provide technical, organizational, informational and other opportunities, implemented with the use of information technologies and systems, to establish contacts and (or) conclude transactions between sellers and buyers (including provision of real time Internet based trading platforms, where potential buyers offer a price by an automated procedure and the parties are notified about the sale by receiving automatically generated messages).

Search engines and social networks

- Rendering services for search and (or) provision of sales leads to the customer;
- Providing access to search engines on the Internet;
- Provision of automatic services via Internet when customers enter specific data; automatic services for data search, selection and sorting upon requests, providing selected data to users through information and telecommunication networks (in particular, real-time summaries of the stock exchange, real time automatic translation);
- Providing and (or) maintaining of commercial or personal presence on the "Internet", support for users' electronic resources (web-sites and (or) Internet-pages), providing access to such resources to other users, enabling users to modify them.

Databases, hosting, websites

- Storage and processing of data provided that the person submitting such data has remote access to it via Internet connection;
- Real time provision of computing power to accommodate information in the information system;
- Providing domain names, providing hosting services;
- Provision of services for the administration of information systems and websites on the Internet;
- Collecting web page statistics.

The below E-Services **are exempt** from VAT:

- Provision of rights to use software (games included) and databases based on a license agreement or a tangible media.

VAT rate

As from 1st of January 2019, the applicable VAT rate imposed on E-services is 16.67%.

Threshold

All foreign service providers have an obligation for registration irrespective of the volume of the sales performed.

Deadline for Registration

Foreign service providers offering e-services to Russian business customers before the 1st of January 2019, should proceed with registration the latest by **15 February 2019**. Any foreign service providers that will start providing e-services during the year 2019 have an obligation to proceed with registration within 30 days from the day that the first supply will be made.

VAT reporting obligations

As soon as the registration is completed, the foreign service providers will have the obligation to submit quarterly VAT returns the latest by the 25th of the month following the end of the reporting quarter and pay the applicable VAT to the Federal Tax Service.

Copyright © K.Treppides & Co Ltd, All rights reserved.

Our mailing address is:

taxation@treppides.com www.treppides.com