



Effective 1 July 2019, taxpayers will be able to deduct VAT when exporting services

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On 15 April a Federal Law¹ was published allowing taxpayers to deduct value-added tax (VAT) on goods (work, services) used in providing services outside Russia (i.e., when “exporting” services²).

VAT charged to or paid by a taxpayer when goods are imported into the Russian Federation and other territories under its jurisdiction, in cases where Russia is not regarded as the place of supply under Article 148 of the Russian Tax Code, is generally nondeductible and must be included in the cost of such goods (work, services).

¹ Federal Law No. 63-FZ of 15 April 2019 “On Amendments to Part Two of the Tax Code of the Russian Federation and Article 9 of the Federal Law ‘On Amendments to Parts One and Two of the Tax Code of the Russian Federation and to Certain Legislative Acts of the Russian Federation Concerning Taxes and Levies’”

² More detailed information is provided in the Tax Messenger of [9 April 2019](#)

An exception will now be made for VAT paid on goods (work, services) used in exporting services that are VAT-exempt under Article 149 of the Russian Tax Code. The changes will also affect separate accounting for VAT and the calculation of proportions for input VAT deductions, since taxpayers will have to treat export services as VAT-able transactions for these purposes.

How can EY help?

We will be glad to discuss the amendments and their implications in greater detail and can offer you the following services:

- ▶ Analysis of company services that contain elements of the services listed in Article 149 of the Russian Tax Code and whose place of supply is regarded as the seller's place of business
- ▶ Recommendations on the new separate accounting procedure for VAT and a review of compliance with other criteria for the deduction of input VAT
- ▶ Preparation of amendments to the accounting policy for tax purposes to minimize associated VAT risks
- ▶ Study of the potential for restructuring intra-group relations if VAT cannot be deducted by a tax agent
- ▶ Analysis of profits tax consequences if legislative changes prevent the taxpayer from treating input VAT in connection with exported services as expenses
- ▶ Support in modifying the ERP system and adjusting tax registers so that transactions are recorded in compliance with the new requirements

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